



ANNUAL REPORT

2011–2012





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Cover photography is of Gippsland Water's Vortex Centre, and a bird dipping its head under water. The bird photo was taken by Mathew Fowler of Traralgon, the first prize entry of Gippsland Water's National Water Week photo competition.

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INTRODUCTION AND OVERVIEW

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 Honourable Peter Walsh MLA, Minister for Water (1 July 2011 to 30 June 2012).

Gippsland Water:

- Has its statutory functions of water and wastewater detailed under Parts 8 and 9 of the *Water Act 1989*.
- Has its role relating to acceptance, treatment and disposal of industrial waste detailed in Part 6 Section 122F, Division 5 of the *Water Act 1989*.
- Covers from Drouin in the west, to Stratford in the east, and from Rawson and Briagolong in the north, to Mirboo North in the south.
- Supports a population of more than 140,000 people.
- Provides water to more than 64,000 customers and wastewater services to more than 55,000 customers.
- Manages 17 water treatment plants and 14 wastewater treatment plants, including two ocean outfalls.
- Operates a Soil and Organic Recycling Facility (SORF), which treats prescribed and non-prescribed organic waste.
- Manages 12 agribusiness sites, which produce beef, crops and plantation timber.

OUR MISSION

We will manage the resources in our care in a manner that secures social, environmental and economic benefits to our customers, stakeholders and the Gippsland region.

OUR VISION

We will deliver value in sustainable water and waste management within central Gippsland.

WHAT WE VALUE

Our values guide us to fulfil our mission and vision. We are committed to:

- Open, ethical and fair conduct.
- Community engagement and trust.
- Safety and wellbeing.
- Teamwork.
- Developing knowledge and capability.
- Innovation.
- High levels of customer satisfaction.

JOINT MESSAGE FROM THE CHAIRPERSON AND MANAGING DIRECTOR

This financial year, the corporation has made significant progress across a number of projects despite constant rainfall bringing a new set of challenges. With the Moondarra Reservoir at capacity for some time following heavy rain in 2007, July 2011 saw Blue Rock Lake spilling for the first time in 15 years. Blue Rock is almost seven times larger than Moondarra, with a capacity of 208,000 megalitres (ML).

As our storages flourish, our focus continues to remain on ensuring we are able to provide water and waste management services into the future. To this end, we have reviewed our vision, mission and value statements and established a strong direction for the next five years, ever mindful of our role as stewards of the essential services we deliver.

We continue to maintain a strong focus on engaging with our customers and the community – in person via information sessions, expos and online through the launch of our new website forum ‘Share Your View’. A review of our customer bills also began during the reporting period, which involves a revamp of the current bill to ensure it is easier to read and understand. The project is set to be complete by June 2013.

Our nomination for an Australian Service Excellence Award in the ‘Category of Contact Centre of the Year’ further demonstrates our commitment to customer service. The awards are conducted by the Customer Service Institute of Australia which is Australia’s peak customer service organisation. We were nominated for this award by a customer.

In times of constraint and uncertainty, the board has focussed on achieving its vision of minimal price rises in the next Water Plan period. This has required significant effort throughout the organisation. Our draft Water Plan 3 was released in May 2012 and focuses on maintaining, upgrading and managing the impact of significant growth in our communities for the next five years.

The proposal outlines operational and capital expenditure requirements including major projects and large infrastructure programs such as water and wastewater system renewals, water treatment plant upgrades, the levels of service to customers (service standards) and proposed tariffs for the five year period from July 2013 to June 2018.

A document that closely links to the development of Water Plan 3 is the Water Supply Demand Strategy (WSDS). This strategy analyses a range of data to determine if water demand is likely to exceed supply, and provides possible actions to address any shortfall with stakeholders and the community. We have successfully developed a new WSDS.

We are also the proud winner of Australia's pre-eminent award for environmental excellence; winning the Gold Banksia for the Gippsland Water Factory (GWF) project. The corporation was a finalist in three Banksia categories; 'Built Environment' and 'Water' for the GWF, and 'Education' for the Vortex Centre and associated Water Wonders education program. Gippsland Water won both the 'Water' and 'Education' category awards, as well as overall gold.

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 2012.



RICHARD MCDOWELL
Chairperson



DAVID MAWER
Managing Director

HIGHLIGHTS OF THE YEAR

- It has been a year of achievements and accolades for Gippsland Water, with the corporation recognised for environmental excellence through the prestigious Gold Banksia at the 2011 Banksia Environmental Awards in October. Considered the 'Oscars of environmental awards' in Australia, the Banksia Awards celebrate the achievements of those who have made a significant contribution to the sustainable future of the country through leadership and innovation. Gippsland Water was a finalist in three Banksia categories; 'Built Environment', and 'Water' for the Gippsland Water Factory project, and 'Education' for its Vortex Centre and associated 'Water Wonders' education program. The corporation won both the 'Water' and 'Education' category awards.
- In the same month, Gippsland Water was also recognised for its commitment to workplace health and wellbeing with a high commendation at the 2011 WorkSafe Victoria Awards against four other nominated organisations.
- The Loch Sport and Coongulla Glenmaggie sewerage schemes have seen significant progress with planning, environmental studies and key design largely completed. The two schemes will provide reticulated sewerage systems to key priority towns identified in the Victorian Government's Country Towns Water Supply and Sewerage Program. Civil works for the Coongulla Glenmaggie Sewerage Scheme, Heyfield transfer pipeline, and sewer pump station at Licola Road were completed, marking the first major construction phase of this project.
- Gippsland Water developed a new Trade Waste Customer Charter to inform its customers about the trade waste services performed by the corporation and the respective rights and responsibilities of Gippsland Water and its customers. This charter was a requirement under the Essential Services Commission's (ESC) new Trade Waste Customer Service Code issued on 1 January 2012, and provides customers with consistent, transparent and timely decision-making for trade waste applications and management.
- Improvements in customer service have been made with Gippsland Water participating in a water industry benchmarking project conducted by the Water Services Association of Australia. Part of the project found efficiency gains of approximately seven hours per day across the customer service section as well as building significant improvements in the way in which data quality is maintained and consistency in process.
- A more secure water supply is now being delivered to Boolarra residents following the construction of a pipeline that links Boolarra to Yinnar's water supply. This supply comes from Moondarra Reservoir and is treated at the Morwell Water Treatment Plant, providing the town with a more reliable source of water.

- Gippsland Water has further demonstrated its commitment to long term planning and delivering major infrastructure projects for population growth with the completion of stage one of a \$12 million two-stage project to connect the Warragul and Moe water supplies. Stage 1 consisted of connecting the major water main from Yarragon to Darnum meaning the 1.2ML of water used in the Darnum township each day is now supplied by the Moe water supply system. The project ensures a secure water supply in the Warragul area.
- Water planning for the future has also been a focus for customers and the community who have been given the opportunity to engage with Gippsland Water online, following the launch of the corporation's new look website and interactive portal 'Share Your View'. While public community forums were held in Warragul, Traralgon and Sale, the online forum also invited customers and the community to comment electronically about a number of water related issues, including the draft Water Supply Demand Strategy (WSDS), which is a 50-year plan that lists the actions needed to ensure water security in the long-term. The online forum has been well utilised in addition to Gippsland Water's public consultation and engagement activities, with input from the campaign now being utilised to inform a new phase of consulting customers and the community on the corporation's pricing plans for the next five years.
- Gippsland Water's draft Water Plan 3 proposal has been a significant focus for Gippsland Water in the past year. The plan outlines the corporation's proposed tariffs, operational expenditure requirements and capital expenditure requirements for the five year period from July 2013 to June 2018. It also outlines the service standards Gippsland Water will seek to deliver to its customers over the five year period.

Gippsland Water is required to develop a draft water plan and release the draft to customers and the wider community for comment and feedback, and then prepare a final water plan to submit to the ESC by 30 September 2012.

The draft Water Plan 3 was launched in May 2012, with community consultation sessions held across the region in Warragul, Moe, Traralgon, Sale, and in the smaller towns of Drouin, Neerim South, Maffra, Mirboo North, Stratford, Boolarra, and Churchill. The Essential Services Commission (ESC) commended Gippsland Water for its innovative approach to producing 15 'clearly communicated fact sheets' as part of its communication processes.

OVERVIEW OF FINANCIALS

Key results for the financial year

Financial Result	2011-12 (\$'M)	2010-11 (\$'M)	2009-10 (\$'M)	2008-09 (\$'M)	2007-08 (\$'M)
Core business revenue	106.3	99.1	96.2	76.7	62.6
Interest revenue	0.7	0.8	0.6	0.9	0.9
Non Government contributions	10.4	7.6	7.5	6.5	5.3
Other revenue (farm and gross proceeds)	2.3	2.1	2.4	2.0	1.9
	119.7	109.6	106.7	86.1	70.6
Operations, maintenance and administration	81.6	70.8	53.7	51.9	46.8
Depreciation expense	29.1	24.9	19.8	23.0	20.3
Finance expenses	13.2	12.6	12.1	9.8	3.9
	123.9	108.3	85.6	84.7	70.9
Net operating result	(4.2)	1.3	21.1	1.4	(0.3)

Gippsland Water's net operating result for 2011-12 was a \$4.2M loss

Core business revenue increased by \$7.2M in 2011-12. Core revenue essentially contains two components. These components are service charges and volumetric revenue.

During 2011-12 service charges increased by \$5.0M. These reflect a combination of strong growth in the number of customer connections and the price increase reflected in the Essential Services Commission (ESC) 2011-12 price determination. Revenue was impacted by the higher rainfall experienced in the region during 2011-12. The rainfall has significantly impacted traditional consumption patterns and therefore volumetric charges were \$2.2M lower than expectations.

Non-government contributions includes cash contributions from developers and gifted assets. Revenue was \$2.5M higher than 2010-11 and significantly higher than expectations. This reflects strong levels of developer activity in the Gippsland region, particularly in the towns of Warragul and Drouin.

Operations, maintenance and administration expenditure increased by \$10.8M from 2010-11. While staff numbers were in line with expectations, staff costs were impacted by a \$4.6M call from Vision Super. This call represents an additional contribution due to the defined benefits fund being in an unfunded position and is outside normal business operations. The expense was accrued during 2011-12 but is not payable until 1 July 2013.

The \$6.2M remaining increase can be attributed to 2011-12 being the first full year of operation at the Gippsland Water Factory (GWF). Further, the operating costs at the Soil Organic Recycling Facility have increased significantly as the facility has processed higher volumes of waste.

Depreciation expense increased by \$4.2M. The increase reflects the first full year of depreciation expense being charged on the Gippsland Water Factory. During 2010-11, Gippsland Water completed a revaluation of its infrastructure assets. The revaluation saw an increase of \$211M on infrastructure assets. However, the asset revaluation also resulted in a substantial increase in the useful lives for asset infrastructure and as a result the increase in depreciation charges was minimal and in line with internal forecasts.

Finance expenses for the year are marginally higher (\$0.6M) than 2010-11 due to new loans of \$17.5M progressively being drawn down. While this expense is higher than last year, interest expense was still \$1.3M lower than internal forecasts.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Performance Report for the year ended 30 June 2012

Performance indicator	2011 Result	2012 Result	2012 Target	% Variance	Note
Financial Performance Indicators					
Internal Financing Ratio <i>Net operating cash flow/ capital expenditure</i>	72.5%	50.2%	58.6%	-14.4%	1
Gearing Ratio <i>Total debt/total assets</i>	18.2%	19.6%	23.7%	17.2%	2
Interest Cover (EBIT) <i>Earnings before net interest and tax/net interest expense</i>	1.1	0.7	1.2	-44.9%	3
Interest Cover (Cash) <i>Cash flow from operations before net interest and tax/ net interest payments</i>	3.9	2.7	3.0	-10.9%	

1 The Internal Financing Ratio has deteriorated from last year and is unfavourable to target. This is due to a higher than anticipated level of capital and operating expenditure accruals at 30 June 2011. This has resulted in greater than expected cash payments in the 2011-12 financial year. Capital Expenditure was in line with target.

2 The Long Term Financial Viability indicator deteriorated from last year due to borrowings drawn down during the year. However, this is favourable to the target with the asset base being higher due to the revaluation of assets last year.

3 The Interest Cover was unfavourable to the target due to the EBIT being lower than the target. This result was unfavourable despite the net interest expense for the year being lower than the target.

RESOURCE SUSTAINABILITY

Water is a vital element of our natural environment. It sustains all forms of life. Gippsland Water is committed to securing the reliable supply of safe water and the management of wastewater to the region, with a strong focus on using and re-using our natural resources efficiently.

WATER CONSERVATION AND COMMUNITY EDUCATION

Gippsland Water continued to promote the water saving message throughout 2011-12, undertaking many activities to encourage and promote water conservation across the service area.

To celebrate National Water Week, Gippsland Water held a photography competition which attracted more than 80 entries from secondary schools across the service area and the general community. Entrants were invited to submit a photo capturing the theme 'water conservation' (for secondary students) and 'water in Gippsland' (open category for adults).

The photo of a bird dipping its body in water featured on the cover of this annual report is the first prize entry of the 'open' category submitted by Mathew Fowler of Traralgon.

The winners of the competition were unveiled at a National Water Week community breakfast in Civic Park, Warragul. The weekend event showcased static displays and various aspects of Gippsland Water including major projects, catchment and environmental information, and featured a free barbeque and face painting for the children.

It has been another successful year for our Vortex education centre, with more than 1,200 children visiting and learning about water conservation and other water-related topics using the state-of-the-art interactive displays. There are six specially designed programs available to primary and secondary school students to allow them to learn more about the water cycle, Gippsland's water catchment and the Gippsland Water Factory wastewater treatment process.

The water saving message continues to extend to the classroom with Trafalgar High School awarded a \$2000 prize from the savewater!® Alliance for utilising an online water saving resource as a part of its curriculum. The Australia-wide promotion allows the school to invest in water related resources for its students.

The showerhead exchange program is in its sixth year and customers continue to maintain their commitment to saving water in the home with approximately 120 water saving showerheads distributed to households across the service area during the reporting period. In addition, approximately 60 trigger nozzles for garden hoses were distributed as part of the free trigger nozzle offer. During 2011-12 Gippsland Water processed 249 rebates worth more than \$63,000 under the Living Victoria Water Rebate program.

DROUGHT RESPONSE MANAGEMENT PLAN

Gippsland Water's Drought Response Plan (DRP) assists in the management of short-term water supply shortages. A key part of the DRP is the water restriction regime which consists of four stages of restrictions on water use. The plan also details how Gippsland Water communicates with its customers in relation to water restrictions, as well as other contingency actions that may be taken instead of, or in conjunction with, water restrictions. Restrictions apply to both residential and commercial customers and include limitations on garden watering times, car washing, cleaning paved areas, and the filling of pools and spas.

The DRP is now incorporated into the Water Supply Demand Strategy (WSDS), which is a holistic planning tool that guides both short and long term actions to ensure a supply demand balance as part of an adaptive management approach. The DRP was updated in 2011-12 as part of the development of the 2012 WSDS.

Following on from 2010-11, the 2011-12 year has again delivered above average rainfalls. This, combined with the effect of wet catchments has led to above average stream flows. For the first nine months of the 2011-12 year, inflows to Moondarra Reservoir were above the long-term average in all but one month with the total inflow for the period exceeding the long-term average by more than 60%. This led to the storage remaining full for the first half of the financial year, only dropping slightly during January and February, before filling again in March. With Gippsland Water's main storages reaching 100% and with above average stream flows in the smaller catchments, Gippsland Water did not invoke its DRP during 2011-12.

All water systems in Gippsland Water's region remained on Permanent Water Saving Rules (PWSR) for the full year.

2012 WATER SUPPLY DEMAND STRATEGY

Gippsland Water's Water Supply Demand Strategy (WSDS) identifies actions required to manage and meet the water needs of the region over a planning horizon of 50 years. During 2011-12, Gippsland Water's Asset Planning team completed a major update of the WSDS, which was submitted to the Minister for Water on 1 April 2012. The WSDS has been prepared in response to the requirement in the Statement of Obligations and in accordance with the Department of Sustainability and Environment's (DSE) guidelines. The WSDS is available for download on Gippsland Water's website.

The WSDS examines each water system to determine drought resilience, as well as forecast long-term yield and demand trends under a range of scenarios such as climate change. Where a possible shortfall is forecast, the magnitude and timing of that shortfall is considered in preparing an action plan. The action plan sets out the preferred options, after a detailed assessment, to ensure supply will exceed demand.

In preparing the WSDS, Gippsland Water consulted with customers and other stakeholders on matters such as levels of service, the need for action and options to address shortfalls.

REVIEW OF WATER RESTRICTIONS AND PERMANENT WATER SAVING RULES

In March 2011, the Victorian Government announced a comprehensive review of DRPs (including water restrictions) and Permanent Water Saving Rules (PWSR) would be conducted across Victoria. The review was aimed at setting clear and consistent guidelines around drought response and permanent water savings plans. With the support of the Minister for Water, VicWater in partnership with the DSE, established a working group to review the statewide consistency of PWSRs and the four stages of water restrictions that are applied in Victoria. The working group consulted extensively with water corporations, and in September 2011 released its position paper.

The key outputs of the review were:

- A revised set of five simple and easy to remember PWSR.
- A template Permanent Water Saving Plan that each urban water corporation would be encouraged to adopt to formalise these five PWSR.
- A revised set of four stages of water restrictions designed to curb demand during times of drought and other water shortage.
- A model water restriction by-law, which gives effect to the revised four stages of water restrictions. All water corporations were encouraged to adopt this model by-law.

Gippsland Water adopted the revised PWSR and the model water restrictions by-law, ensuring that it is providing customers with consistency and clarity around the authorised uses of water.

GIPPSLAND REGION SUSTAINABLE WATER STRATEGY

The Gippsland Region Sustainable Water Strategy (GRSWS) which was published in November 2011 is one of four regional strategies developed by the Victorian government to secure water resources for the next 50 years. The strategy responds to pressures facing water resources including climate change, drought, and land use change, in order to secure water for towns, industry, the environment and agriculture.

The GRSWS sets a number of policies and actions that will affect Gippsland Water, in particular:

- The unallocated share of Blue Rock Lake has now been allocated. Gippsland Water will be given the opportunity to increase the size of its current share of both the capacity and inflows to the storage by acquiring a portion of the previously unallocated share.
- The remainder of the previously unallocated share of Blue Rock Lake will be allocated for drought reserve. Gippsland Water will have access to the drought reserve in times of need.
- The GRSWS recognises the need to improve the understanding of groundwater systems and to develop appropriate management plans for groundwater resources to ensure their sustainability. In particular, the strategy lists the Moe Groundwater Management Area, the Sale Water Supply Protection Area, and the Wa De Lock Groundwater Management Area as groundwater resources where further work is a high priority. These groundwater resources are either currently in use by Gippsland Water, or are being investigated for possible future use.

MAJOR CUSTOMER CONSUMPTION

As required under Part 6B Section 122ZJ of the *Water Act 1989*, the number of Gippsland Water customers who consume more than 200ML per annum is shown below:

Volume range – ML per year	No. of customers
Equal to or greater than 200ML and less than 300ML	3
Equal to or greater than 300ML and less than 400ML	1
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
<i>Total no. of customers</i>	9

WATER CONSERVATION PROGRAM PARTICIPATION

The *Water Act 1989* requires water corporations to annually publish water conservation programs undertaken by major non-residential water users. The following table details the water conservation programs completed by Gippsland Water's major customers who consume more than 200ML per annum:

Name of customer	Water conservation initiatives
Australian Paper (Maryvale Mill)	Australian Paper continues to progress its Environment and Resource Efficiency Plan (EREP) and Water Management Action Program (waterMAP) initiatives. Since 2007, Australian Paper has reduced its water consumption per tonne of product made by more than 11%.
Energy Brix Australia (Morwell)	The raw water recycling initiatives introduced at Energy Brix are now embedded into normal operating procedures. For the reporting period 2011-12, these initiatives have reduced water consumption by 30.5% compared to the previous year.
Fonterra Australia Pty Ltd (Darnum)	Work is continuing on the identification of new opportunities across the site in line with EREP and waterMAP. A number of improvements have been made to water recovery systems and modifications to energy systems have also resulted in water reductions.
IPR-GDF SUEZ Australia Hazelwood Power Station (Hazelwood)	Hazelwood maintains water use efficiencies between 15% to 20% per annum within its contracted volume. Environmental impacts remain a risk and are dependant on climatic conditions, which have the ability to require additional water use in order to minimise water quality impacts of discharges to the environment. Employee awareness of water use and conservation continues to be communicated on a regular basis. Potable water continues to be monitored and reported through the waterMAP program and raw water and discharges continue to be monitored and reported through the EREP program.
IPR-GDF SUEZ Australia Loy Yang B Power Station (Traralgon)	Loy Yang B has maintained its focus on water resource efficiency through annual business planning with monthly performance of domestic and raw water sources (volumes/usage rates) measured and reported. AAA domestic water saving appliance upgrades have been completed. Key water savings projects, increased cycles of cooling tower operation and site drainage recycling continue to operate as designed delivering significant water reduction for the business on an ongoing basis.
Loy Yang Power Loy Yang A Power Station (Traralgon)	Loy Yang Power has ongoing maintenance and monitoring programs to maintain and improve the efficiencies already achieved. Further water saving opportunities continue to be explored through participation in the EREP program. Continued communication with the workforce and a focus on metering will drive improvement to minimise usage.
Murray Goulburn (Maffra)	Murray Goulburn has continued to focus on identifying resource improvement opportunities and implementing sustainable improvements. The site maintains a strong focus on utilising water efficiently and minimising wastewater generation. Murray Goulburn also participates in the EREP program, anticipating future savings of around 7%.
Lion – Dairy & Drinks Pty Ltd National (Morwell)	Lion Dairy and Drinks continues ongoing EREP works, including a full site mapping exercise to determine water usages by department. Production levels have dramatically increased with the implementation of 'Project Rainbow', with water consumption remaining at 3.8 litres per kilogram of product. This has been achieved through streamlining of processes and cleaning regimes, along with faster and more efficient processing equipment and filling machines.
TRUenergy Yallourn Pty Ltd (Yallourn)	TRUenergy Yallourn continues to investigate options to reduce potable and raw water consumption. Progressive replacement of ageing water infrastructure across the Yallourn site is reducing risk of water loss in non-production processes. Yallourn's EREP program also identifies water saving initiatives.

GREENHOUSE GAS EMISSIONS

The net greenhouse gas emissions, expressed as tonnes of CO₂ equivalent (t CO₂-equiv), for the whole business and its activities, are expressed in the table below in the relevant Essential Services Commission (ESC) indicator categories.

There was a decrease in total greenhouse gas emissions from 68,787 t CO₂-equiv in 2010-11 to 61,727 t CO₂-equiv in 2011-12.

Activity	2011-12	2010-11	2009-10	2008-09	2007-08
Sewerage treatment and management ¹	28,446 ⁵	52,366	56,960	51,642	58,216
Water treatment and supply ²	9,906	9,664	9,558	9,627	10,488
Transport ³	2,157	2,068	1,973	1,467	1,357
Other ⁴	21,218 ⁶	4,689	4,796	6,096	6,536
Total	61,727	68,787	73,287	68,832	76,597

1. Methane and nitrous oxide gas emissions, electricity, gas.

2. Electricity, soda ash consumption.

3. Fuel – petrol, diesel, gas.

4. Electricity and gas consumption in Traralgon head office and depot; Soil and Organic Recycling Facility (SORF) and Agribusiness operations.

5. Emissions from sewage treatment and management decreased significantly due to the capturing and flaring of methane at the Gippsland Water Factory (GWF).

6. Composting activities at the SORF increased significantly in 2011-12, resulting in an increase in calculated methane and nitrous oxide emissions from the process.

Total net greenhouse gasses from activities in 2011-12 can also be broken down according to the following categories.

Activity	t CO ₂ -equiv
Energy use (non-fleet)	21,715
Vehicle fleet	2,157
Water treatment and pumping	9,906
Wastewater treatment	7,584
Waste treatment (SORF)	20,035
Offsets purchased	0
Any other activities	330

BENEFICIAL RE-USE OF TREATED WASTEWATER AND BIOSOLIDS

During 2011-12 Gippsland Water reused 1,467ML treated wastewater, equivalent to 5.37% of wastewater treated in its service area. High rainfall during the summer and autumn period caused increased inflow to all wastewater treatment plants, and reduced the opportunity for irrigation of treated wastewater from Drouin, Willow Grove, Mirboo North, Stratford, Heyfield and Maffra wastewater treatment plants. This resulted in lagoons reaching capacity, requiring emergency discharge to nearby waterways for a number of plants, following approval from the Environment Protection Authority (EPA).

The Gippsland Water Factory produced 336ML of recycled water, pumped to Pine Gully Reservoir to supplement raw water from Moondarra Reservoir for use by Australian Paper.

Treatment system	Final fate of treated water	Volume re-used (ML)		Volume discharged (ML)		Compliance with EPA water quality limits	
		2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	16	45	814	945	100%	99%
Heyfield	Irrigation to pasture or emergency discharge to Back Creek	48	54	51	0	100%	100%
Maffra	Irrigation to pasture and sporting field emergency discharge to Macallister River	171	160	27	0	100%	100%
Mirboo North	Irrigation to pasture and sporting field or emergency discharge to Little Morwell River	76	83	83	23	100%	100%
Morwell	Supplement flow to wetlands	700	713	0	0	100%	100%
Seaspray	Irrigation to pasture	3	0	0	0	100%	N/A
Stratford	Irrigation to pasture	116	57	0	0	100%	100%
Willow Grove	Irrigation to pasture or emergency discharge to Latrobe River	1	4	14	10	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	44	46	100%	100%
Rawson	Discharge to Coopers Creek	0	0	33	30	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,739	1,874	100%	100%
Moe	Discharge to Moe River	0	0	2,797	2,723	100%	100%
ROS	Recycled to Pine Gully (GWF) or discharge to Bass Strait (Delray Beach)	336	18	10,910 ¹	10,850	86% ²	87%
SWOP	Discharge to Bass Strait (McGuarans Beach)	0	0	9,323 ¹	9,560	100%	100%
<i>Total</i>		<i>1,467</i>	<i>1,134</i>	<i>25,835</i>	<i>26,061</i>		
<i>% Re-use</i>		<i>5.37%</i>	<i>4.2%</i>				

¹ Treated wastewater is too saline for agricultural use.

² Elevated phosphorus results occurred between September 2011 and March 2012 due to desludging in No. 2 Storage. The desludging was required to prepare the lagoons for reconfiguration to treat Sale/Fulham wastewater for re-use, and allow direct discharge of treated wastewater from the Gippsland Water Factory. The impact of the desludging activities was to temporarily reduce the treatment capacity of No. 2 Storage and mobilise phosphorus-rich sediments.

Forty-five per cent of composted biosolids were re-used by application to pasture at Dutson Downs and as soil material for rehabilitation of the bioremediation pond at the SORF during the reporting year. The remaining composted biosolids are being held until suitable seasonal conditions to allow further application for pasture and fodder crop growth.

CORPORATE WATER CONSUMPTION

During 2011-12, Gippsland Water's water consumption was 12,288 kilolitres (kL), which equates to 50.22kL per full-time employee or 3,447 litres per square metre of office space. These figures are based on consumption at Gippsland Water's Traralgon office and Traralgon depot.

BULK WATER ENTITLEMENT REPORTING

Bulk Entitlement	Source of supply	Bulk Entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with BE clauses
Boolarra	Walkleys Creek/ O'Gradys Creek	145	84	► Approval, amendment and implementation of programs under clauses 9 and 10: <i>Implemented</i> .
CGRWA- Blue Rock ¹	Tanjil River	15,150	2,251 (1,115)	<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>. The Bulk Entitlement for Blue Rock is extracted from two points. Specified Point A is extracted directly from the reservoir. Specified Point B is extracted from the Tanjil River pump station. Specified point A – Blue Rock Headworks Outlet (supply to Moondarra Reservoir and Willow Grove WTP): 2011-12 Total = 50ML; 3 yr rolling avg.: = 1,071ML. Specified point B – Tanjil River Pump Station: 2011-12 Total = 1,065ML; 3 yr rolling avg.: = 1,129ML.
Erica-Rawson	Trigger Creek	340	96	► Approval, amendment and implementation of programs under clauses 9 and 10: <i>Implemented</i> .
Mirboo North	Little Morwell River (North Arm)	270	175	► Approval, amendment and implementation of programs under clauses 9 and 10: <i>Implemented</i> .
Moe-Narracan Creek	Narracan Creek	3,884	2,802	► Approval, amendment and implementation of programs under clauses 8, 9 and 10: <i>Implemented</i> .
Moondarra ²	Tyers River	62,000	48,189 (48,019)	<ul style="list-style-type: none"> Diversion at Tyers River pump station for 2011-12 = Nil. Approval, amendment and implementation of programs under clauses 12 and 13: <i>Implemented</i>.
Noojee ³	Deep Creek/ Loch River	73	0	► Approval, amendment and implementation of programs under clauses 9 and 10: <i>Implemented</i> .
Seaspray ⁴	Merrimans Creek	61	0	<ul style="list-style-type: none"> Approval, amendment and implementation of programs under clauses 9 and 10: <i>Metering improvements under development</i>. Metering improvements: design and installation of flow/level sensor and remote telemetry complete. Calibration and rating table by external contractor to be completed.
Tarago ⁵	Tarago River	4,825	3,018	<ul style="list-style-type: none"> Approval, amendment and implementation of programs under clauses 11 and 13: <i>Implemented</i>. Metering improvements: installation of new flowmeters on Pederson and Tarago pipelines completed. Installation of telemetry at Pederson Weir completed. A record of daily extractions from the various off take points is maintained, which can be provided upon request. Pederson Weir/Westernport Pipeline diversions 2011-12: 2,819ML of 4,070ML entitlement. Labertouche Creek diversions 2011-12: 0ML of 480ML entitlement. Tarago Reservoir (Neerim Sth) diversions 2011-12: 221ML of 275ML entitlement.

Bulk Entitlement	Source of supply	Bulk Entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with BE clauses
Thomson-Macalister	Thomson River/ Macalister River	2,335	1,422	<ul style="list-style-type: none"> • Credits granted under clause 11: <i>None</i>. • Approval, amendment and implementation of programs under clause 12: <i>Implemented</i>. • Clause 13.1 (b): Heyfield (Rose Street Pump Station) diversions 2011-12: 268.2ML. Heyfield (South Channel) diversions 2011-12: 0ML. Maffra Pump Station diversions 2011-12: 1,110.0ML. Coongulla Pump Station diversions 2011-12: 43.8ML. • Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation = Nil. • Clause 13.1 (f) Change to reliability of supply under Schedule 2 of Bulk Entitlement (Thomson/Macalister – Southern Rural Water) Conversion Order 2001: <i>None</i>. • Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement: 1/7/2011-30/6/2012: 100% allocation
Thorpdale	Easterbrook Creek	80	15	<ul style="list-style-type: none"> ▶ Approval, amendment and implementation of programs under clauses 9 and 10: <i>Implemented</i>

1 Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2011-12).

2 Bulk Entitlement volume calculated as two year rolling average (figure in brackets is volume for 2011-12).

3 Noojee Bulk Entitlement not currently utilised.

4 0ML raw water extracted from Merrimans Creek in 2011-12 as all water supplied was trucked in from other systems.

5 Tarago Bulk Entitlement took effect 1 May 2009.

GENERAL REPORTING REQUIREMENTS

Temporary or permanent transfer of authority entitlements

No transfer of authority entitlements in 2011-12.

Temporary or permanent transfers of licences or entitlements to authority

Thomson/Macalister: 5ML temporary water purchase from private allocation taken from Flooding Creek (valid 26 August 2011-30 June 2012); 3.5ML used in 2011-12.

No transfers of licences or entitlements to authority for any other bulk entitlements in 2011-12.

Amendments to Bulk Entitlements

None.

New Bulk Entitlements

No new Bulk Entitlements in 2011-12.

Failure by authority to comply with provisions of Bulk Entitlements

None.

Difficulties experienced in complying with entitlement and remedial actions

None.

CUSTOMER COMMITTEES

Customer Consultative Committee

Gippsland Water's Customer Consultative Committee was established early in the reporting period, following a restructure of the corporation's committees in order to increase effectiveness of community engagement.

The Customer Consultative Committee is an advisory group drawn together from various sectors of Gippsland Water's customer base to provide customer advice and feedback to Gippsland Water. The committee is asked for input on relevant issues and, in doing so, helps Gippsland Water to be responsive to the changing needs and concerns of the community.

An information session was held in September 2011 providing prospective members with an overview of the committees' role and functions. Following a recruitment process and an update of the terms of reference, the new committee held its first meeting in November 2011, and met again in March and June 2012.

The objectives of the Gippsland Water Customer Consultative Committee are to:

- Provide a direct link between Gippsland Water and its customer base, thus enabling Gippsland Water to remain responsive to customer needs and concerns.
- Provide a mechanism by which Gippsland Water can understand problems, issues and possible solutions from the perspectives of the various stakeholder groups.
- Provide Gippsland Water with access to valuable community/local knowledge.
- Provide feedback on community satisfaction with Gippsland Water's current level of service performance.
- Advise on the need for new or modified services.

The committee is comprised of seven members representing Gippsland Water's stakeholders and the community.

Environment Consultative Committee

Gippsland Water's Environmental Consultative Committee allows Gippsland Water to consult with the community and stakeholders about environmental issues regarding the corporation's operations and performance, and helps to identify opportunities to improve the sustainability of the business.

The objective of the Gippsland Water Environmental Consultative Committee is to provide a forum for Gippsland Water to consult with the community and stakeholders:

- On environmental issues pertaining to Gippsland Water's operation, including performance against criteria stated in the EPA Corporate Licence.

- On actions undertaken to improve the sustainability of the business, including reporting against actions identified in Part One of the EPA Corporate Licence.
- To advise Gippsland Water regarding community and stakeholders concerns, expectations and needs relating to the environmental management of its operations.
- To advise the Gippsland Water Board regarding policies and strategies for improving environmental performance.

The committee is comprised of 16 members representing Gippsland Water's stakeholders and the community.

ENVIRONMENTAL PROTECTION AND BIODIVERSITY CONSERVATION ACT 1999

No referrals were made during the reporting period to the Commonwealth Department of the Environment, Water, Heritage and the Arts for consideration under the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999*.

VICTORIA 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.

Dutson Downs Conservation Action Plan

The Dutson Downs Conservation Action Plan (CAP) provides a framework for the protection, rehabilitation and enhancement of seven key environmental assets at Dutson Downs. The plan was developed jointly with biodiversity specialists from a range of agencies, and is used to prioritise ecosystem management activities over at least the next five years. The Dutson Downs Biodiversity Technical Reference Committee provides independent advice on the implementation of the plan.

During 2011-12, the CAP was reviewed to include two additional assets (Trailing Hop-Bush (*Dodonaea procumbens*) and Green and Golden Bell Frog (*Litoria aurea*)), and to update the activities. CAP activities have been incorporated into the Dutson Downs Integrated Management Plan.

West Gippsland Threatened Flora Network

Gippsland Water is a member of the West Gippsland Threatened Flora Network, and reports on the management of the Wellington Mint-Bush, Dwarf Kerrawang and Trailing Hop-Bush to this network.

Protection of flora and fauna

Gippsland Water worked with the Department of Sustainability and Environment (DSE) and local government to ensure its planning and operational activities met regulations such as the Victorian Native Vegetation Framework and *Flora and Fauna Guarantee Act 1988*.

In addition, activities were undertaken specifically to manage vulnerable flora and fauna present on Gippsland Water sites.

A threatened species, the Wellington Mint-Bush (*Prostanthera galbraithiae*), is listed as vulnerable under the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999*. Gippsland Water has been protecting two known areas of Wellington Mint-Bush at its Dutson Downs property. An additional population has been found on site, and has been fenced for protection from grazing. An ecological burn was undertaken by DSE to improve the long-term viability of the plant at the site.

The Dwarf Kerrawang (*Rulingia prostrata*) is a threatened species that is listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999*. Gippsland Water has identified 16 sites where Dwarf Kerrawang is found at Dutson Downs. A program of weed eradication continues to reduce competition in the wetland habitat that Dwarf Kerrawang occupies.

A population of Trailing Hop-Bush (*Dodonaea procumbens*), listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999*, was discovered at Dutson Downs in 2009. The species had not been observed in the region since the 1900s, and the population discovered substantially increases the known number of specimens nationally. A targeted survey for the species was carried out and confirmed this species in five wetlands and a further two populations on tracks leading into wetlands. The total number of known individuals is estimated to be 3,861 making this the largest known population of *Dodonaea procumbens* in Australia, comprising approximately 75% of known plants. The Trailing Hop-Bush is being managed in accordance with the National Recovery Plan for Trailing Hop-Bush.

A collaborative honours research project between Gippsland Water and Melbourne University was successfully completed, which focused on the relationship between Trailing Hop-Bush abundance and distribution with soil properties and gradients at Dutson Downs. All known populations across the property were part of this study and research questions were set in line with the objectives outlined in the National Recovery Plan for the species.

Significant recruitment of the species was observed in several wetland populations. Following a recommendation of the study, surveys for new populations across the Dutson Downs property have been undertaken.

New Holland Mouse (*Pseudomys novaehollandiae*) is listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999*. Ecological burns were undertaken at four locations, to improve habitat and assist the marsupial mouse to find food and to mate.

A plan has been developed for the establishment of a wildlife corridor, linking two bush blocks and thus improving access of the New Holland Mouse to its preferred habitat. The plan was developed with close involvement and support of community representatives.

Surveys confirmed the presence of the Green and Golden Bell Frog (*Litoria aurea*) at Dutson Downs. Five populations of the frog, listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999*, were identified. The frog utilises a number of habitats, including farm dams, ephemeral wetlands and the fringes of No. 2 Storage lagoon. A targeted management program, including habitat enhancement and population monitoring is being developed in accordance with the national recovery plans for the species.

STATEMENT OF OBLIGATIONS

The Statement of Obligations includes the need for Gippsland Water to manage the impacts its operations have on river health. The Regional Catchment Management Strategy and Victorian River Health Strategy sections of this report outline how Gippsland Water continues to meet these obligations.

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 (SDWA) 2003*. The SDWA requires Gippsland Water to prepare and implement risk management plans from a 'catchment to tap' perspective.

During the reporting period, the corporation continued:

- Collaboration with stakeholders on catchment management issues.
- Enhancement of the risk management systems regarding catchment monitoring activities.

Victoria River Health Strategy

Treated wastewater is discharged into rivers and creeks from wastewater treatment plants in Drouin, Warragul, Neerim South, Rawson and Moe. In many instances, this water represents a significant proportion of flow in the receiving waterways for much of the year. Monitoring is regularly conducted upstream and downstream of the discharge points, to ensure the health of the rivers and creeks is not adversely affected by the discharge.

Gippsland Water is an active supporter of Waterwatch's community education program in the West Gippsland region.

CUSTOMERS, STAKEHOLDERS AND COMMUNITY

Gippsland Water's 'whole of business' approach to customer relations reflects the changing needs and expectations of customers and stakeholders. The corporation recognises the importance of strengthening engagement with the community.

SOCIAL AND ECONOMIC IMPACT

Gippsland Water strives to meet the interests of all its customers, including those on low income or who are vulnerable.

Listening to our customers helps Gippsland Water continue to improve our Customer Care program. Gippsland Water staff are trained in the early identification of customers who are experiencing financial difficulty and are equipped with a broad range of skills in tailoring payment plans to meet customer needs. They are also trained to assist customers in an empathetic and non-judgemental way.

Following feedback from customers, Gippsland Water has commenced implementing redesigned formats of its Customer Care brochure, tariff notice and its website, with the objective of making them easier to understand. These initiatives consider the presentation of our charges, and ensure the information we provide our customers is understandable and easy to read from their perspective.

COMMUNITY SERVICE OBLIGATIONS

Value of community service obligation provided	2011-12	2010-11	2009-10	2008-09	2007-08
Provision of concessions to pensioners	\$4,412,478	\$3,955,759	\$3,491,094	\$3,135,800	\$2,702,855
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	\$234,081	\$214,938	\$210,134	\$175,200	\$162,600
Utility Relief Grant Scheme payments	\$108,072	\$88,415	\$96,437	\$30,900	\$12,635
Water concession on life support machines – Haemodialysis	\$2,493	\$2,252	\$2,098	\$1,900	\$1,716
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0	\$0	\$0	\$0

ENERGY AND WATER OMBUDSMAN (VICTORIA)

The Energy and Water Ombudsman (Victoria) (EWOV) has the power to investigate and facilitate the resolution of disputes between Victorian electricity, gas and water customers and their service providers. EWOV provides Gippsland Water customers with independent advice, information and complaint resolution.

During 2011-12, EWOV handled 48 referrals on behalf of Gippsland Water customers, with 45 handled as enquiries requiring no further action, and three referred for further investigation which have now been resolved.

ANNUAL WATER CONSUMPTION AND NUMBER OF ASSESSMENTS

Supply system	Residential		Non-residential		Major industry
	Billed connections ⁵	Billed volume (ML)	Billed connections ⁵	Billed volume (ML)	Billed volume ⁶ (ML)
Boolarra	308	35.5	25	2.7	0.0
Briagolong	371	44.9	22	3.2	0.0
Coongulla-Glenmaggie	473	29.2	10	5.8	0.0
Erica-Rawson	309	37.1	43	20.0	0.0
Heyfield	876	140.7	110	70.9	0.0
Maffra-Stratford ¹	2,994	504.5	308	80.3	290.9
Mirboo North	754	103.0	82	30.2	0.0
Moe-Newborough ²	10,881	1,579.4	852	227.2	1,333.7
Moondarra ³	24,359	4,159.6	2,319	742.2	43,515.7
Neerim South-Noojee	651	144.0	66	28.4	0.0
Sale-Wurruk	6,892	1,070.1	813	245.2	261.0
Seaspray	355	19.5	11	3.2	0.0
Thorpdale	80	8.3	19	2.1	0.0
Warragul-Drouin ⁴	11,801	1,667.5	1,133	347.8	362.2
Willow Grove	143	30.6	10	1.4	0.0
<i>Total</i>	<i>61,247</i>	<i>9,573.9</i>	<i>5,823</i>	<i>1,810.4</i>	<i>45,763.5</i>

Supply System	Metered hydrant Volume⁷ (ML)	Non-revenue (ML)	Total supplied (ML)	4 year average annual demand (ML)	Consumption variation
Boolarra	0.2	30.3	68.6	67.4	2%
Briagolong	0.0	8.0	56.1	69.8	-20%
Coongulla-Glenmaggie	0.1	2.5	37.6	47.6	-21%
Erica-Rawson	0.0	23.0	80.2	84.9	-6%
Heyfield	0.1	10.9	222.6	242.1	-8%
Maffra-Stratford ¹	3.2 ⁸	119.0	997.8	1,104.4	-10%
Mirboo North	0.3	40.4	173.9	177.8	-2%
Moe-Newborough ²	1.5	486.4	3,628.2	3,561.5	2%
Moondarra ³	1.6	504.8	48,923.8	48,917.2	0%
Neerim South-Noojee	0.1	30.6	203.0	202.5	0%
Sale-Wurruk	26.1 ⁸	0.7	1,603.1	1,738.9	-8%
Seaspray	0.7	8.4	31.8	29.6	8%
Thorpdale	0.1	0.3	10.8	12.5	-14%
Warragul-Drouin ⁴	9.2	176.5	2,563.2	2,652.6	-3%
Willow Grove	0.0	10.8	42.7	46.9	-9%
<i>Total</i>	<i>43.0</i>	<i>1,452.7</i>	<i>58,643.6</i>	<i>58,955.5</i>	<i>-1%</i>

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 both connected and non-connected customers.

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

⁷ Includes volumes transferred to other systems.

⁸ Includes significant volume of water transferred to Seaspray.

GOVERNANCE

Gippsland Water's board and 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

Section 95 of the *Water Act 1989* outlines Gippsland Water's need to appoint a board of directors consisting of not less than two and not more than eight directors and a managing director. The board needs to have members that have a mix of skills, experiences and a range of viewpoints. Gender balance and cultural diversity are also taken into consideration. Board members are appointed by the Minister for Water for up to four years, and are responsible for the governance of the corporation.

Richard McDowell (Chairperson)

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

Appointed October 2007

Current term expires September 2012

Richard has been a director of a Gippsland accounting firm for more than 35 years. He also holds directorships and is involved with financial management in a number of private companies. Richard has more than 17 years' experience in the water industry through his previous role as Deputy Chairperson of East Gippsland Water and his membership of audit committees of both East Gippsland Water and Gippsland Water. He has also been Audit Committee Chairperson for two Gippsland councils, two hospitals, and the Gippsland Ports Authority. Richard has had his family home in Maffra for 36 years, has two adult daughters and he is an active member of many Gippsland community groups.

Janice van Reyk

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

Appointed October 2007

Current term expires September 2012

As the Safety Health and Environment (SHE) Committee Chairperson, Janice has a background as a senior executive in listed industrial companies as well as consulting experience in environmental and stakeholder management, public policy and urban infrastructure projects. She is a Non-Executive Director of Citywide and Chairperson of its Finance and Operations Committee and a member of its Audit Committee. She is also a Non-Executive Director of Port of Melbourne Corporation and a member of its Audit Committee and its Planning and Investment Committee.

Duncan Malcolm

AM, JP

Appointed July 2010

Current term expires September 2012

Duncan is the former Chairperson of the Gippsland Coastal Board, the East Gippsland Catchment Management Authority and the Rural Water Corporation of Victoria. He is a former member of the Victorian Coastal Council and the board of East Gippsland Water. During May 2011, Duncan completed his role as Chairperson of the East Gippsland Recreational Fishery Management Plan Steering Committee. In the same year, Duncan was awarded an Honourary Fellowship from Monash University for his services to the university and the wider community. Duncan's current positions include Chairperson of the Victorian Environmental Assessment Council, and Trustee of the Australian Landscape Trust and the McPherson Smith Rural Scholarship Fund.

Kevin McKenzie

CoT(Elec) BBus, MBA, DBA, GAICD

Appointed October 2008

Current term expires September 2013

Kevin 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 leads transformational asset and works management projects at SP AusNet and holds additional directorship in the child and family services, recreation and education sectors.

Sarah Cumming

B.A., LLB (Hons), EMBA

Appointed October 2011

Current term expires September 2013

Sarah works for the Australian Securities and Investments Commission (ASIC), where she has held a range of senior management positions across the areas of compliance, public information management (companies database) and business development projects (2003-current). She is currently the Business Lead for Data Migration in ASIC's Registry Transformation Project. Sarah was previously a Litigation Lawyer with Slater and Gordon with expertise in personal injuries and employment law (1997-2003). Sarah has a Bachelor of Arts (ANU), Bachelor of Law (Honours) (ANU), and a Master of Business Administration (Executive) (Mt Eliza – Melbourne Business School). Sarah lives in Gippsland and has a strong interest in the local community.

Peter Day

LLB, M Admin, FCPA, FCA, GAICD

Appointed October 2008

Current term expires September 2013

Peter Day 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. His last executive role was as Chief Financial Officer for the global packaging group Amcor. He is a former Chair of the Australian Accounting Standards Board and was Deputy Chair of the Australian Securities and Investments Commission. He is currently a director of a number of ASX-listed companies and public interest organisations.

Malcolm Eccles

MSc, CEng, MIET, MAICD, MCM

Appointed October 2011

Current term expires September 2013

Malcolm Eccles is the Chief Executive Officer and Managing Director of Basslink Pty. Ltd. (2007-current) and was previously Basslink's Assets and Operations Director (2005-2007). Malcolm was previously the Service Delivery Manager for Siemens Power Services in the United Kingdom (2002-2005) and prior to this held various senior roles with British Nuclear Fuels (1986-2002). He is a Director of CityGas Pty. Ltd. in Singapore (2011-current), which is the largest gas retailer in the country with more than 660,000 customers. He is also a Director of the International Cable Protection Committee (2007-current). Malcolm has international management experience having worked in Europe, USA, Asia and Australia. Malcolm is a Chartered Electrical Engineer and has a Master of Science in Electrical Engineering and Management Studies. Malcolm has also completed an Advanced Management Program and the Australian Institute of Company Directors course.

David Mawer, Managing Director

Dip. M. MBA, MSM, FAIM

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 governance and industry deregulation. He is a committee member of the Victorian Branch of the Australian Water Association and a director of the savewater! Alliance. David is a Fellow of the Australian Institute of Management.

Leah Young

BBus, Grad Dip Bus, FAICD, AIMM, CSA (Cert)

Appointed October 2000

Term expired September 2011

Leah Young has been a director on the board of Gippsland Water for the past 11 years. Business management and governance are her key areas of contribution. She holds a Bachelor of Business, a Graduate Diploma of Business, an AICD Company Directors Course Diploma, a Chartered Secretaries Australia Certificate in Governance Practice and Administration and is a Fellow of the AICD as well as a member of the Australian Institute of Management. Ms Young has been Business Manager/Company Secretary at St Paul's Anglican Grammar School since 1996. She has lived in Gippsland all her life. Before joining St Paul's, Leah had more than 13 years of experience in local government, holding senior positions in key areas such as financial and corporate planning, capital works development, administration and human resource management. She has also been a director of Westernport Water for the past seven years and is currently a director of the Latrobe Regional Hospital. Leah has been a member of the Audit and Risk Committees on all three Boards.

John Donovan

Appointed January 2010

Term expired September 2011

John Donovan is the Managing Director of funds management company AFM Investment Partners Ltd. He is an experienced company director with a background in funds management and distribution, marketing, strategy and corporate. He is also a director of superannuation administration services company Administration Partners Pty Ltd, Corporate Solutions Pty Ltd and a former member of the Victorian Financial Industry Council and the Catholic Archdiocese of Melbourne's Strategic Communications Committee.

DIRECTOR ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Director	Board meetings eligible	Attendance	SHE committee eligible	Attendance	Audit committee eligible	Attendance	Exec Remun'tion committee eligible	Attendance
Richard McDowell	11	11	0	0	0	0	3	3
Duncan Malcolm	11	11	1	1	3	3	3	3
Janice van Reyk	11	11	3	3	0	0	3	3
David Mawer	11	11	0	3	0	3	0	3
Peter Day	11	10	0	1	4	4	3	2
Kevin McKenzie	11	10	1	1	3	3	3	3
Sarah Cumming	8	7	2	1	0	0	1	1
Malcolm Eccles	8	6	2	2	0	0	1	1
Leah Young*	3	3	0	0	1	1	1	1
John Donovan*	3	3	0	0	1	1	1	1

* These directors retired September 2011.

The Statement of Obligations requires that the Gippsland Water Board must perform an annual review and report to the Minister and the Treasurer on its performance. Gippsland Water undertook a review on its performance that was externally facilitated.

PROFILE OF EXECUTIVE TEAM

Managing Director – David Mawer

Refer to the 'Profile of the board' section of this report for David's profile.

General Manager Operations – Peter Skeels

BBus. (Acct. and Economics), FCPA

Peter is responsible for the management and leadership of the organisation's operational activities. Peter has 31 years' experience in the utilities sector and has held a range of senior management roles in infrastructure and service based businesses working in Australia and abroad in senior management roles.

General Manager Asset Management, Planning and Delivery – Svetla Petkova

M Science and Eng, M Law, Ph.D.

Svetla is responsible for the organisation's long-term asset planning and management, and the delivery of the capital works program. Her group is tasked with the two major projects to provide sewerage services to the townships of Coongulla, Glenmaggie, Glenmaggie Point and Loch Sport. She has more than 10 years' experience as a small business owner and CEO of two private companies. She graduated as a biomechanical

engineer and her Masters and PhD are in the area of fluid mechanics. Svetla completed a Masters in Law in 2000 with specific interests in property and commercial law. Her strengths and passion are in the areas of long-term planning, people and process development, asset management and optimisation.

Prior to joining Gippsland Water in 2010, Svetla was the Strategic Asset Manager at Grampians Wimmera Mallee Water for more than three years, where she was responsible for the asset management and capital works planning activities of the corporation.

General Manager Corporate Services – Tony Staley

BBus (Acct.), FCPA, GAICD

Tony is responsible for the organisation's strategic and business planning, economic regulation, commercial services, financial and management accounting, environmental governance, organisational development, property development, customer assistance and customer relations functions. He has 30 years' experience working primarily in the utilities sector 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, financial forecasting and governance.

AUDIT COMMITTEE

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

The Audit Committee is responsible for a range of activities including:

- Reviewing significant accounting policy changes and matters.
- Reviewing the scope of internal auditor, including the three-year rolling Strategic Audit Plan.
- Reviewing the adequacy of financial management information, including the annual financial statements.
- Reviewing and assessing the organisation's risk management framework and business continuity framework.
- Meeting separately with the internal and external auditors away from management, to discuss any matters the committee or auditors believe should be discussed privately.
- Providing a forum for the internal and external auditors to present audit findings and recommendations.
- Reviewing the effectiveness of the organisation's processes and systems for monitoring compliance with laws and regulations and the results of any investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Regularly reporting to the board of directors about committee activities, issues, and related recommendations.
- In accordance with the *Financial Management Act 1994*, confirming all the committees' responsibilities have been carried out by submitting to the board an annual attestation.
- Overseeing the investigation of any suspected cases of fraud within the organisation and monitor the progress of any major lawsuits facing the board.

During the 2011-12 financial year, the Audit Committee met four times.

AUDIT COMMITTEE MEMBERS FOR 2011-12:

Joanne Booth – Independent Chairperson

August 2010 – current

Attended four meetings during the reporting year

Joanne is an experienced company director and former chief executive officer who has worked and consulted extensively in the health, public and not-for-profit sectors. She currently operates a governance and management consultancy in East Gippsland and Melbourne. Joanne is Chairperson, Gippsland Lakes Community Health; Director, Victorian Healthcare Association; and Director, Workways Australia Pty Ltd. She is a member of the audit, finance and governance committees for the boards on which she serves.

Joanne's qualifications include Master of Public Health, Graduate Diploma in Occupational Health, Bachelor of Arts (Sociology/ Politics), Diploma of Company Directors and Practitioners Certificate in Mediation. Her early career was as a Registered General Nurse. Joanne is a graduate of the Australian Institute of Company Directors, a member of Women on Boards and she has completed the Governing for Non-Profit Excellence Program at Harvard Business School (Boston).

Rob Dickens – Independent Member

August 2010 – current

Attended four meetings during the reporting year

Rob Dickens currently manages the Compliance and Legislation Division at the State Revenue Office (SRO), Victoria which is the focal point for industry liaison and the provision of advice and assistance to a range of customers and stakeholders on more complex areas of the law. He is also responsible for the SRO's tax compliance program.

Rob joined the SRO from the Tasmanian Department of Treasury and Finance, where he held the position of Assistant Director Revenue Policy. He also worked in gaming, superannuation and inter-government relations policy, as well as working on the Tasmanian Review of State Taxes.

Rob has a Bachelor of Business Degree in Public Administration, is a Member of the Australian Institute of Company Directors and a Certified Compliance Professional.

The Audit Committee also included the following board members for the 2011-12 financial year:

- Peter Day
- Kevin McKenzie
- Duncan Malcolm

BOARD SAFETY, HEALTH AND ENVIRONMENT (SHE) COMMITTEE

The Safety, Health and Environment (SHE) Committee provides reports and recommendations to the board regarding a range of strategic and performance issues relating to occupational health and safety (OH&S), environmental, and emergency management at Gippsland Water.

The SHE Committee met three times in the year and carries responsibility:

- To review and recommend for approval by the board, the Gippsland Water Environmental Policy which will be used to guide the corporation's environmental activities.
- To review and recommend for approval by the board, the Gippsland Water Occupational Health and Safety Policy which will be used to guide the corporation's OH&S activities.
- To review and make recommendations to the board on environmental governance aspects of the corporation's business operations, including reporting requirements and sustainability commitments.
- To review and make recommendations to the board in response to community and stakeholder issues and concerns relative to Gippsland Water's overall OH&S and environmental performance.
- To receive and review reports on OH&S and environmental incidents resulting in reportable matters to WorkCover and/or the Environment Protection Authority (EPA).
- To review and monitor performance against the Environmental Management System and Improvement Plan.
- To review and monitor performance against the OH&S Management Plan.
- To review and monitor compliance with the *Safe Drinking Water Act 2003* and the EPA Corporate Licence.
- To review and monitor performance against specific environmental management plans including, the Greenhouse Gas Reduction Management Plan, the Catchment Management Plan and the Biodiversity Conservation Action Plan.

SHE Committee members for this reporting period were:

- Janice van Reyk – Board member (Chairperson).
- Kevin McKenzie – Board member (until September 2012).
- Duncan Malcolm – Board member (until September 2012).
- Malcolm Eccles – Board member (from October 2012).
- Sarah Cumming – Board member (from October 2012).

EXECUTIVE REMUNERATION COMMITTEE

This committee is responsible for the implementation of the Executive Remuneration Policy. The committee ensures the policy complies with Victorian Government policy and the Government Sector Executive Remuneration Panel guidelines. The committee comprises the entire Gippsland Water Board (excluding the Managing Director) and met three times during the 2011–12 reporting year.

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 the 2011-12 reporting period, Gippsland Water reported against 34 indicators that measured performance for water, wastewater, customer service, safety, and employee availability. These indicators are directly linked to the Water 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	2011-12 Target	Year to date perf at 30 June 2012	2010-11	2009-10	2008-09	2007-08
Water								
1	Unplanned water supply interruptions	per 100km	45	18.52	18.52	18.42	20.32	17.12
2	Average time taken to attend bursts and leaks (priority 1)	minutes	40	28.79	30.27	32	33.77	31.38
3	Average time taken to attend bursts and leaks (priority 2)	minutes	150	91.86	101.44	307	115.42	115.41
4	Average time taken to attend bursts and leaks (priority 3)	minutes	2300	1682.09	2008.11	1976.2	1352.4	1149.5
5	Unplanned water supply interruptions restored within 5 hours	per cent	97.8	98.41%	97.87%	96.80%	99.02%	98.83%
6	Planned water supply interruptions restored within 5 hours	per cent	87	96.65%	98%	96.44%	98.13%	98.45%
7	Average unplanned customer minutes off water supply	minutes	15.4	8.74	9.53	8.34	9.41	8.83
8	Average planned customer minutes off water supply	minutes	26.2	17.59	15.08	10.51	12.08	12.22
9	Average frequency of unplanned water supply interruptions	number	0.1	0.1153 ¹	0.1412	0.1048	0.115	0.1024
10	Average frequency of planned water supply interruptions	number	0.2	0.1053	0.0957	0.0752	0.084	0.0869
11	Average duration of unplanned water supply interruptions	minutes	110	75.82	67.45	80	81.48	86.2
12	Average duration of planned water supply interruptions	minutes	130.8	167 ²	157.57	140	143.8	140.51

KPI No.	Key performance indicator	Unit of measure	2011-12 Target	Year to date perf at 30 June 2012	2010-11	2009-10	2008-09	2007-08
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	number	0	0	0	10	0	0
14	Unaccounted for water	per cent	14.2	10.30%	10.60%	10.60%	9.80%	10.90%
Sewerage								
15	Sewerage blockages	per 100 km	25	8.11	14.64	17	19	18.25
16	Average time to attend sewer spills and blockages	minutes	35	31.32	34.43	32.05	28.99	29.91
17	Average time to rectify a sewer blockage	minutes	130	90.98	100.9	96.18	85.48	90.05
18	Spills contained within 5 hours	per cent	98	100%	100%	98.90%	100%	98.79%
19	Customers receiving more than 3 sewer blockages in the year	number	0	0	0	0	0	0
Customer Service								
20	Complaints to EWOV	per 1000 customers	0.7	0.015	0.015	0.078	0.08	0.096
21	Telephone calls answered within 30 seconds	per cent	80	82.02	83.84%	83.95%	83.45%	87.47%
Additional Service Standards								
22	Population receiving water meeting E.coli standards	per cent	100	99.70% ³	100%	100%	100%	100%
23	Population receiving water meeting disinfection by-products standards	per cent	100	100%	100%	100%	100%	99.81%
24	EPA Discharge Quality licence compliance	per cent	100	98.90% ⁴	95%	99.40%	98.70%	99.50%
25	Population receiving water meeting turbidity standards	per cent	100	100%	100%	100%	100%	100%
26	Total CO ₂ equivalent emissions	Tonne (000's)	73.86	61.73	68.78	73.29	70.88	New KPI 2008-09
27	Recycled water target	per cent	20.0	5.37% ⁵	4.20%	5.20%	5.90%	New KPI 2008-09
28	Biosolids re-use	per cent	100	45% ⁶	100%	100%	100%	New KPI 2008-09

KPI No.	Key performance indicator	Unit of measure	2011-12 Target	Year to date perf at 30 June 2012	2010-11	2009-10	2008-09	2007-08
29	Sewer backlog connections	number	15	3 ⁷	29	29	2	New KPI 2008-09
30	CTWSS connections	number	0	0	0	0	342	New KPI 2008-09

Our People

31	The number of incidents/days lost due to Lost Time Injuries (LTIs)	No. of LTIs	0	3 ⁸	3	3	2	15
		days lost	0	110 ⁸	25	11	11	Not reported
32	Injury frequency rate	number	35	25	28	15	11	5.3
33	OH&S leading index	colour		A B C D ⁹	A B C D ⁹	A B C D ⁹	Not reported	Not reported
34	Employee availability	hours	≤34 annually/employee	33.25	30.53	32.93	33.62	34.02

1 The minor increase in average frequency of unplanned water supply interruptions above the KPI target is reflective of ageing infrastructure.

2 This KPI is driven by the number and duration of supply interruptions associated with new developments and contractor works. Gippsland Water continues to work with developers to better advise customers of planned interruptions.

3 This KPI was not met due to a small number of E.coli detection events at Jumbuk and Yallourn North. In all cases, corrective actions and follow-up samples taken a few days later indicated that the E.coli level had returned to zero.

4 This KPI was not met due to one site failing to meet Total Phosphorus parameters. This parameter was exceeded due to disturbance of lagoon based treatment processes during desludging. The cessation of desludging activities has allowed the Total Phosphorus parameter to return to compliant levels.

5 The extended wet weather has reduced the capacity for irrigation from lagoon based wastewater treatment plants and high storage levels reduced the need to recycle water from the Gippsland Water Factory.

6 Composted biosolids are currently being stockpiled and are awaiting application to agricultural soil at a suitable time later this calendar year to allow for maximum benefit for pasture and crop production.

7 This KPI was not met due to the delay in finalising construction of infrastructure in Drouin and Warragul.

8 All injuries to employees have been investigated and remedial/corrective actions implemented.

9 This KPI represents four OH&S measures covering scheduled safety inspections, training attendance, incident reporting and incident management. Green indicates the measures are meeting expectations. Yellow indicates the measures are partially meeting expectations and supervisory intervention is required. Red indicates the measures are not meeting expectations and management intervention is required.

FREEDOM OF INFORMATION ACT 1982

Gippsland Water is considered a government agency under the terms of the *Freedom of Information Act 1982* and is required to comply with procedures that have been prescribed under which members of the public may gain access to information held by Gippsland Water. A decision to release information is made by an authorised officer.

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.
- 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.
- 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.
- Details of major promotional, public relations and marketing activities undertaken by Gippsland Water to develop community awareness of Gippsland Water and its services.
- Details of assessment and measures undertaken to improve the occupational health and safety of employees.
- A general statement on industrial relations within Gippsland Water and details of lost time through industrial accidents and disputes.
- A list of major committees sponsored by Gippsland Water, the purposes of each committee and the extent to which the purposes have been achieved.

In the 2011-12 reporting period Gippsland Water received one request for information under the *Freedom of Information Act 1982*. This request did not meet the required criteria of the *Freedom of Information Act 1982*.

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

Authorised FOI Officer:

Lynley Keene, Manager Commercial Services
Gippsland Water
PO Box 348
Traralgon VIC 3844
Contact: 03 5177 4600 or contactus@gippswater.com.au

The request should identify as clearly as possible which document is being requested and be accompanied by the appropriate application fee (the fee may be waived in certain circumstances). The application fee effective from 1 July 2012 is \$25.10.

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

Gippsland Water complies with the *Building Act 1993*, the Building Regulations 2006 and associated statutory requirements and amendments. An Occupancy Permit is obtained for new facilities or for upgrades to existing facilities endorsed by a Municipal Building Surveyor or a Registered Building Surveyor Practitioner.

Major works projects commenced or completed in 2011-12 include:

- Moondarra amenities building.
- Disaster recovery building refurbishment at Drouin.
- A desktop review of Gippsland Water's Essential Safety Measures framework.

Gippsland Water has a facilities management contract with Glennmc Construction with responsibilities for the maintenance of the organisation's buildings across our region in a safe and serviceable condition. Quality assurance, performance measures and governance are incorporated into the contract to ensure that contract requirements are met and standards maintained.

CONFLICT OF INTEREST

Managing conflicts of interest is an important aspect of Gippsland Water's operations. The integrity of the organisation relies on public confidence that employees and board members will act fairly, impartially and in the best interests of customers, the community and stakeholders. Gippsland Water has a Conflict of Interest Policy and Conflict of Interest Guidelines which provide a framework for all employees and board members in managing conflicts of interest.

VICTORIAN INDUSTRY PARTICIPATION POLICY ACT 2003

The *Victorian Industry Participation Policy Act 2003* requires Gippsland Water to report on its implementation of the Victorian Industry Participation Policy. The policy was developed by the Victorian government to ensure that applicable projects use local suppliers when and where it offers best value for money.

Gippsland Water is required to apply the policy in all tenders over \$1M, and reported on eight tenders during the 2011-12 financial year:

Contracts commenced to which the VIPP applied:

- During 2011-12, Gippsland Water commenced eight contracts totalling \$26,998,616 in value to which the VIPP applied.
- The number and value of these contracts can be split into zero (metropolitan Melbourne) and eight (regional Victoria).
- The commitments by contractors under VIPP included:
 - An overall level of local content of 85% of the total value of the contracts.
 - 59 full time equivalent jobs.
 - 1 apprenticeships/traineeships.
- The following benefits (as highlights) to the Victorian economy in terms of skills and technology transfer increases, updated training for technological changes, external project management, and various certificates offered to employees.

Contracts completed to which the VIPP applied:

- During 2011-12, Gippsland Water completed six contracts totalling \$11,862,300 in value to which the VIPP applied.
- The number and value of these contracts can be split into zero (metropolitan Melbourne) and six (regional Victoria).
- The outcomes reported by contractors under VIPP included:
 - An overall level of local content of 87% of the total value of the contracts.
 - 36 full time equivalent jobs.
 - 0 apprenticeships/traineeships.
- The following benefits (as highlights) to the Victorian economy in terms of skills and technology transfer increases, external project management, knowledge of Melbourne Water assets, certificates 2 to 5 provided to employees by a registered training organisation, updated training for technological changes, and deep well construction technology.

CONSULTANT SERVICES

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2011-12 (excluding GST)	Future expenditure (excluding GST)
Aecom Australia Pty Ltd	Unitisation of assets for asset revaluation	1/10/11	5/11/11	\$19,300.00	\$19,300.00	\$–
AWT Australia Pty Ltd	Moe diffuser investigation	1/03/11	30/11/11	\$32,567.00	\$21,966.00	\$–
CH2M Hill Australia Pty Ltd	Assessment of Alternatives for GW Biosolids	2/09/11	3/11/11	\$59,938.00	\$59,938.00	\$–
Chandler Macleod Group Limited	Irrigation storage modelling and compilation of a soil report for annual EPA compliance reporting	18/07/11	6/11/11	\$13,040.47	\$13,040.47	\$–
Dench Mclean Pty Ltd	Probity advice for mechanical and electrical contract tender	2/08/11	17/04/12	\$20,630.74	\$20,630.74	\$–
Edge Group Pty Ltd	Assist in installing a quality assurance (QA) system at the SORF	1/07/11	30/09/11	\$13,595.17	\$13,595.17	\$–
Edge Group Pty Ltd	Water resources review	1/09/11	17/11/11	\$13,940.52	\$13,940.52	\$–
GHD Pty Ltd	Longford rising main review	29/02/12	29/05/12	\$11,366.10	\$11,366.10	\$–
Gnarwarre Group Of Companies Pty Ltd	Board review	15/05/12		\$24,500.00	\$18,375.00	\$6,125.00
Infor Global Solutions	AMS configuration	26/10/11	30/06/12	\$30,587.53	\$30,587.53	\$–
Kellogg Brown & Root Pty Ltd	Drouin WWTP Upgrade Strategy	29/04/11	26/08/11	\$21,183.33	\$13,604.10	\$–
MWH Australia Pty Ltd	Golden Beach Habitat Hectare Assessment	29/03/11	15/07/11	\$12,450.00	\$12,450.00	\$–
Oakton Services P/L	Great Plains – update asset register	5/08/11	2/12/11	\$20,291.01	\$20,291.01	\$–
Odysseus-Imc Pty Ltd	Asset Management Framework/ Strategy	24/06/11	22/03/12	\$68,707.50	\$68,707.50	\$–
PricewaterhouseCoopers	SORF Business Plan	7/11/11	29/02/12	\$193,425.60	\$193,425.60	\$–
RSM Bird Cameron	Tax advice	22/08/11	5/10/11	\$12,000.00	\$12,000.00	\$–
Sinclair Knight Merz Pty Ltd	Gippsland Water asset and resource planning – SCADA requirements	6/10/11	4/03/12	\$17,366.31	\$17,366.31	\$–
SM Urban Pty Ltd	Spatial data compilation and preparation for Gippsland Water's supply catchments	22/09/11	7/03/12	\$28,835.54	\$28,835.54	\$–
Systemica Consulting Partners Pty Ltd	Process review workshop for organisational development activities	30/03/12	17/05/12	\$12,562.27	\$12,562.27	\$–
Votar Partners Pty Ltd	IT strategy	1/06/11	30/04/12	\$42,770.00	\$42,770.00	\$–
Votar Partners Pty Ltd	Stores and inventory management review	1/11/11	30/04/12	\$58,899.00	\$58,899.00	\$–
					\$703,650.86	

Consultants fees less than \$10K

In the 2011-12 financial year, Gippsland Water engaged 24 consultancies where the total fees payable to the consultants were less than \$10,000, with a total expenditure of \$110,555.90 (excluding GST).

OVERSEAS TRAVEL

Chris Wood (Manager Water Treatment, Quality and Catchments), David Mawer (Managing Director) and Belinda Bywaters (Manager Organisational Development) travelled to New Zealand in November 2011 to attend the OZ Jobs Expo in Auckland to gauge interest in addressing technical skills shortages in Gippsland.

In May 2012, the following staff attended the 2012 Operators Tour of New Zealand organised by the Water Industry Operators Association (WIOA):

- Russell Mack (Water Treatment Technologist) – WIOA funded.
- Mark Walker (Water Treatment Technician) – WIOA PASS (Problem Accepted Solution Supplied) Award Winner (Sponsor: Aqualift funded).
- Glenn Sheekey (Water Treatment Technician)
– Gippsland Water funded.
- Ben Ottery (Wastewater Treatment Technician)
– Gippsland Water funded.

This opportunity included attendance at the Water Industry Operations Group New Zealand conference held in Wellington, as well as a number of site tours of water and wastewater treatment plants. Gippsland Water derives many benefits from this type of travel including opportunities to view alternative technologies and processes and systems used in water and waste treatment operations in other countries that are transferable back to Gippsland Water.

Gippsland Water was selected as a finalist in the Bentley 'Be Inspired – Thought Leadership in Infrastructure' event held in Amsterdam, Netherlands in November 2011. Direct costs for attendance were sponsored by Bentley Business Systems, for the Gippsland Water Factory project. Ray Baillie, Manager Information, Communication and Technology, attended this event.

The government of the United States of America invited the Australian government to nominate a number of persons to attend the Idaho National Laboratories (INL) Industrial Control Systems Advanced Cyber Security Training held in April 2012. The course was offered to those who are nominated by CERT Australia (a division of the Attorney General's department), and approved by the Department of Homeland Security on behalf of the United States government.

In particular, the training course was designed for those directly involved in IT, SCADA and Process Control as owners/operators, and provided training and information regarding the latest tools and strategies for mitigating cyber security risks and threats.

Gippsland Water's Information, Communications and Technology (ICT) team submitted an expression of interest and team member Peter Stewart (SCADA and Control Engineer) was selected to attend this training. Peter was one of 30 attendees selected from a variety of Australian industries to attend. The Auditor General's department provided a grant of up to \$5000 to assist Gippsland Water and Peter with travel expenses incurred.

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 this Act.

	2011-12 Number	2010-11 Number
Public interest disclosures	0	0
Protected disclosures	0	0
The number of disclosures referred during the year by Gippsland Water to the Ombudsman for determination as to whether they are public interest disclosures	0	0
The number and types of disclosed matters referred to Gippsland Water by the Ombudsman for investigation	0	0
The number and types of disclosures referred by Gippsland Water to the Ombudsman for investigation	0	0
The number and types of investigations taken over from Gippsland Water by the Ombudsman	0	0
The number of requests made by a whistleblower to the Ombudsman to take over an investigation by Gippsland Water	0	0
The number and types of disclosed matters that Gippsland Water has declined to investigate	0	0
The number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation	0	0
Any recommendations by the Ombudsman for relate to Gippsland Water	N/A	N/A

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

Protected Disclosure Coordinator:
Tony Staley, General Manager Corporate Services
03 5177 4719
Tony.Staley@gippswater.com.au

Protected Disclosure Officer:
Lynley Keene, Manager Commercial Services
03 5177 4735
Lynley.Keene@gippswater.com.au

The Ombudsman Victoria
Level 22, 459 Collins Street
MELBOURNE VIC 3000
03 9613 6222
Toll Free 1800 806 314
ombudvic@ombudsman.vic.gov.au

** See page 98 for the full Whistleblowers Protection Policy

PUBLIC ADMINISTRATION ACT 2004

The *Public Administration Act 2004* lists principles that must be observed by public sector organisations and its employees. Gippsland Water staff observe these principles.

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.
- Employees have a reasonable avenue of redress against unfair or unreasonable treatment.
- A career in the public service is fostered (in the case of public service bodies).

Employees must demonstrate:

- Responsiveness.
- Integrity.
- Impartiality.
- Accountability.
- Respect.
- Leadership.
- Commitment to human rights.

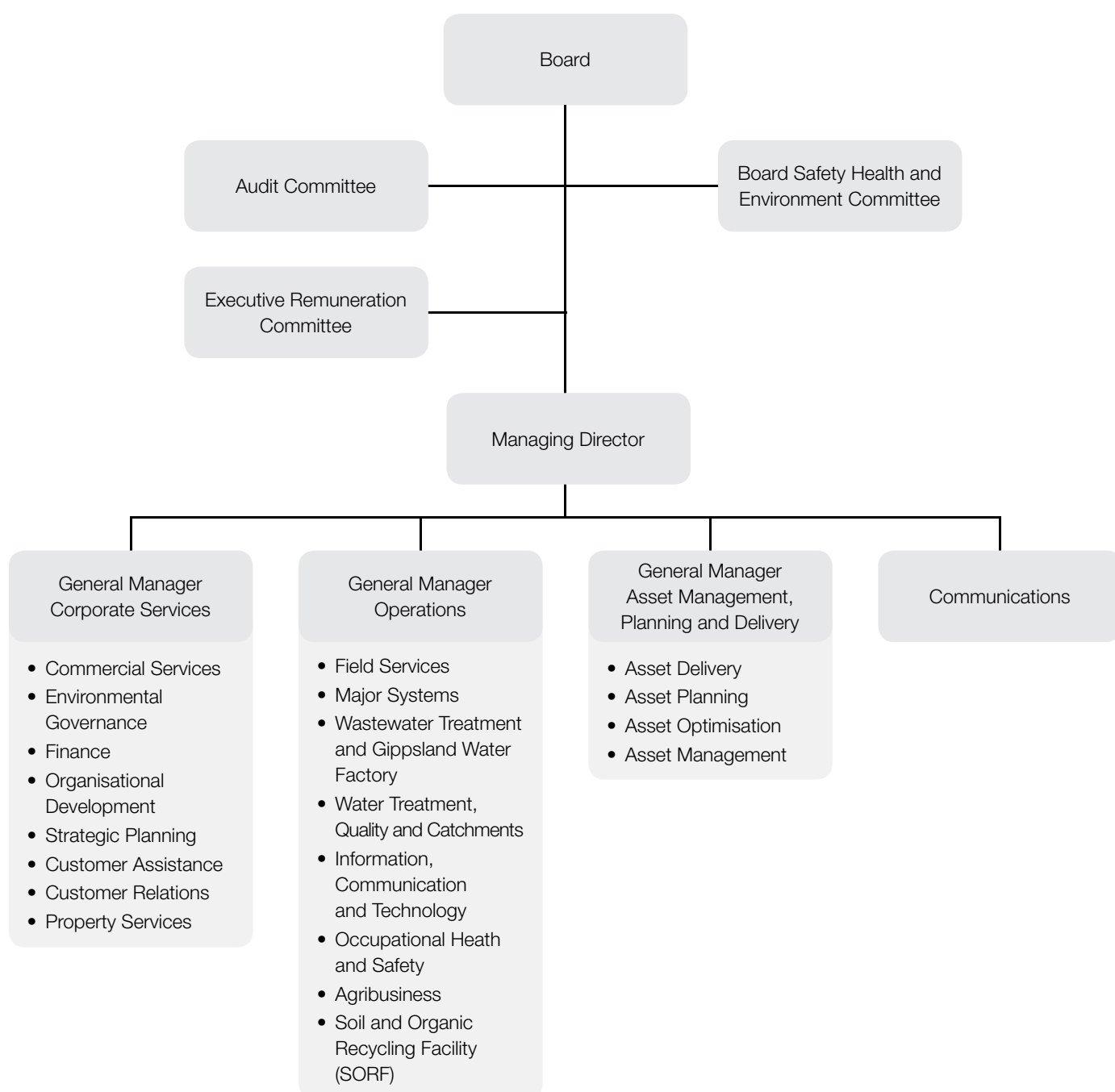
The Code of Conduct for the Victorian Public Sector is issued to all employees at their induction to promote integrity and conduct standards. Required behaviours are set out in all staff performance plans.

For more information on the Code of Conduct, visit the State Services Authority's website at www.ssa.vic.gov.au.

ORGANISATIONAL SUSTAINABILITY

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

ORGANISATIONAL STRUCTURE AS AT 30 JUNE 2012



EMPLOYMENT BY CATEGORY

Category	Number as at 30 June of each year				
	2012	2011	2010	2009	2008
Full-time male	179	171	166	156	149
Full-time female	52	43	52	51	51
Part-time male	3	0	0	1	1
Part-time female	21	20	26	21	24
Casual male	1	6	6	1	5
Casual female	6	3	6	7	8
Total employees	262	253	256	237	238
Full-time equivalent	244.65	233.59	226.56	211	208
% Full-time equivalent female employees	32.47	24.66	26.7	29	28.6

EQUAL EMPLOYMENT OPPORTUNITY

Gippsland Water complies with equal employment opportunity (EEO) legislation, the Victorian Public Service Code of Conduct and the *Charter of Human Rights and Responsibilities Act 2006*. During the 2011-12 reporting period, the organisation implemented a formal and structured Employee Assistance Program. Gippsland Water's employee induction process highlights the policies and procedures around discrimination, bullying, harassment and violence, including the Employee Assistance and Contact Officer programs to provide information and support for staff who feel harassed or bullied at work. There were no formal EEO complaints at Gippsland Water for the reporting period.

GENDER EQUITY

A total of 79 females were employed at Gippsland Water during the reporting period, representing 32.47% of full-time equivalent workforce. Women work in senior management, team leadership, professional, engineering, scientific, technical and administrative roles. During the 2011-12 reporting period, Gippsland Water assisted several women to return from maternity leave through part-time or other flexible working options. Gippsland Water continues to encourage women to participate in networking and development opportunities.

COMMUNITY INCLUSIVENESS

Gippsland Water has recruitment policies that ensure a fair and open opportunity for all potential employees. Gippsland Water has supported a number of career initiatives, including the Jobs Skills Expo in association with the Baw Baw Learning and Education network at Lardner Park, and the Monash Careers Fair in collaboration with East Gippsland Water and South Gippsland Water with the promotion of careers both at Gippsland Water and more generally across the water industry.

EMPLOYMENT AND DEVELOPMENT OPPORTUNITIES FOR YOUNG PEOPLE

Opportunities for young people at the corporation include:

- Work experience.
- Vacation employment.
- Industry Placement Program, Monash University Gippsland.
- Gippsland Youth Commitment.

OCCUPATIONAL HEALTH AND SAFETY

Gippsland Water's Safety Strategic Plan and the communication of the direction of safety for Gippsland Water was overhauled during this reporting period. The plan covers the period 2011-2014.

The Gippsland Water Safety Strategic Plan was revamped into three key areas of focus with the following objectives:

Active leadership and communication, covering:

- Enhanced safety culture.
- Clearly defined OH&S responsibilities and accountabilities.

Effective systems and programs, covering:

- Legislative and management system changes identified and measured.
- Introduction of risk-based programs for individual work groups.
- Streamlined and traceable OH&S training records.

Asset maintenance, development and delivery, ensuring:

- OH&S is considered in all aspects of asset planning, design, construction, operations and maintenance.
- Gippsland Water's contractors and service partners are aligned with Gippsland Water's safety systems and culture.

Major achievements against the Gippsland Water Safety Strategic Plan for the 2011-12 year include:

- Undertaking Safety Leadership Culture training at all levels in a staged approach.
- Reviewing existing communication procedures and developing a strategy to enhance consistent safety communication across the organisation.
- Practical OH&S responsibility training for executive, third level managers and health and safety representatives from a courtroom perspective.
- Review Hazard and Operability Study (HAZOP), Hazardous Conditions (HAZCON) procedures and training requirements.
- Training of contract responsible officers.

Occupational health and safety risk management

Risk assessments continue to be undertaken in accordance with the Inspection/Risk Assessment schedule. Progress of works against this schedule is measured and reported monthly.

Training

In line with the OH&S Training Plan 2009-2013, the following OH&S training was completed during the year:

- OH&S representatives five-day course.
- OH&S refresher one-day training.
- Asbestos.
- Chlorine Changeover and Self Contained Breathing Apparatus (SCBA).

- Electrical Spotters.
- Forklift.
- Manual handling.
- Tractor Front End Loader and Attachments.
- Traffic Management and Control.
- Construction induction.
- Senior First Aid.
- First Aid (CPR only).
- Confined Space Entry (initial and refresher).

Consultation and communication

The occupational health and safety committees encourage employee participation and a 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 employee and management representatives. The Safety Health and Environment (SHE) Governance process was reviewed in consultation with workgroup and management representatives and workgroup committees are established for:

- Traralgon office.
- Operations.
- SORF and Agribusiness.
- Field-based Contracts.

Representatives from each of the workgroup committees form the SHE Umbrella Committee. The SHE Umbrella Committee addresses strategic areas of occupational health, safety and environmental issues and makes recommendations to executive management and the board.

Measurement and evaluation

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

Three lost time injuries resulting in 110 days of lost time were reported in the 2011-12 year:

1. A Multi Skilled Operator (MSO) tripped while returning identification markers from compost windrows. Initially, he reported soreness in his ribs and a cut hand and developed soreness in his right ankle over time. The injury resulted in 16 days lost time.

The incident was discussed at the site team meeting and employees were made more aware of the environment on the work site.

2. A MSO was using a combination of shift spanner and hammer to loosen fittings. The impact resulted in a jarring of the employee's left wrist. The employee completed the job and applied first aid on his return home. The wrist swelled and resulted in discomfort for the employee.

Surgery was required to remove a necrotic section of the wrist bone and 89 days of lost time incurred.

3. A project engineer was involved in a vehicle accident while driving a Gippsland Water vehicle, sustaining whiplash injuries as a result of the impact. He was declared unfit for all duties for a period of five days.

Health and wellbeing

The highlight of this reporting period was the Special Commendation Award presented to Gippsland Water at the new WorkSafe Awards, held in October 2011. The award, for Gippsland Water's Health and Wellbeing program, recognises leadership in the demonstration of a whole-of-organisation commitment to the promotion of health and wellbeing at work.

The corporate health and wellbeing program for 2011-12 included:

- Health and Wellbeing Expo.
- Boxing classes.
- S.H.I.N.E – All summer long.
- Juice stand.
- Amazing Race 10000 Step Challenge.
- Flu vaccinations.
- Stress resilience seminars.
- Biannual medicals for all operational staff.
- Iridology consultations.

Gippsland Water's Safety Activity Plan

Gippsland Water's Safety Activity Plan for the year 2012-13 has a theme of 'back to basics', which is an activity plan with a focus on:

- Enhanced safety culture.
- Clearly defined OH&S responsibilities and accountabilities.
- Legislative and management system changes identified and appropriate targets set.
- Streamlined and traceable OH&S training records, which have been developed.

ASSET MANAGEMENT, PLANNING AND DELIVERY

Major achievements for 2011-12 in Asset Management, Planning and Delivery include:

- Development of a long term Asset Management plan which addresses the strategic requirements for operation, maintenance and replacement of Gippsland Water's water and wastewater assets.
- Upgrades to the Geographic Information System (GIS) and Asset Management Information System (AMIS).
- Preparation of the Water Supply Demand Strategy, capital works program and system reviews of ten of Gippsland Water's major town water and sewer systems in preparation for Water Plan 3.
- Ongoing works for the delivery of the new sewer schemes at Coongulla Glenmaggie and Loch Sport.
- Construction of the following projects
 - New raw water basin at Seaspray to secure water supply during summer demand periods for the town.
 - New pipeline supplying Boolarra to improve reliability of supply to the town.
 - New pump station and tank at Darnum, and pipeline from Yarragon to Darnum, as part of an ongoing program to secure water supply to the rapidly growing towns of Warragul and Drouin.
 - New pivot irrigator at Seaspray wastewater treatment plant to recycle treated waste water; and
 - Replacement of aged sewer pump station at Lodge Drive in Traralgon.

RISK MANAGEMENT

Gippsland Water's strong risk management culture is critical to achieving its strategic plan objectives.

Gippsland Water endorses the Victorian Government's initiative of adopting good practice in public sector risk management. To support this initiative, Gippsland Water has implemented a consolidated business-wide risk management framework that aligns with the Victorian Government's Risk Management Framework and *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines*.

Gippsland Water's Risk Management Policy and procedure assist and guide 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 safe, cost effective and efficient approach to managing risk is adopted.

Gippsland Water's Risk Management Committee met four times during the 2011-12 financial year to review and manage current and new risk exposures facing the corporation, 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.

Further risk management governance reviews were completed by Gippsland Water's Audit Committee and board on a quarterly basis. Gippsland Water's Audit Committee reviewed 'all inherent very high', and 'controlled very high and high' rated risks, as well as Gippsland Water's overall risk register to assure risk control

and compliance. 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 2012 board meeting.

Gippsland Water's Risk Register as at June 2012 contained 57 active risks; 15 risks rated as 'high', 24 risks rated as 'medium' and 18 risks rated as 'low' in the controlled environment, with consideration of current controls upon the risk assessment.

During the 2011-12 reporting period, Gippsland Water finalised and approved its Business Continuity Plan (BCP), incorporating a Business Continuity Policy and associated framework. The BCP complements Gippsland Water's existing crisis management plans.

The purpose of the BCP is to document the basic principles and framework necessary to ensure emergency response, resumption and recovery, restoration and permanent recovery of Gippsland Water's operations and business activities during a business interruption event.

In addition, Gippsland Water completed its internal review of the risk management framework. The major change implemented was to the processes regarding the conduct of quarterly risk management reviews. A number of innovative processes were developed to better engage the organisation in the quarterly reviews of its risks.

RISK MANAGEMENT ATTESTATION

I, Central Gippsland Region Water Corporation Board Chairperson, Richard McDowell, certify that the Central Gippsland Region Water Corporation has risk management processes in place consistent with the *International Standard for Risk Management ISO 31000:2009* 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
Chairperson
Central Gippsland Region Water Corporation

Dated the 16th day of August 2012

FINANCIAL PERFORMANCE

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OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$'000	2011 \$'000
Revenue from Operating Activities			
Service Charges	1(b) 4(a)	66,719	61,587
Volumetric Charges	1(b) 4(a)	32,773	29,899
Interest	1(b) 4(a)	718	797
Developer Contributions	1(b) 4(a)	10,392	7,568
Other Revenue	1(b) 4(a)	7,811	8,107
Total Operating Revenue		118,412	107,958
Revenue from Non-operating Activities			
Other Revenue	1(b)	1,322	1,623
Total Revenue from Non-operating Activities		1,322	1,623
Total Revenue		119,734	109,581
Expenses			
Employee Benefits	1(c)	32,930	24,724
Direct Expense		44,238	35,425
Environmental Contribution	1(c)	2,793	2,793
Depreciation	1(c) 4(c)	28,544	24,168
Amortisation	1(c) 4(c)	574	743
Net Loss on Disposal of Assets	4(b)	171	134
Impairment Loss	4(c)	1,460	7,690
Borrowing Costs	1(c) 4(c)	13,196	12,632
Total Expenses		123,905	108,309
Net Result before Tax		(4,171)	1,272
Income Tax Expense	1(i) 5(a)	—	—
Net Result	19	(4,171)	1,272

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

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2012

	Note	2012 \$'000	2011 \$'000
Net Result		(4,171)	1,272
Other Comprehensive Income			
Gain on Revaluation of Land and Buildings	18	0	1,260
Gain on Revaluation of Infrastructure	18	(2,090)	211,327
Income Tax Relating to Components of Other Comprehensive Income	5(b)	627	(70,766)
Total Other Comprehensive Income		(1,463)	141,821
Total Comprehensive Income		(5,634)	143,093

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

BALANCE SHEET AS AT 30 JUNE 2012

	Note	2012 \$'000	2011 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	1(d) 6	7,969	10,631
Receivables	1(d) 7	13,049	12,109
Prepayments		391	378
Inventories	1(d) 8	2,025	1,938
Biological Assets	1(d) 11	1,014	644
Other Financial Assets	9	219	157
Total Current Assets		24,667	25,857
Non-current Assets			
Other Financial Assets	9	9,662	9,305
Infrastructure, Property, Plant and Equipment	1(d) 10	994,057	975,724
Biological Assets	1(d) 11	2,229	2,205
Intangible Assets	1(d) 12	1,186	1,604
Total Non-current Assets		1,007,134	988,838
TOTAL ASSETS		1,031,802	1,014,696
LIABILITIES			
Current Liabilities			
Payables	1(e) 13	15,564	15,060
Interest Bearing Liabilities	1(e) 14	52,500	45,000
Employee Benefits	1(e) 15	5,373	4,695
Provisions	1(e) 16	315	330
Total Current Liabilities		73,752	65,085
Non-current Liabilities			
Interest Bearing Liabilities	1(e) 14	150,000	140,000
Employee Benefits	1(e) 15	1,003	929
Provisions	1(e) 16	779	929
Unfunded Super Liability	22	4,633	–
Deferred Tax Liability	5(b)	70,139	70,766
Total Non-current Liabilities		226,555	212,624
TOTAL LIABILITIES		300,307	277,709
NET ASSETS		731,495	736,987
EQUITY			
Contributed Capital	17	253,822	253,680
Reserves	18	163,658	165,121
Accumulated Funds	19	314,015	318,186
TOTAL EQUITY		731,495	736,987

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Note	Equity at 1 July 2011 \$'000	Total Comprehensive Income \$'000	Transactions with Owners \$'000	Equity at 30 June 2012 \$'000
Contributed Capital	17	253,680	–	–	253,680
Capital appropriations		–	–	142	142
		253,680	–	142	253,822
Accumulated Funds	19	318,186	(4,171)	–	314,015
Asset Revaluation Reserve	18	165,121	–	–	165,121
Impairment, prior period adjustment, decommissioning		–	(1,463)	–	(1,463)
		165,121	(1,463)	–	163,658
Total equity at end of financial year		736,987	(5,634)	142	731,495

	Note	Equity at 1 July 2010 \$'000	Total Comprehensive Income \$'000	Transactions with Owners \$'000	Equity at 30 June 2011 \$'000
Contributed Capital	17	252,895	–	–	252,895
Capital appropriations		–	–	785	785
		252,895	–	785	253,680
Accumulated Funds	19	316,914	1,272	–	318,186
Asset Revaluation Reserve	18	23,300	–	–	23,300
Revaluation increment/decrement, net of tax		–	141,821	–	141,821
		23,300	141,821	–	165,121
Total equity at end of financial year		593,109	143,093	785	736,987

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 2012

	Note	2012 \$'000	2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Fees and Charges		108,155	103,694
Interest Received		731	780
GST Received		5,922	3,891
Developer Contributions		2,054	2,054
		116,861	110,419
Payments			
Payments to Suppliers		(52,501)	(36,171)
Payments to Employees		(27,396)	(24,096)
GST Paid		(562)	(770)
Interest and Other Costs of Finance Paid		(13,107)	(12,528)
Environmental Contributions		(2,793)	(2,793)
		(96,358)	(76,358)
Net Cash Flows from Operating Activities	24	20,503	34,060
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Infrastructure, Property, Plant and Equipment		(40,866)	(46,813)
Payments for Intangible Assets		(156)	(173)
Proceeds from Sale of Property, Plant and Equipment	4(b)	576	599
Proceeds from/(Payments to) Investments		(362)	697
Net Cash Flows from Investing Activities		(40,808)	(45,690)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		17,500	15,500
Proceeds from Contributed Capital by State Government	17	142	785
Net Cash Flows From Financing Activities		17,642	16,285
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,662)	4,655
Cash and Cash Equivalents at Beginning of Year	6	10,631	5,976
Cash and Cash Equivalents at End of Year	6	7,969	10,631

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

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

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 2012.

NOTE – 1 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

General

The financial report includes separate financial statements for the Corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of an Operating Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements.

The general purpose financial report has been prepared in accordance 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. Where applicable, these paragraphs of the AAS applicable to not-for-profit entities have been applied.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when the cash is received or paid.

The annual financial statements were authorised for issue by the Managing Director on 24 August 2012.

The principal address is:

Gippsland Water
Hazelwood Road
Traralgon Victoria 3844

Accounting Policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which the Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Corporation's functional and presentation currency.

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(e) for a variation in relation to employee benefits. In the case of current liabilities the accounts comply with AASB101 paragraph 69.

Rounding

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

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 infrastructure, property, plant and equipment and biological assets.

Accounting estimates

The preparation of financial statements in conformity with AAS requires the use of certain critical accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

Financial statement presentation

The entity has applied the revised AASB 101 Presentation of Financial Statements which became effective for the reporting periods beginning on or after 1 July 2011, and AASB 1054 Australian Additional Disclosures which became effective for reporting periods beginning on or after 1 July 2011.

b) Revenue Recognition

Water and sewerage charges

Service charges are recognised as revenue when levied or determined.

Volumetric water usage and wastewater (non-residential customers only) charges are recognised as revenue when the water is provided. Meter reading is undertaken progressively throughout the year. For the 2011-12 financial year the Corporation estimated the outstanding revenue in respect of water meters which had not been read at balance date of \$2,855,844 (2010-11 \$2,639,147), by multiplying the number of days since the last reading by each customer's average service usage.

Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB1004, whichever is the sooner, and disclosed in the Operating Statement as Government Grants and Contributions.

However, grants and contributions received from the Victorian 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

Interest income is recognised using the effective interest rate method.

Developer contributions and 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 wastewater systems, are recognised as revenue when the contributions are received.

Lease or Rental Income

Income from operating leases (i.e. rentals) is recognised in 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.

c) Expenses

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.

Depreciation and Amortisation of Non-current Assets

All non-current physical assets that have a limited useful life are depreciated. 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 non-current physical 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 which is when it is in the location and condition necessary for it to be capable of

operating in a manner intended by management. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined in Note 1(e).

Major depreciation periods used are listed below and are consistent with the prior year, unless otherwise stated:

Class of Fixed Asset	Periods
Buildings	50 years
Infrastructure	
Water	
Storages	
Earth embankment	350 years
Spillways and by washes	100 years
Discharge control structures and outlet works	80 years
Civil works, drainage, fencing	50 years
Mechanical/electrical	25 years
Distribution networks	50 → 110 years
Treatment plants	25 → 75 years
Wastewater	
Storages	60 → 80 years
Distribution networks	50 → 100 years
Treatment plants	25 → 75 years
Other Assets	
Plant and equipment	10 → 20 years
Motor vehicles	3 years with Residual Value
Furniture and computers	3 → 10 years
Intangibles	
Software	3 → 5 years

Employee benefits

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation

The amount recognised in the Operating Statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

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. The carrying value of the replaced component of the asset is expensed.

Environmental Contributions

The *Water Industry (Environmental Contributions) Act 2004* (the Act) 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 to 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.

The environmental contributions are disclosed separately within the Operating Statement.

d) Assets

Cash and Cash Equivalents

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.

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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired 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.

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 measured 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.

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Infrastructure, Property, Plant and Equipment

Recognition and Measurement of Assets

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$500 (2011: \$500) and a useful life of more than one year are recognised as an asset. All other items acquired are expensed.

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

Assets are capitalised from capital work in progress when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

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

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.

Measurement of non-current physical assets

All non-current 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 in accordance with FRD 103D. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10%, a management revaluation is undertaken while a movement greater than 40% will normally involve an Approved Valuer (usually the Valuer General of Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10%, then no change is made to carrying amounts.

Plant, equipment and vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. For the plant, equipment and vehicles asset class, where the Corporation is able to demonstrate there is no evidence a reliable market-based fair value (or other fair value indicators) exist for these assets, depreciated replacement is used to represent a reasonable approximation of fair value.

Water infrastructure assets, at both the entity reporting level and whole of government reporting level, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103D. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

The initial fair value assessment for water infrastructure in the prior period was undertaken with involvement from Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise are provided in Note 10.

Revaluation of non current physical assets

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 an expense in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same asset, they are debited to the revaluation reserve.

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.
- 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.

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

Intangibles

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

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

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

Amortisation Basis	Intangible Assets (Software costs)
Useful life	Finite
Method used	3-5 years – straight-line
Internally generated/ acquired	Internally generated and acquired
Impairment test/ recoverable amount test	Amortisation method reviewed annually together with indicators of impairment

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.

Environmental Bond

The Corporation operates a prescribed (industrial) waste treatment and storage facility at its Dutson Downs property, which falls under Environment Protection Authority (EPA) Licence CL62999, and is required to meet the conditions of Section 67B of the *Environment Protection Act 1970* which requires a financial assurance for an occupier of a landfill. 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. (Refer Note 9).

Biological Assets

Biological Assets are measured at fair value, which is the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction, less the estimated costs to sell.

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 costs to sell.

The net increment in market value from the previous valuation is recognised in the Operating Statement, less the cost of acquiring and planting trees in the period.

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

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

Crops

Crops refer to cereal, forage and legumes stored on site at the 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 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.

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 with the condition, quality, age of the stock, current and projected market and seasonal conditions plus breeding values of cows and heifers was taken into consideration in calculating their net market value.

e) Liabilities

Payables

Payables consist predominantly of trade and sundry creditors. 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.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the initial amount recognised (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.

Employee Benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values. Employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, liabilities 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 seven years¹ 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.
- Nominal value – component that the Corporation expects to settle within 12 months.

Non-current Liability – conditional long service leave (representing less than seven years¹ 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.

¹ Gippsland Water Enterprise Agreement 2010.

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 Administration Act 1992*.

Employee Benefit On-costs

Employee benefit on-costs, including payroll tax and worker's compensation, 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 percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the term of the contracts to balance date.

Provisions

Provisions are recognised when the Corporation, as a result of a past event, has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

f) Equity

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.

g) 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 profit and loss, 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 profit and loss

Financial assets at fair value through the profit and loss 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 financial assets in the Balance Sheet. Loans and receivables are recorded at amortised cost less impairment.

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 of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. 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.

h) 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 this site:

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 commenced in 2010-11.

ii) Landfill Site Rehabilitation

Licensed by the EPA, the Corporation continues to operate a landfill for the disposal of inorganic waste. Landfill sites can remain open for many years, this provision recognises the final restoration cost to close and restore the landfill site. Based upon current utilisation management has estimated the landfill site has 12 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.

i) Taxation

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

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities, and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax

rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

No deferred tax assets or liabilities have been recognised for deductible temporary differences, other than revaluations of assets, as the Corporation has carry forward tax losses, it is not probable that they will be recouped. A deferred tax liability has been recognised for revalued assets, as future depreciation on revalued assets will not be deductible for tax purposes.

j) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 20) at their nominal value and exclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

k) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note (refer to Note 21) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

l) 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 percentage of the previous years' adjusted net profit. An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer.

m) 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 cash flows arising from investing and financing activities which is recoverable or payable to the ATO is classified as operating cash flows.

n) New accounting standards and interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. As at 30 June 2012, the following standards and interpretations had been issued but were not mandatory for the financial year 30 June 2012. The Corporation has not and does not intend to adopt these standards early.

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 <i>Financial Instruments</i> , AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	AASB 9 <i>Financial Instruments</i> addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The derecognition rules have been transferred from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed. The group has not yet decided when to adopt AASB 9.	1 January 2013	The entity is yet to assess its full impact.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> , AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i> , AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> and AASB 2011-6 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i>	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. <i>Tier 1 are the Australian Accounting Standards (AAS) as currently applied and Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of AAS but with reduced disclosure requirements.</i> <i>AASB 2011-6 extends the relief for intermediate parent entities from consolidation, equity accounting and proportionate consolidation to parent entities that report under Tier 2, where the parent higher up the group is reporting either under Tier 1 or Tier 2.</i>	1 July 2013	The impact of this standard will depend on instructions provided by Department of Treasury and Finance (DTF) on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard.
AASB 13 <i>Fair Value Measurement</i> , AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13 and AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i>	<i>The standard explains how to measure fair value and aims to enhance fair value disclosures.</i>	1 January 2013/ 1 July 2013	The Corporation is yet to assess its full impact. The Corporation will apply amended standard from 1 January 2013.

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 119 <i>Employee Benefits</i> , AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119</i> and AASB 2011-11 <i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i> .	These standards require the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removed of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	1 January 2013/ 1 July 2013	The Corporation is yet to assess its full impact. The Corporation will apply amended standard from 1 January 2013.
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i> [AASB 112]	In December 2010, the AASB amended AASB 112 <i>Income Taxes</i> to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1 January 2012	The Corporation will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.
AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i> [AASB 2009-11 & AASB 2010-7]	AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities.	1 January 2013	This amendment will not affect the financial statements of the Corporation.

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	<p><i>The amendments clarify the definition of the ABS GFS Manual, facilitate the orderly adoption of changed to the manual and improve related disclosures.</i></p> <p><i>Applicable only to not-for-profit entities and/or public sector entities.</i></p>	1 July 2012	The Corporation will apply the amended standard from 1 July 2012. When the amendments are applied, the Corporation will need to disclose (in the note containing the summary of accounting policies) a statement of compliance to this standard, a reference to the version of the ABS GFS Manual used or that the last version has not been used and the impact of this.
AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements	<p><i>Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporation Act 2001.</i></p> <p><i>The amendments cannot be adopted early.</i></p>	1 July 2013	This amendment is expected to have a limited impact.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	<p><i>Requirement for entities to group items presented in other comprehensive income on the basis of whether they may be recycled to profit or loss in the future.</i></p>	1 July 2012	The Corporation will apply this amendment from 1 July 2012. This will only have an impact on disclosure and presentation.
AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	<p><i>The amendments clarify some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting and will improve the harmonisation of the financial reporting requirements of the Commonwealth, State and Territory governments.</i></p> <p><i>Applicable only to not-for-profit entities and/or public sector entities.</i></p>	1 July 2012	This amendment is expected to have a limited impact.

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 board has also established an audit committee to ensure effective financial and risk management, compliance with legislation and maintenance of an effective audit system.

The carrying amounts of the Corporation's contractual financial assets and financial liabilities by category are in the table below:

Financial instrument	2012 Carrying amount	2011 Carrying amount
	<i>\$'000</i>	<i>\$'000</i>
Financial Assets		
Cash and Cash Equivalents	7,969	10,631
<i>Loans and receivables:</i>		
– Trade Receivables	8,357	7,981
– Other Receivables	13,361	12,406
Total Financial Assets (a)	29,687	31,018
Financial Liabilities		
<i>At Amortised Cost:</i>		
Payables	15,564	15,060
Interest Bearing Liabilities	202,500	185,000
Total Financial Liabilities (b)	218,064	200,060

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

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

Net holding gain/loss on financial instruments by category

Financial Instrument 2012	Total interest income and expense \$'000	Fee income expense \$'000	Impairment loss \$'000	Total \$'000
Contractual Financial Assets				
Cash and Cash Equivalents	310	—	—	310
Trade Receivables	—	—	23	23
Other Receivables	408	—	—	408
Total Financial Assets	718	—	23	741
Financial Liabilities				
Payables	—	—	—	—
Interest Bearing Liabilities	11,539	1,657	—	13,196
Total Financial Liabilities	11,539	1,657	—	13,196

Net holding gain/loss on financial instruments by category (continued)

Financial Instrument 2011	Total interest income and expense \$'000	Fee income expense \$'000	Impairment loss \$'000	Total \$'000
Contractual Financial Assets				
Cash and Cash Equivalents	330	—	—	330
Trade Receivables	—	—	9	9
Other Receivables	467	—	—	467
Total Financial Assets	797	—	9	806
Financial Liabilities				
Payables	—	—	—	—
Interest Bearing Liabilities	11,247	1,385	—	12,632
Total Financial Liabilities	11,247	1,385	—	12,632

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 government's financial management objectives are achieved by setting guidelines and recommending borrowing and investment powers. Under these guidelines the Corporation has agreed to deal with TCV for its funding needs. The 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 the Corporation'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 is 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:

- Borrowing portfolio balances, maturity dates and interest rates.
- Maturity profile of borrowings.
- Financial Accommodation approval for the year against actual borrowings for the year.
- 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.

Management has also concluded cash at bank and cash deposits with TCV can be left at floating rates without necessarily exposing the Corporation to significant risk, management monitors the movements in these floating rates on a regular 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) Equity Price Risk

The Corporation is not holding any investments in listed or unlisted shares or managed investment schemes and is not exposed to equity price risk.

(iv) 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.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and

experience of the financial markets the corporation believes the following movements are 'reasonably possible' over the next 12 months.

Current forecasts from TCV indicate minimal movements in interest rates over the next 12 months.

High levels of government debt across the developed world and the ongoing economic instability within certain European countries is of concern. Management believes there could be further downward pressure on interest rates in Australia over the next twelve months. Loans totalling \$58M will be renegotiated during 2012-13 most likely with longer term maturities. These loans have interest rates which are above and also below the current TCV forecast. It is possible to expect the weighted average cost of borrowings for these loans could decrease below the general market by approximately a further 0.5%.

The sensitivity analysis set out below applies a weighted average possible decrease in interest of 0.75% (2011: 0.5%) over the financial instruments and shows a net profit of \$206,000 (2011: \$126,000) to Net Result and Equity. A chance remains that interest rates may increase, management considers rates are unlikely to increase by more than 0.5% (2011: 0.9%). The impact of higher interest rates would generate a net loss of \$137,000 (2011: \$222,000) to Net Result and Equity.

The carrying value of the fixed interest bearing instruments valued at fair value would be impacted by a change in interest rates. If interest rates increase, the carrying value of the instrument would decrease. The sensitivity analysis cannot accurately calculate a potential movement in the carrying value.

At the reporting date, the Corporation had no exposure to foreign currencies. A sensitivity calculation has not been performed. Foreign currency exposure at 2012 was also nil.

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

The table below sets out for each financial instrument the potential impact on the Net Result and Equity held by the Corporation for interest rate risk which management consider to be 'reasonably possible' at 30 June 2012.

2012	Carrying amount	Interest Rate Risk			
		-0.75% Result	-0.75% Equity	+ 0.5% Result	+ 0.5% Equity
		\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents ¹	7,969	(60)	(60)	40	40
Trade Receivables ²	8,357	–	–	–	–
Other Receivables ²	3,759	–	–	–	–
Other Receivable – TCV Deposit	9,602	(72)	(72)	48	48
Financial Liabilities					
Payables ²	15,564	–	–	–	–
Interest Bearing Liabilities – Fixed	140,000	–	–	–	–
Interest Bearing Liabilities – Maturing	30,000	225	225	(150)	(150)
Interest Bearing Liabilities – Variable	32,500	244	244	(163)	(163)
Total		337	337	(225)	(225)

1 All cash at bank at variable interest rates.

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

2011	Carrying amount \$'000	Interest Rate Risk			
		+0.9% Result \$'000	+0.9% Equity \$'000	-0.5% Result \$'000	-0.5% Equity \$'000
Financial Assets					
Cash and Cash Equivalents ¹	10,631	96	96	(53)	(53)
Trade Receivables ²	7,981	—	—	—	—
Other Receivables ²	3,166	—	—	—	—
Other Receivable – TCV Deposit	9,240	83	83	(46)	(46)
			—		
Financial Liabilities					
Payables ²	15,060	—	—	—	—
Interest Bearing Liabilities – Fixed	140,000	—	—	—	—
Interest Bearing Liabilities – Maturing	20,000	(180)	(180)	100	100
Interest Bearing Liabilities – Variable	25,000	(225)	(225)	125	125
Total		(226)	(226)	126	126

1 All cash at bank at variable interest rates.

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

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 and other financial assets.

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 ageing, 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.

- 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*.
- 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.
- 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.
- 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, the Corporation 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 corporation's 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 7 Receivables.

For cash at bank the Corporation's policy is to deal only with Australian banks with high credit ratings.

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 careful maturity planning of its financial obligations based on forecasts of future cash flows, monitoring of short and long term borrowings with regular reviews of current and future borrowing levels and requirements, maintenance of adequate reserves and ensuring sufficient standby credit facilities are available to ensure the Corporation has sufficient funding available to meet obligations as they fall due on a day to day basis.

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 the Corporation's 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 2012, the Corporation had no undrawn Financial Accommodation from 2011-12 (excluding the undrawn Temporary Purpose funding of \$5M).

In light of the Corporation's planned capital expenditure program, and the 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 the Corporate Plan, and the approval of the Treasurer of Victoria's accompanying Financial Accommodation.

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

Borrowing Facility	2012	2011
	\$'000	\$'000
Temporary Purpose Financial Accommodation	5,000	5,000
Annual Financial Accommodation	–	24,000
Total Undrawn Approved Borrowings	5,000	29,000

Maturity analysis of contractual financial liabilities

2012	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
Payables	15,564	–	–	–	–	15,564
Borrowings	52,500	–	20,000	80,000	50,000	202,500
Total Financial Liabilities	68,064	–	20,000	80,000	50,000	218,064

2011	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
Payables	15,060	–	–	–	–	15,060
Borrowings	45,000	–	20,000	70,000	50,000	185,000
Total Financial Liabilities	60,060	–	20,000	70,000	50,000	200,060

2.2 Fair Value

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. The borrowing rates used vary from 4.36% to 7.16%, (2011: 4.97% to 5.74%). The fair value of current borrowings approximates the carrying amount, and the impact of discounting is therefore considered not significant.

At balance date the Corporation did not hold any financial instruments which have been measured at fair value through the profit and loss. Consequently no fair value hierarchy disclosures are required.

Comparison between carrying amount and fair value

Financial Instrument	2012 Carrying amount \$'000	2012 Fair value \$'000	2011 Carrying amount \$'000	2011 Fair value \$'000
Financial Assets				
Cash and Cash Equivalents	7,969	7,969	10,631	10,631
Loans and receivables				
– Trade Receivables	8,357	8,357	7,981	7,981
– Accrued Revenue/Other Receivables	3,480	3,480	3,007	3,007
– Deposits at TCV	9,602	9,605	9,240	9,272
Total Financial Assets	29,408	29,411	30,859	30,891
Financial Liabilities				
Payables	15,564	15,564	15,060	15,060
Interest Bearing Liabilities	202,500	205,394	185,000	191,547
Total Financial Liabilities	218,064	220,958	200,060	206,607

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of AAS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions, and future periods if the revision affects both current and future periods.

Areas where critical accounting estimates and judgements have been used include the calculation of provisions, depreciation, and the determination of values used in the Asset Revaluations.

NOTE 4 – OPERATING STATEMENT – DISCLOSURES

a) Significant Revenues

	Note	2012 \$'000	2011 \$'000
Service Charges			
– Water Charges		17,809	16,570
– Wastewater Charges		48,675	44,802
– Trade Waste Charges		235	215
Total Service Charges	1(b)	66,719	61,587
Volumetric Charges			
– Water		26,751	24,475
– Wastewater		6,022	5,424
Total Volumetric Charges	1(b)	32,773	29,899
Developer Contributions			
– Fees Paid by Developers		2,049	2,049
– Assets Received from Developers		8,343	5,519
Total Developer Contributions	1(b)	10,392	7,568
Interest received from financial assets not at fair value through Profit/Loss		718	797
Other Revenue – Operating			
– Agriculture pursuits		2,413	2,450
– Prescribed waste		3,662	3,432
– Rechargeable works		657	805
– Other fees		1,079	1,420
Total Other Revenue – Operating	1(b)	7,811	8,107

b) Net Gain/(Loss) on disposal of non-current assets

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses

	Note	2012 \$'000	2011 \$'000
Net Gain/(Loss) on disposal of property, plant and equipment			
– Proceeds on Sale		576	599
– Written Down Value		(747)	(733)
Net Gain/(Loss) on disposal of property, plant and equipment		(171)	(134)

c) Expenses

	Note	2012 \$'000	2011 \$'000
Employer defined benefit and superannuation contribution expense	22	1,753	1,616
Net (gain)/loss arising from revaluation of Long Service Leave		(7)	(42)
Operating lease rental expense		176	76
Bad and doubtful debts			
– Written off		267	178
Auditors Remuneration			
– Auditor General for Audit of Financial Statements		55	44
– Internal Audit		110	90
Depreciation			
– Buildings		406	629
– Water infrastructure		11,171	6,421
– Wastewater infrastructure		14,584	14,754
– Plant and equipment		1,168	1,558
– Motor vehicles		1,215	806
Total Depreciation	1(c)	28,544	24,168
Amortisation			
– Software	12	574	743
Total Depreciation and Amortisation		29,118	24,911
Borrowing Cost not at fair value through the profit and loss			
– Interest on TCV borrowings	1(c)	11,539	11,247
– Financial Accommodation Levy	1(c)	1,657	1,385
Total Borrowing Cost		13,196	12,632
Impairment Loss			
– Non-financial assets	10(b)	1,437	7,681
– Financial assets – receivables	1(d), 7	23	9
Total Impairment Loss		1,460	7,690

	Note	2012 \$'000	2011 \$'000
Write down of inventory		47	51
Deemed Cost of Biological Assets Sold – Timber		100	27
Deemed Cost of Biological Assets Sold – Livestock		1082	833

d) Individually Significant Expenditure

	Note	2012 \$'000	2011 \$'000
Impaired Assets			
– Gippsland Water Factory. Damage to anaerobic lagoons during construction. An insurance claim of \$7.6M for rectifying this damage is currently being pursued.	21	–	7,625
– Unfunded Superannuation Liability. A call to was made by Vision Super for \$4.6M for an additional contribution due to the deferred benefits fund being in an unfunded position.		4,633	–

NOTE 5 – INCOME TAX

	2012 \$'000	2011 \$'000
a) Reconciliation of Income Tax to Prima Facie Tax Payable		
Net result before income tax expense	(4,171)	1,272
Tax at the Australian tax rate of 30% (2011: 30%)	(1,251)	382
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Expenditure not allowable for income tax purposes	44,284	41,070
Expenditure allowable for income tax purposes	(58,179)	(58,806)
Benefit of tax losses not brought to account	15,146	17,355
Income tax expense as reported in the Operating Statement	–	–
b) Deferred Tax Liabilities – recognised directly to Equity		
Revaluation of property, plant and equipment		
Land	6,578	6,578
Buildings	790	790
Infrastructure	63,398	63,398
	70,766	70,766
Movements:		
Opening balance at 1 July	70,766	–
Credited/(debited) to other comprehensive income	(627)	70,766
Closing balance at 30 June	70,139	70,766
Deferred tax liability to be recovered after more than 12 months	70,139	70,766

NOTE 6 – CASH AND CASH EQUIVALENTS

	2012 \$'000	2011 \$'000
Cash on Hand	1	1
Cash at Bank	7,968	10,630
Total Cash and Cash Equivalents	7,969	10,631
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	7,969	10,631
Balances as per Cash Flow Statement	7,969	10,631
c) Deposits at call		
The deposits are bearing floating interest rates between 3.50% and 4.69% (2011 2.89% and 4.51%)		

NOTE 7 – RECEIVABLES

	2012 \$'000	2011 \$'000
Current		
Trade Receivables	8,511	8,112
Provision for impaired receivables (a)	(154)	(131)
Goods and Services Taxation Refund Due	1,212	1,184
Accrued Revenue	3,480	2,944
Total Receivables	13,049	12,109
a) Movement in provision for impaired receivables		
Opening balance at 1 July	(131)	(123)
(Increase)/decrease in allowance recognised in profit or loss	(290)	(185)
Amounts recovered during the year		(41)
Amounts written off during the year	267	218
Closing balance at 30 June	(154)	(131)
A provision has been made for estimated irrecoverable Trade Receivables, determined by reference to past default experience. The movement in the provision was recognised in the net result for the financial year.		
The carrying amount of Trade Receivables that would otherwise be past due or impaired whose terms have been renegotiated.	830	935
b) Trade Receivable Past Due but not Impaired		
30-60 Days	916	843
60-90 Days	228	177
Over 90 Days	385	395
Total Trade Receivables Past Due but not Impaired	1,529	1,415

Total impaired Trade Receivables at 30 June 2012 were \$154,000 (2011: \$131,250). 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.

c) Foreign Exchange Risk

At 30 June 2012 (2011: Nil) the Corporation had no receivable denominated in a foreign currency.

d) Fair Value and Credit Risk

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

NOTE 8 – INVENTORIES

	2012	2011
	\$'000	\$'000
Stores and Consumables – at Cost	2,025	1,938
Total Inventories	2,025	1,938
There were no inventories pledged as security for liabilities (2011: Nil)		

NOTE 9 – OTHER FINANCIAL ASSETS

	2012	2011
	\$'000	\$'000
Current Other Financial Assets at Amortised Cost		
Private Schemes Unmatured Capital	–	–
Other	219	157
Total Current Other Financial Assets	219	157
Non-current Other Financial Assets at Amortised Cost		
Private Schemes Unmatured Capital	60	65
Deposit – TCV Country Towns Water Supply and Sewerage Scheme	8,602	8,240
Deposit – TCV Environmental Bond	1,000	1,000
Other Long Term Receivable	–	–
Total Non-current Other Financial Assets	9,662	9,305
Total Other Receivables	9,881	9,462

Private Schemes

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 includes an interest component.

Other Current Receivables

LGC certificates and sundry receivables due from employees of the Corporation.

Deposit – TCV Small Town Water and Sewerage Program

Represents a contribution from owners to be used specifically for a small town water and sewerage program. Conditions and milestones have been set by the Department of Sustainability and Environment (DSE) on this contribution.

Deposit – TCV Environmental Bond

This deposit with the Treasury Corporation of Victoria (TCV) has no specified maturity date, but has specific terms and conditions as specified in Note 1(d).

Total Other Receivables

The maximum exposure to credit risk at the reporting date is the carrying amount of these assets and the assets are not impaired and are not past due. The Corporation does not hold any collateral over these assets. Based on the credit history, the receivables are expected to be received when due.

The assets are in Australian dollars and there are no foreign currency exposures and no exposure to price risk.

Other Receivables at Fair Value

	2012	2011
	\$'000	\$'000
Other Financial Assets and Private Schemes	279	222
Deposit – TCV Small Town Water and Sewerage Program	8,602	8,272
Deposit – TCV Environmental Bond	1,003	1,000
Other Long Term Receivable	–	–
Total Other Receivables at Fair Value	9,884	9,494

NOTE 10 – INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

a) Classes of Infrastructure, Property, Plant and Equipment

	2012 \$'000	2011 \$'000
Land		
At Cost	142	–
At Independent Valuation	29,075	29,075
	29,217	29,075
Buildings		
At Cost	200	–
At Independent Valuation	9,511	9,511
Less: Accumulated Depreciation	(406)	–
	9,305	9,511
Water Infrastructure		
At Cost	16,197	–
At Independent Valuation	344,385	345,623
Less: Accumulated Depreciation	(11,118)	–
	349,464	345,623
Wastewater Infrastructure		
At Cost	18,660	–
At Independent Valuation	539,191	539,704
Less: Accumulated Depreciation	(14,554)	–
	543,297	539,704
Plant, Equipment and Other		
At Fair Value	15,549	17,411
Less: Accumulated Depreciation	(10,463)	(10,988)
	5,086	6,423
Motor Vehicles		
At Fair Value	8,565	4,619
Less: Accumulated Depreciation	(3,119)	(1,235)
	5,446	3,384
Under Construction (Work In Progress)	52,242	42,004
	52,242	42,004
Total Infrastructure, Property, Plant and Equipment	994,057	975,724

Land and Buildings were independently valued at 30 June 2011 by the Valuer General of Victoria (using Egan National valuers). Prior to this, Land and Buildings were last valued at 30 June 2007. For Land, the valuation methodology used has been market value adjusted for community service obligations where applicable. Due to their specialised nature Buildings have been valued using depreciated replacement costs.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria (using AECOM valuers). Prior to this, Infrastructure assets were last valued at 30 June 2004. The valuation methodology used was depreciated replacement costs using a greenfield approach for assessing costs and only included assets that were constructed before 1 July 2010. Cost models were built based on actual construction information complimented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

b) Movements During the Reporting Period

2012	Opening WDV 1 July 2011 \$'000	Additions (ii) (iii) \$'000	Disposals \$'000	Net revaluation \$'000	Transfers between categories \$'000	Impairment (i) \$'000	Depreciation \$'000	Closing WDV 30 June 2012 \$'000
Land								
At Cost	–	142	–	–	–	–	–	142
At Independent Valuation	29,075	–	–	–	–	–	–	29,075
	29,075	142	–	–	–	–	–	29,217
Buildings								
At Cost	–	–	–	–	200	–	(32)	168
At Independent Valuation	9,511	–	–	–	–	–	(374)	9,137
	9,511	–	–	–	200	–	(406)	9,305
Water Infrastructure								
At Cost	–	2,295	–	–	13,875	–	(304)	15,866
At Independent Valuation	345,623	–	–	–	–	(1,158)	(10,867)	333,598
	345,623	2,295	–	–	13,875	(1,158)	(11,171)	349,464
Wastewater Infrastructure								
At Cost	–	5,789	–	–	12,879	–	(370)	18,298
At Independent Valuation	539,704	–	(359)	–	–	(132)	(14,214)	524,999
	539,704	5,789	(359)	–	12,879	(132)	(14,584)	543,297
Plant, Equipment and Other						–		
At Fair Value	6,423	–	–	–	(22)	(147)	(1,168)	5,086
	6,423	–	–	–	(22)	(147)	(1,168)	5,086
Motor Vehicles						–		
At Fair Value	3,384	–	(578)	–	3,855	–	(1,215)	5,446
	3,384	–	(578)	–	3,855	–	(1,215)	5,446
Under Construction	42,004	41,261	–	–	(31,023)	–	–	52,242
	42,004	41,261	–	–	(31,023)	–	–	52,242
Total Infrastructure, Property, Plant and Equipment	975,724	49,487	(937)	–	(236)	(1,437)	(28,544)	994,057

(i) Impairment during the year was due to derecognition of assets no longer in service.

(ii) Land additions includes Crown land worth \$142,000 transferred from DSE to Gippsland Water.

(iii) Water and Wastewater Infrastructure additions are Developer Gifted Assets net of adjustments for inventory and accruals.

2011	Opening WDV 1 July 2010 \$'000	Additions (ii) (iii) \$'000	Disposals \$'000	Net revaluation \$'000	Transfers between categories \$'000	Impairment (i) \$'000	Depreciation \$'000	Closing WDV 30 June 2011 \$'000
Land								
At Cost	1,673	–	–	–	(1,673)	–	–	–
At Independent Valuation	25,928	–	–	1,457	1,690	–	–	29,075
	27,601	–	–	1,457	17	–	–	29,075
Buildings								
At Cost	3,743	–	–	–	(3,549)	–	(194)	–
At Independent Valuation	8,655	–	(26)	(196)	1,569	(56)	(435)	9,511
	12,398	–	(26)	(196)	(1,980)	(56)	(629)	9,511
Water Infrastructure								
At Cost	220,268	1,765	(7)	–	(215,605)	–	(6,421)	–
At Independent Valuation	–	–	–	123,685	221,938	–	–	345,623
	220,268	1,765	(7)	123,685	6,333	–	(6,421)	345,623
Wastewater Infrastructure								
At Cost	232,441	3,671	(25)	–	(213,708)	(7,625)	(14,754)	–
At Independent Valuation	–	–	–	87,641	452,063	–	–	539,704
	232,441	3,671	(25)	87,641	238,355	(7,625)	(14,754)	539,704
Plant, Equipment and Other								
At Cost	6,232	–	(141)	–	1,890	–	(1,558)	6,423
	6,232	–	(141)	–	1,890	–	(1,558)	6,423
Motor Vehicles								
At Cost	3,173	–	(535)	–	1,552	–	(806)	3,384
	3,173	–	(535)	–	1,552	–	(806)	3,384
Under Construction	238,358	51,263	–	–	(247,617)	–	–	42,004
	238,358	51,263	–	–	(247,617)	–	–	42,004
Total Infrastructure, Property, Plant and Equipment	740,471	56,699	(734)	212,587	(1,450)	(7,681)	(24,168)	975,724

(ii) Impairment during the year was mainly due to damage to the Anaerobic lagoons at the Gippsland Water Factory during construction.

NOTE 11 – BIOLOGICAL ASSETS

	2012 \$'000	2011 \$'000
Current – Plants		
Fodder	96	91
Crops – Feed Grade	87	96
Plantation Softwood	274	46
	457	233
Current – Animals		
Cattle	464	410
Sheep	94	1
	558	411
Total Current Biological Assets	1,014	644
Non-current		
Plantation Softwood	848	983
Cattle	1,381	1,222
Total Non-current Biological Assets	2,229	2,205
Total Biological Asset Carrying Amount at 30 June	3,243	2,849
Movement in Carrying Amount		
Carrying amount at 1 July	2,849	1,719
Increases due to:		
Purchases	803	392
Natural Increase	913	927
New Crops	–	–
Fair Value increase – Livestock and Plantations	396	913
Decreases attributable to:		
Sales	(1,669)	(1,074)
Deaths	(49)	(28)
Carrying amount at 30 June	3,243	2,849

a) Plants i)

	2012 \$'000	2011 \$'000	2012 Qty	2011 Qty
Consumable Assets				
Mature Assets				
Fodder				
Silage – (Qty Bales)	29	15	723	411
Cereal and Legume Silage (Tonnes)	60	60	706	706
Hay	7	16	550	590
Crops				
Feed Wheat (Qty Tonnes)	46	–	209	–
Feed Barley (Qty Tonnes)	4	23	2	115
Feed Lupins (Qty Tonnes)	29	42	107	140
Feed Triticale (Qty Tonnes)	8	31	38	140
Canola	–	–	–	–
Softwood Pinus Radiata (Qty Ha)	274	46	65	3
Total Consumable Assets	457	233		
Non-bearer Assets				
Immature Assets				
Softwood Pinus Radiata (Qty Ha)	848	983	469	426
Total Non-bearer Assets	848	983		

b) Animals ii)

	2012 \$'000	2011 \$'000	2012 Qty	2011 Qty
Consumable Assets				
Immature Assets				
Mixed sex weaners	464	410	632	558
Lambs	94	1	986	9
Mature Assets				
Bullocks	–	–	–	–
Total Consumable Assets	559	411	1,618	567
Bearer Assets				
Immature Assets				
Heifers	662	536	736	645
Mature Assets				
Cows and Bulls	719	686	727	720
Total Bearer Assets	1,381	1,222	1,463	1,365
Output				
Crops and Livestock	913	927	839	714

Fair value of output was determined at closing market value

i) Agribusiness Valuations Australia, Certified Practicing Valuers, completed an independent valuation of plantations as at 30 June 2012.

ii) Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2012.

The 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 the Corporation in the provision of sustainable water and wastewater services to the region.

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. Fodder 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.

NOTE 12 – INTANGIBLE ASSETS

a) Classes of Intangible Assets

	2012	2011
	\$'000	\$'000
Software at Cost	8,876	8,876
Accumulated Amortisation	(8,046)	(7,472)
	830	1,404
Software Development (Work in Progress)	356	200
Total Intangible Assets	1,186	1,604

b) Movements during the reporting period

	Opening WDV 1 July 2011	Additions	Transfers	Amortisation	Closing WDV 30 June 2012
2011-12	\$'000	\$'000	\$'000	\$'000	\$'000
Software at Cost	8,876	–	–	–	8,876
Accumulated Amortisation	(7,472)	–	–	(574)	(8,046)
	1,404	–	–	(574)	830
Software Development (Work in Progress)	200	156	–	–	356
Total Intangible Assets	1,604	156	–	(574)	1,186

2010-11	Opening WDV 1 July 2010	Additions	Transfers	Amortisation	Closing WDV 30 June 2011
Software at Cost	8,650	–	226	–	8,876
Accumulated Amortisation	(6,729)	–	–	(743)	(7,472)
	1,921	–	226	(743)	1,404
Software Development (Work in Progress)	601	173	(574)	–	200
Total Intangible Assets	2,522	173	(i) (348)	(743)	1,604

i) Upon Capitalisation under FRD 109 this was deemed to be expenditure

NOTE 13 – PAYABLES

	2012 \$'000	2011 \$'000
Current		
Trade Creditors	496	2,500
Accrued Expenses	11,235	9,428
Other		
Security Deposits	1,314	1,090
Retentions	707	604
Overpaid Rates and Charges	1,641	1,314
Unclaimed Monies	1	1
Other	170	123
Total Current Payables	15,564	15,060

Total Payables do not include any foreign currency denominated liabilities (2011: Nil).

NOTE 14 – INTEREST BEARING LIABILITIES

	2012 \$'000	2011 \$'000
Current Secured		
Borrowing – TCV	52,500	45,000
Total Current Interest Bearing Liabilities	52,500	45,000
Non-current Secured		
Borrowing – TCV	150,000	140,000
Total Non-current Interest Bearing Liabilities	150,000	140,000
Total Interest Bearing Liabilities	202,500	185,000
Term to Maturity		
0-1 Year	52,500	45,000
1-4 Years	70,000	60,000
4-8 Years	60,000	50,000
8 Years and over	20,000	30,000
Total Interest Bearing Liabilities	202,500	185,000
Credit Standby Arrangements		
Total facilities – TCV	5,000	5,000
Unused at balance date	(5,000)	(5,000)
	–	–
Bank Loan Facilities		
Total facilities	17,500	39,500
Used at balance date	17,500	15,500
Unused at balance date	–	24,000
Fair Value		
Non Traded Financial Liabilities		
Borrowing – TCV	205,394	191,547

The fair values of borrowings are based on cash flows discounted using borrowing rates varying from 4.36% to 7.16%, (2011: 4.97% to 5.74%).

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.

NOTE 15 – EMPLOYEE BENEFITS

	2012 \$'000	2011 \$'000
Current		
All annual leave, sick leave, employee bonuses and long service leave representing seven and more years of continuous service.		
Short-term employee benefits, that fall due within 12 months after the end of the period, measured at nominal value.	2,452	2,191
Other long-term employee benefits that are not expected to fall due within 12 months after the end of the period, measured at present value.	2,921	2,504
Total Current Employee Benefits	5,373	4,695
Non-current		
Conditional Long Service Leave, measured at present value	1,003	929
Total Non-current Employee Benefits	1,003	929
Total Employee Benefits	6,376	5,624
Employee numbers at end of financial year (FTE)	245	233
The following assumptions were adopted in measuring the present value of Long Service Leave and retirement gratuity entitlements:		
Weighted average increase in employee costs	4.31%	4.60%
Weighted average discount rates	2.12-3.02%	4.78-5.29%
Weighted average settlement period	13 years	13 years
The Corporation made the following ex-gratia payments (\$'000).	–	–

NOTE 16 – PROVISIONS

	2012 \$'000	2011 \$'000
Current		
Bioremediation Pond (a)	285	300
Landfill Site Rehabilitation (b)	30	30
Total Current Other Provisions	315	330
Non-current		
Bioremediation Pond (a)	481	644
Landfill Site Rehabilitation (b)	298	285
Total Non-current Other Provisions	779	929
Total Other Provisions	1,094	1,259

a) Bioremediation Pond

Rehabilitation works commenced in 2010-11, with most of the rehabilitation work being completed over the next three years in accordance with the Rehabilitation Action Plan.

b) Landfill Site Rehabilitation

Based upon current utilisation, the estimated remaining useful life of the land fill site is 12 years. This will be reviewed annually.

	Bio-remediation Pond	Landfill site rehabilitation	Total
Movements in Provisions			
Opening balance at 1 July	944	315	1,259
Additional provisions recognised	–	23	23
Payments or other sacrifices of economic benefits	(165)	(10)	(175)
Reductions from remeasurement or settlement without cost	(13)	–	(13)
Closing balance at 30 June	766	328	1,094

NOTE 17 – CONTRIBUTED CAPITAL

	2012 \$'000	2011 \$'000
Opening balance at 1 July	253,680	252,895
Capital contributions	142	785
Closing balance at 30 June	253,822	253,680

NOTE 18 – RESERVES

	2012 \$'000	2011 \$'000
Asset Revaluation Reserve		
– Land (net of tax)	15,349	15,349
– Buildings (net of tax)	1,843	1,843
– Infrastructure (net of tax)	146,466	147,928
Total Reserves	163,658	165,121
Movements in Reserves		
Asset Revaluation Reserve		
Opening balance at 1 July	165,121	23,300
Revaluation increment/decrement on non-current assets, net of tax	(1,463)	141,821
Closing balance at 30 June	163,658	165,121

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

NOTE 19 – ACCUMULATED FUNDS

	2012 \$'000	2011 \$'000
Opening balance at 1 July	318,186	316,914
Net Result for the period	(4,171)	1,272
Closing balance at 30 June	314,015	318,186

NOTE 20 – COMMITMENTS

	2012 \$'000	2011 \$'000
Non Cancellable Operating Lease Commitments		
At 30 June 2012, the Corporation had the following operating lease commitments:		
Leases for access to roads and infrastructure		
At 30 June 2012, the Corporation had operating lease commitments due for payment as follows:		
– within one year	59	58
– later than one year but not later than five years	237	233
– later than five years	121	178
Total Operating Lease Commitments	417	469
Capital Expenditure Commitments		
Infrastructure, Property, Plant and Equipment		
– within one year	6,376	2,349
– later than one year but not later than five years	–	–
– later than five years	–	–
Total Capital Commitments	6,376	2,349
Other Commitments		
Environmental contribution		
– within one year	2,793	2,793
– later than one year but not later than five years	13,980	–
– later than five years	–	–
Total Environmental Contribution Commitment	16,773	2,793

At 30 June 2012, the Corporation did not have any outstanding commitments for the purchase of biological assets or intangible assets.

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 apart from the items listed below.

1. Potential claims may occur following the creation/extension of water and sewerage districts and declaration of properties serviced. Consistent with the requirements of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* no provision has been made on the basis that any potential claims can be reasonably and successfully defended by Gippsland Water.
2. During the construction of the Gippsland Water Factory, a defect was identified in the anaerobic lagoons. This defect has since been rectified and Gippsland Water is pursuing the relevant parties for reimbursement of the costs to rectify this defect. The current insurance claim for rectifying this defect is \$7.6M.

NOTE 22 – 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 percentage of employee earnings (9% required 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 the 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 2011, the Corporation makes the following contributions:

- 9.25%-15.25% of members salaries.
- The difference between resignation and retrenchment benefits paid to any retrenched employees.

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. 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 Corporation's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

A call to the Corporation was made by the Fund for \$4.6M in additional contributions (including contributions tax) during the financial year 30 June 2012. The call is due on 1 July 2013. The call has not been paid and has been recognised as a payable at 30 June 2012.

Disclosure Requirements

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the then requirements of Australian Accounting Standard AAS 25 as follows:

	\$M
Net Market Value of Assets	4,315.0
Accrued Benefits (per accounting standard)	4,642.0
Difference between Assets and Accrued Benefits	(327.0)
Vested Benefits (minimum sum which must be paid to members when they leave the fund)	4,838.5
The financial assumptions used to calculate the Accrued Benefits for the defined benefit category were:	
– Net Investment Return	7.50%
– Salary Inflation	4.25%
– Price Inflation	2.75%

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

	Type of scheme	Contribution rate	2012 \$'000	2011 \$'000
Vision Super – Defined Benefits	Defined Benefit	9.25-15.25%	301	300
Vision Super – Super Saver	Accumulation	9%	1,032	944
EquipSuper Fund	Accumulation	9%	42	35
REST Superannuation	Accumulation	9%	19	19
VicSuper	Accumulation	9%	32	22
BT Superwrap	Accumulation	9%	18	17
AustralianSuper	Accumulation	9%	57	55
Hostplus Superannuation	Accumulation	9%	13	16
CBUS Superannuation	Accumulation	9%	34	31
Colonial First State	Accumulation	9%	26	24
Unisuper	Accumulation	9%	21	14
MLC Super	Accumulation	9%	14	9
Asgard Superannuation	Accumulation	9%	15	6
Other Retail Superannuation Funds	Accumulation	9%	78	70
Self Managed Superannuation Funds	Accumulation	Various	51	54
Total			1,753	1,616

As at the reporting date, there were no outstanding contributions payable to the above funds, except for the Vision Super Defined Benefit Fund plan which had \$4.6M payable.

NOTE 23 – RESPONSIBLE PERSON AND EXECUTIVE OFFICER DISCLOSURES

a) Responsible Persons

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

The Hon. Peter Walsh MP – Minister for Water

Board Members

Richard McDowell (Chairperson)

Duncan Malcolm (Deputy Chairperson)

Janice van Reyk

William (Peter) Day

Kevin McKenzie

Leah Young (Retired 30 September 2011)

John Donovan (Retired 30 September 2011)

Sarah Cumming (Appointed 1 October 2011)

Malcolm Eccles (Appointed 1 October 2011)

David Mawer (Managing Director)

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.

	2012 \$'000	2011 \$'000
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).	436	425

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

Income Band (\$'s)	Total remuneration	
	2012 No.	2011 No.
Up to 9,999	2	–
10,000-19,999	3	2
20,000-29,999	3	4
30,000-39,999	–	–
40,000-49,999	1	1
250,000-259,999	–	1
260,000-269,999	1	–
Total Numbers	10	8

Retirement benefits of responsible persons

The retirement benefits paid by the Corporation in connection with the retirement of responsible persons of the Corporation for 2012 was \$nil (2011: \$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 (2011: Nil).

Other Transactions

Water and wastewater services were provided to responsible persons who reside within the region of the Corporation under normal terms and conditions, no more favourable than to other parties.

Kevin McKenzie is a manager of SP Ausnet of which Select Solutions is a wholly owned subsidiary. Select Solutions was contracted by the Corporation to provide a range of services on standard commercial arrangements. Mr McKenzie advised of his potential conflict and did not participate in any decision on these contracts.

David Mawer is a Director of the savewater! Alliance. During 2011-12 Gippsland Water made payments to this organisation of \$40,660. These payments were on standard commercial arrangements.

b) Executive Officers' Remuneration

The number of executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 are as set out in the table below.

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

	Total remuneration		Base remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
Income Band (\$'s)				
110,000–119,999	–	1	–	1
120,000–129,999	–	–	–	–
130,000–139,999	–	–	–	–
140,000–149,999	–	–	–	–
150,000–159,999	–	–	1	–
160,000–169,999	1	–	–	–
170,000–179,999	–	–	–	3
180,000– 89,999	–	3	2	–
190,000–199,999	2	–	–	–
Total Number of Executives	3	4	3	4
Total Annualised Employee Equivalent (AEE)	3.00	3.92	3.00	3.92
Total remuneration for the reporting period of executive officers included above amounted to (\$'000):	554	679	523	648

NOTE 24 – RECONCILIATION OF OPERATING RESULT FOR THE PERIOD AFTER RELATED INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2012 \$'000	2011 \$'000
Net Result for Period	19	(4,171)	1,272
Add/(Less) Non-cash Flows in operating activities			
Loss on Sale and Impairment of Property, Plant and Equipment	4(b), (c)	170	7,816
Depreciation and Amortisation	4(c)	29,118	24,910
Developer Contributions	4(a)	(8,339)	(5,515)
Provision for Impaired Receivables		23	8
Plantations Revenue non-cash		(93)	(378)
Net Cash provided by Operating Activities before change in Assets and Liabilities		16,708	28,113
Changes in Operating Assets and Liabilities			
(Increase)/Decrease in Trade Receivables		(977)	1,612
(Increase)/Decrease in Other Current Assets		(62)	(199)
(Increase)/Decrease in Inventory and Livestock		(389)	(201)
(Increase)/Decrease in Other Receivables		–	59
(Decrease)/Increase in Payables		5,263	4,138
(Decrease)/Increase in Provisions		(791)	(16)
(Decrease)/Increase in Employee Benefits		752	555
Net Cash Flows From Operating Activities		20,503	34,060

NOTE 25 – DIVIDENDS

No dividend has been provided for the current financial year as the process to determine the 2012 dividend has not been completed at the reporting date which requires the dividend be declared by resolution in a general meeting, following consultation between the board, the relevant Minister for Water and the Treasurer. The board does not believe that it will be required to pay a dividend based on the 2011-12 result.

NOTE 26 – 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, other than as referred to in this report.

CENTRAL GIPPSLAND REGION WATER CORPORATION

STATUTORY CERTIFICATION

We certify the attached financial statements for the Central Gippsland Region Water Corporation have been prepared in accordance with Standing Direction 4.2 of 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, Statement of Comprehensive Income, 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 2012 and the financial position of the Corporation as at 30 June 2012.

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

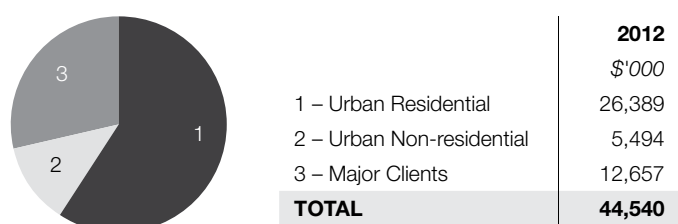


Anthony Staley
Chief Financial Officer
Central Gippsland Region Water Corporation

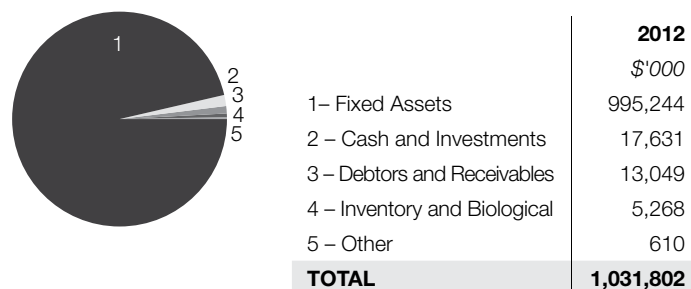
Dated the 24th day of August 2012

FINANCIAL PERFORMANCE AND BUSINESS INDICATORS AS AT 30 JUNE 2012

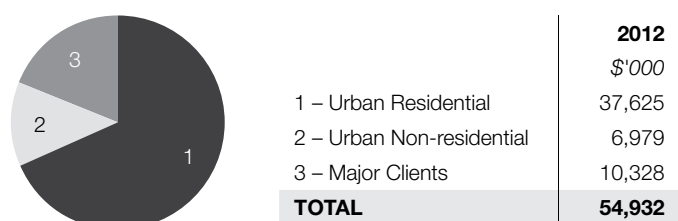
Water Income from Service and Volumetric Charges



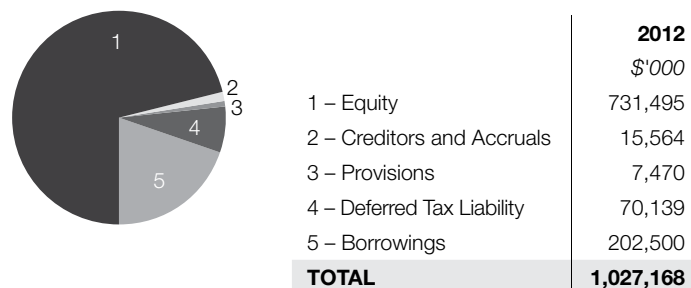
Total Assets



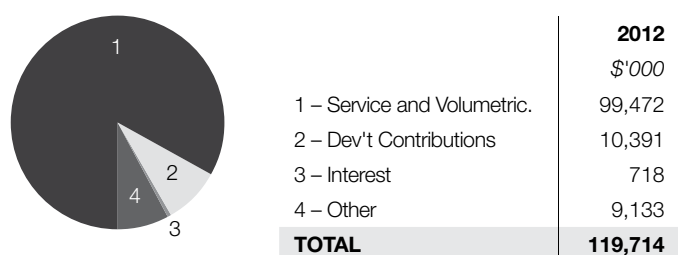
Wastewater Income from Service and Volumetric Charges



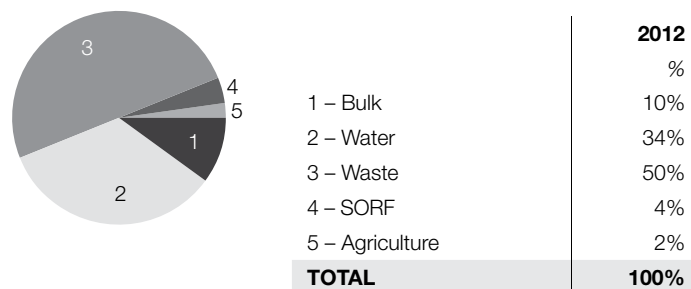
Liabilities and Equity



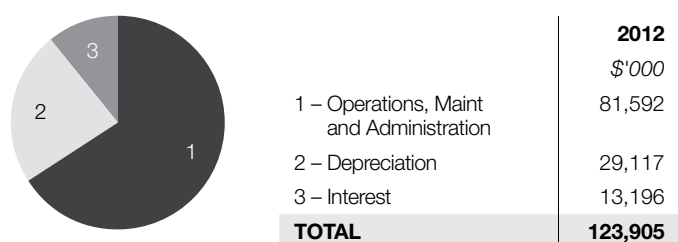
Total Income from All Sources



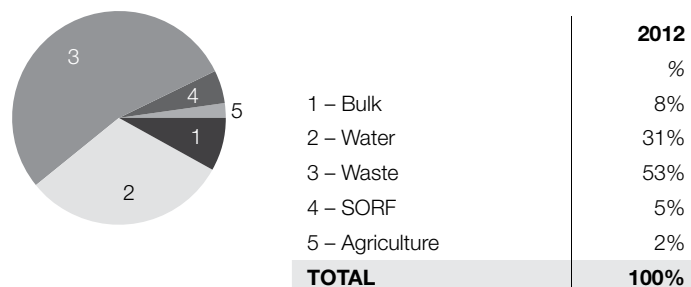
Business Stream Revenue



Total Expenses



Business Stream Expenses



INDEPENDENT AUDITOR'S REPORT

To the Board Members, Central Gippsland Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of the Central Gippsland Region Water Corporation which comprises the operating statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' 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, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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.

Independent Auditor's Report (continued)

Independence

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


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 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Central Gippsland Region Water Corporation for the year ended 30 June 2012 included both in the Central Gippsland Region Water Corporation's annual report and on the website. The Board Members of the Central Gippsland Region Water Corporation are responsible for the integrity of the Central Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the Central Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
27 August 2012

For 
D D R Pearson
Auditor-General

PERFORMANCE REPORT

PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2012

Part 1 – Financial Performance Indicators

Performance Indicator	2011 Result	2012 Result	2012 Target	% Variance	Note
Internal Financing Ratio					
Net operating cash flow/Capital expenditure	72.5%	50.2%	58.6%	-14.4%	(1)
Gearing Ratio					
Total debt/Total assets	18.2%	19.6%	23.7%	17.2%	(2)
Interest Cover (EBIT)					
Earnings before net interest and tax/net interest expense	1.1	0.7	1.2	-44.9%	(3)
Interest Cover (Cash)					
Cash flow from operations before net interest and tax/Net interest payments	3.9	2.7	3.0	-10.9%	

1. The Internal Financing Ratio has deteriorated from last year and is unfavourable to target. This is due to a higher than anticipated level of capital and operating expenditure accruals at 30 June 2011. This has resulted in greater than expected cash payments in the 2011-12 financial year. Capital Expenditure was in line with target.
2. The Long Term Financial Viability indicator has deteriorated from last year due to borrowings drawn down during the year. However, this is favourable to the target with the asset base being higher due to the revaluation of assets last year.
3. The Interest Cover was unfavourable to the target due to the EBIT being lower than the target as operating expenditure was higher than budget. This result was unfavourable even given that the net interest expense for the year was lower than the target.

Part 2 – Service and Environmental Performance Indicators

Performance Indicator	2011 Result	2012 Result	2012 Target	% Variance	Note
Water supply interruptions					
Number of customers experiencing more than 5 unplanned water supply interruptions in the year (number)	–	–	–	–	
Interruption time indicators					
Average duration of unplanned water supply interruption (minutes)	67.50	75.82	110.00	31.07%	(1)
Restoration of water supply					
Unplanned water supply interruptions restored within 5 hours (%)	98.12%	98.41%	97.80%	0.62%	
Reliability of sewerage collection services indicators					
Sewerage spills from reticulation and branch sewers (priority 1 and 2)	91	20	-	-	
Containment of sewer spillages					
Spills contained within 5 hours (%)	100.00%	100.00%	98%	2.04%	
Customer complaints indicators per 1000 customers					
Water quality complaints	2.747	6.948	-	-	
Sewerage service quality and reliability complaints	0.030	0.805	-	-	
Billing complaints	0.558	0.492	-	-	
Sewerage odour complaints	0.438	0.641	-	-	

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 property or the environment, Gippsland Water completes all necessary preparation work prior to isolating the water supply.

Reuse indicators	2011 Result	2012 Result	2012 Target	% Variance	Note
Effluent re-used					
<u>Volume of effluent re-used x 100</u> <u>Total volume of effluent produced</u>					
Drouin	5%	2%	60%	-97%	(2)
Dutson Downs	–	3%	–	–	
Heyfield	100%	49%	100%	-51%	(2)
Maffra (domestic)	100%	86%	100%	-14%	(2)
Mirboo North	100%	48%	100%	-52%	(2)
Moe	–	–	–	–	
Morwell	100%	100%	100%	–	
Neerim South	–	–	–	–	
Rawson	–	–	–	–	
Saline Waste Outfall Pipeline	–	–	–	–	
Seaspray	100%	100%	100%		
Stratford	100%	100%	100%	–	
Warragul	–	–	–	–	
Willow Grove	100%	7%	100%	-94%	(2)
Biosolids re-used					
<u>Dry mass of biosolids re-used</u> <u>Total dry mass of biosolids produced</u>					
Total	100%	100%	100%	–	

2. High rainfall during summer and autumn reduced the opportunity for irrigation during this period. This also increased the inflow to the wastewater treatment plants causing lagoons to reach capacity requiring emergency discharge to nearby waterways for a number of plants, following approval from the EPA.

Performance Indicator	2011 Result	2012 Result	2012 Target	% Variance	Note
Sewerage treatment standards (by treatment or disposal facility)					
Number of analyses complying with licence agreements as % of samples					
Drouin	99%	100%	100%	-	(3)
Dutson Downs	87%	86%	100%	-14.00%	
Heyfield	100%	100%	100%	-	
Maffra (domestic)	100%	100%	100%	-	
Mirboo North	100%	100%	100%	-	
Moe	100%	100%	100%	-	
Morwell	100%	100%	100%	-	
Neerim South	100%	100%	100%	-	
Rawson	100%	100%	100%	-	
Saline Waste Outfall Pipeline	100%	100%	100%	-	
Seaspray	100%	100%	100%	-	
Stratford	100%	100%	100%	-	
Warragul	100%	100%	100%	-	
Willow Grove	100%	100%	100%	-	

3. Elevated phosphorus results occurred between September and March due to the desludging of the No. 2 storage.

CENTRAL GIPPSLAND REGION WATER CORPORATION

PERFORMANCE REPORT

We certify that the accompanying Performance Report of Central Gippsland Region Water Corporation in respect of the 2011-12 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 circumstance, which would render any particulars included in the Report to be misleading or inaccurate.



Richard McDowell
Chairperson
Central Gippsland Region Water Corporation



David Mawer
Managing Director
Central Gippsland Region Water Corporation

Dated the 24th day of August 2012

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Central Gippsland Region Water Corporation

The Performance Report

The accompanying performance report for the year ended 30 June 2012 of the Central Gippsland Region Water Corporation comprises the performance indicators, the related notes and the certification.

The Board Members' Responsibility for the Performance Report

The Board Members of the Central Gippsland Region Water Corporation are responsible for the preparation and fair presentation of the performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation of the performance report that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance 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 performance 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 overall presentation of the performance report.

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

Independent Auditor's Report (continued)

Independence

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

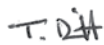
Opinion

In my opinion, the performance report of the Central Gippsland Region Water Corporation in respect of the 30 June 2012 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Report

This auditor's report relates to the performance report of the Central Gippsland Region Water Corporation for the year ended 30 June 2012 included both in the Central Gippsland Region Water Corporation's annual report and on the website. The Board Members of the Central Gippsland Region Water Corporation are responsible for the integrity of the Central Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the Central Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE
27 August 2012

for 
D D R Pearson
Auditor-General

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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.

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ACCOUNTABLE OFFICER'S ATTESTATION

In accordance with the *Financial Management Act 1994*, I am pleased to attest that the Central Gippsland Region Water Corporation's annual report is compliant with all statutory reporting requirements.



David Mawer
Managing Director
Central Gippsland Region Water Corporation

Dated 28th day of August 2012

WHISTLEBLOWERS PROTECTION POLICY

POLICY STATEMENT AND PURPOSE

Gippsland Water is committed to the aims and objectives of the *Whistleblowers Protection Act 2001* (the Act). It does not tolerate improper conduct by its people, 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 disclosure of improper conduct.

Gippsland Water will take all necessary steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure.

Object of the Act

The purpose of the *Whistleblowers Protection Act 2001* is to encourage and facilitate the making of disclosures of improper conduct by Gippsland Water and its employees and directors. The Act provides protection to whistleblowers that make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and appropriate action to be taken.

KEY CONCEPTS AND DEFINITIONS

Three key concepts in the reporting system are improper conduct, corrupt conduct and detrimental action. Definitions of these terms are set out below.

Improper conduct

Improper conduct incorporates conduct that is corrupt, a substantial mismanagement of public resources, or conduct involving substantial risk to public health, safety or the environment. The conduct must be serious enough to constitute, if proved, a criminal offence or reasonable grounds for dismissal.

Corrupt conduct

Corrupt conduct means:

- Conduct of any person (whether or not a public official) that adversely affects (or could adversely affect) the honest performance of Gippsland Water or Gippsland Water's functions.
- Dishonesty or inappropriate partiality in the conduct of a current or former director/employee when performing their duties.
- Conduct of a current or former director/employee of Gippsland Water that amounts to a breach of public trust.
- Conduct by a current or former director/employee of Gippsland Water that amounts to the misuse of information or material acquired in the course of the performance of their official functions (regardless of who benefits from the misuse).
- A conspiracy or attempt to engage in the above conduct.

Detrimental action

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.

The following definitions also apply:

Director/Employee

In this policy, a reference to a director or employee refers to all current and former directors and independent paid committee members, and all current and former employees of Gippsland Water.

Public interest information

Public interest information is any information that relates to Gippsland Water currently being or has been involved:

- In an illegal activity.
- In an irregular or unauthorised use of Gippsland Water's money.
- In substantial mismanagement of Gippsland Water's resources.
- In conduct that causes a substantial risk to public health or safety, or to the environment.
- That a director/employee is guilty of improper conduct in relation to the performance of their Gippsland Water functions.

Whistle blowing

The deliberate, voluntary disclosure by a director/employee about actual, suspected or anticipated improper conduct within or by Gippsland Water that is within its ability to control.

Whistleblower

A whistleblower is someone who makes an appropriate disclosure of public interest information which they believe, on reasonable grounds, is or may be true.

Contact persons within Gippsland Water

Improper conduct or detrimental action by Gippsland Water or its employees may be disclosed to the following officers:

Protected Disclosure Coordinator:

Tony Staley

General Manager Corporate Services

03 5177 4719

Tony.Staley@gippswater.com.au

Protected disclosure officer:

Lynley Keene
Manager Commercial Services
03 5177 4735
Lynley.Keene@gippswater.com.au

Once a protected disclosure has been made, the protected disclosure coordinator will appoint a welfare manager for the whistleblower, unless the whistleblower is anonymous.

All correspondence, phone calls and emails from internal or external whistleblowers will be referred to the protected disclosure coordinator.

Where a person is contemplating making a disclosure and is concerned about approaching the protected disclosure coordinator or a protected disclosure officer in the workplace, they can call the relevant officer and request a meeting in a discreet location away from the workplace.

Alternative contact persons

Improper conduct or detrimental action by Gippsland Water or its employees may also be disclosed directly to the Ombudsman:

The Ombudsman Victoria
Level 22
459 Collins Street
MELBOURNE VIC 3000

Internet: www.ombudsman.vic.gov.au
Email: ombudvic@ombudsman.vic.gov.au
Telephone: 03 9613 6222
Facsimile: 03 9614 0246
Toll Free: 1800 806 314

Direct disclosure to the Ombudsman may occur in various situations, such as when both the protected disclosure coordinator and the protected disclosure officer are not available, or when one or either of these positions is the subject of or associated with the subject of the disclosure.

Roles and responsibilities

Employees

Employees are encouraged to report all known or suspected incidents of improper conduct or detrimental action.

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.

Protected Disclosure Officers

The protected disclosure officer ('the Officer') at Gippsland Water will:

- Be a contact point for general advice about the Act for any Gippsland Water director/employee.
- Arrange for a disclosure to be made privately and discreetly and, if needed, away from the workplace.
- Receive any disclosure made orally or in writing.
- Commit to writing any disclosure made orally.
- Impartially assess the allegation and determine whether it is a disclosure made in accordance with Part 2 of the Act.
- Take all necessary steps to keep confidential the identity of the whistleblower and the identity of the person who is the subject of the disclosure.
- Forward all disclosures and supporting evidence to the protected disclosure coordinator.

Protected Disclosure Coordinator

The protected disclosure coordinator ('the Coordinator') has a clearinghouse role in the internal reporting system. They will:

- Receive all disclosures forwarded from the protected disclosure officers.
- 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 within 14 days of receiving the disclosure.
- Be responsible for carrying out or appointing an investigator to carry out an investigation referred to Gippsland Water 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 them from any reprisals.
- Advise the whistleblower of the progress of an investigation into the disclosed matter (including any referral of public interest disclosures to the Ombudsman).
- Establish and manage a confidential filing system for disclosures.
- Collate and publish statistics on disclosures made.
- Take all necessary steps to keep confidential the identity of the whistleblower and the identity of the person who is the subject of the disclosure.
- Liaise with the managing director or chairman or board as appropriate.

Investigator

The investigator will be responsible for carrying out an internal investigation into a disclosure where the Ombudsman has referred a matter to, or back to Gippsland Water. An investigator may be a person within Gippsland Water or a consultant engaged for that purpose.

Welfare Manager

The welfare manager is responsible for looking after the general welfare of the 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 them.
- Listen and respond to any concerns of harassment, intimidation or victimisation in reprisal for making a disclosure.
- Ensure the expectations of the whistleblower are realistic.
- Keep contemporaneous notes of all contact and follow-up action.

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.

Where anonymous disclosures are made, the Coordinator and the Officer will not generally attempt to communicate with or respond to the anonymous whistleblower because the recipient of any such contact is unknown, and confidentiality obligations may be breached through such an attempt.

The Coordinator and the Officer may disclose information obtained about a protected disclosure in the following circumstances:

- Where exercising the functions of Gippsland Water under the Act.
- When making a report or recommendation under the Act.
- When publishing statistics in the annual report of Gippsland Water.
- In criminal proceedings for certain offences under the Act.

However, a person must not include information in any report or recommendation that is likely to lead to the identification of the whistleblower.

Gippsland Water will take reasonable steps to ensure all files, whether paper or electronic are kept secure. Gippsland Water will not email documents relevant to a whistleblower matter and will ensure all phone calls and meetings are conducted in private.

Collating and publishing statistics

The Coordinator will establish a secure register to record the information required to be published in the annual report and to keep account of the status of whistleblower disclosures. The register will be confidential and will not record any information that may identify the whistleblower.

Receiving and assessing disclosures

Has the disclosure been made in accordance with Part 2 of the Whistleblowers Protection Act 2001?

Where a disclosure has been received by the Coordinator, they will assess whether the disclosure has been made in accordance with Part 2 of the Act and is therefore a protected disclosure.

Has the disclosure been made to the appropriate person/body?

For the disclosure to be responded to by Gippsland Water it must concern a director or employee of Gippsland Water. If the disclosure concerns a director or employee 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. If the disclosure has been made anonymously, it should be referred to the Ombudsman.

Does the disclosure contain the essential elements of a protected disclosure?

To be a protected disclosure it must satisfy the following criteria:

- A natural person is making the disclosure.
- The disclosure relates to conduct of Gippsland Water or a director/employee acting in their official capacity.
- The alleged conduct is either improper conduct, or detrimental action taken against a person in reprisal for making a protected disclosure.
- The person making the disclosure has reasonable grounds for believing the alleged conduct has occurred.

Where a disclosure is assessed to be a protected disclosure, it must be referred to the Coordinator. The Coordinator will determine whether the disclosure is a public interest disclosure.

Where a disclosure is assessed not be a protected disclosure, the matter **does not need to be dealt with under the Act**. The Coordinator will be responsible for determining how the matter is managed.

Is the disclosure a public interest disclosure?

Where the Coordinator has received a disclosure that has been assessed to be a protected disclosure, the Coordinator will determine whether the disclosure amounts to a public interest disclosure. This assessment must be made within 45 days of the receipt of the disclosure.

In reaching a conclusion as to whether a protected disclosure is a public interest disclosure, the Coordinator will consider whether the disclosure shows or tends to show, that the director/employee to whom the disclosure relates:

- Has engaged, is engaging or proposes to engage in improper conduct in their capacity as a director/employee of Gippsland Water.
- Has taken, is taking or proposes to take detrimental action in reprisal for the making of the protected disclosure.

Where the Coordinator concludes that the disclosure amounts to a public interest disclosure, they must, within 14 days of receipt of the disclosure:

- Notify the person who made the disclosure of that conclusion.
- Refer the disclosure to the Ombudsman for a determination as to whether it is a public interest disclosure.

Where the Coordinator concludes that the disclosure is not a public interest disclosure, they must, within 14 days of receipt of the disclosure:

- Notify the person who made the disclosure of that conclusion.
- Advise the person that:
 - They may request Gippsland Water to refer the disclosure to the Ombudsman for a formal determination as to whether it is a public interest disclosure.
 - Such a request must be made by the person within 28 days of the notification.

Investigations

Where the Ombudsman refers a protected disclosure to Gippsland Water for investigation the 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.
- 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.

Terms of reference

Before commencing the investigation, the Coordinator will develop terms of reference and obtain authorisation for those terms by the managing director or chairman or the board as appropriate. The terms of reference will set a date by which the investigation report is to be concluded and identify the resources available to the investigator to complete the investigation within the time set.

An extension of time for the completion of the investigation may be sought from the managing director or chairman or the board, where appropriate circumstances exist.

The Coordinator will be responsible for monitoring the successful and timely completion of the investigation.

Investigation plan

An investigation plan will need to be approved by the Coordinator and address the following:

- 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 they have been appointed to conduct the investigation.
- Asked to clarify any matters.
- Provide any additional material they might have.

The investigator will be sensitive to the whistleblower's possible fear of reprisals and will be aware of the statutory protections provided to the whistleblower.

Conduct of the investigation

The principles of natural justice will be followed in any investigation of a public interest disclosure (procedural fairness and ensuring a fair decision is reached by an objective decision maker).

The investigator will make contemporaneous notes of all discussions and phone calls and all interviews with witnesses will be recorded. 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.

Further information on the conduct of the investigation and the application of natural justice can be found in the *Whistleblowers Protection Act 2001*, Ombudsman's Guidelines, issued August 2009.

Referral of an investigation to the Ombudsman

The 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 the non cooperation of key witnesses.
- The investigation has revealed conduct that may constitute a criminal offence.

Reporting requirements

The Coordinator will ensure the whistleblower is kept regularly informed concerning the handling of a public interest protected disclosure and the investigation. The Coordinator will report to the Ombudsman about the progress of a public interest protected disclosure investigation. The Coordinator will report to the managing director, chairman or board (as appropriate).

Protected disclosure investigation – not a public interest disclosure

Where the Coordinator concludes the disclosure is not a public interest disclosure an investigation will still proceed in accordance with the above process. The Coordinator will report to either the managing director or chairman or board (as appropriate) about the progress of the investigation.

Action taken after an investigation

At the conclusion of the investigation a written report of the findings will be provided to the Coordinator and will be accompanied by transcript or other record of any oral evidence taken (including tape recordings), documents, statements or other exhibits received by the investigator during the course of the investigation.

Where the investigator has found that the conduct disclosed by the whistleblower has occurred recommendations made by the investigator will include:

- Steps that need to be taken by Gippsland Water to prevent the conduct occurring in the future.
- Any action that should be taken by Gippsland Water to remedy any harm or loss arising from the conduct.

Where the report includes any adverse comment against any person, that person should be given the opportunity to respond to the allegations made against them and to respond to any adverse evidence obtained. These responses should also be included in the report.

The report should not disclose particulars likely to lead to the identification of the whistleblower.

Action to be taken

If the Coordinator is satisfied the investigation has found that the disclosed conduct has occurred, they will recommend to the managing director or chairman or board (as appropriate) the action that must be taken to prevent the conduct from continuing or occurring in the future. The Coordinator may also recommend that action be taken to remedy any harm or loss arising from the conduct.

The Coordinator will provide a written report setting out the findings of the investigation and any remedial steps taken to the Ombudsman, the whistleblower and the Minister for Water.

Where the investigation concludes that the disclosed conduct did not occur, the Coordinator will report these findings to the Ombudsman and to the whistleblower.

Managing the welfare of the whistleblower

Gippsland Water is committed to:

- The protection of genuine whistleblowers.
- Allocating a welfare manager to the whistleblower.
- Prohibiting detrimental action against a whistleblower.

The Coordinator will ensure the whistleblower is kept informed of action taken in relation to their disclosure and the timeframes that apply. The whistleblower will be given reasons for decisions made by Gippsland Water in relation to a protected disclosure.

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 their rights under the Act.
- Advise the Coordinator of any detrimental action.

Where a person who makes a disclosure is implicated in misconduct, Gippsland Water will manage the disclosure and protect the whistleblower from reprisals in accordance with the Act, the Ombudsman's guidelines and procedures.

The managing director or chairman or board will make the final decision on the advice of the Coordinator as to whether disciplinary or other action will be taken against a whistleblower if they are implicated in the misconduct. Where disciplinary or other action relates to conduct that is the subject of the whistleblowers disclosure, the disciplinary or other action will only be taken after the disclosed matter has been appropriately dealt with.

The Coordinator will thoroughly document the process including 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 Coordinator will clearly advise the whistleblower of the proposed action to be taken and of any mitigating factors that have been taken into account.

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 identity of the person who is the subject of the disclosure will remain confidential.

The Coordinator will ensure the person who is the subject of any disclosure investigated by or on behalf of Gippsland Water is:

- Informed as to the substance of the allegations.
- Given the opportunity to answer the allegations before a final decision is made.
- Informed of any adverse evidence obtained.
- Given the opportunity to respond and have their 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 Coordinator will formally advise the person who is the subject of the disclosure of the outcome of the investigation.

Criminal offences

Gippsland Water will ensure all officers appointed to manage protected disclosures and all other employees are aware of the offences under the Act.

POLICY APPLICATION

All Gippsland Water directors/employees must comply with this policy.

All directors/employees shall be required to undergo training in this policy to ensure their understanding of their obligations under the *Whistleblowers Protection Act 2001*.

POLICY APPROVAL

This policy must be approved by the board.

POLICY REVIEW

This policy shall be reviewed in line with the annual Board Policy review.

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. As each component has a different level of impact on the environment, 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.
CTWSS	Country Towns Water Supply and Sewerage Program.
DHS	Department of Human Services.
DRP	Drought Response Plan.
DSE	Department of Sustainability and Environment.
EMS	Environmental Management System. The system 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 Plan (an EPA initiative to help businesses meet climate change and resource scarcity challenges).
ESC	Essential Services Commission.
Gigalitre (GL)	One billion litres.
GRSWS	Gippsland Region Sustainable Water Strategy.
GWF	Gippsland Water Factory.
ISO	International Standards Organisation.
Kilolitres (kL)	1,000 litres
Megalitre (ML)	One million litres.
M	Million
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.
PWSR	Permanent Water Saving Rules.
Regional Outfall Sewer (ROS)	The ROS pipeline transports approximately 50% of central Gippsland's wastewater to Dutson Downs Wastewater Treatment Facility.
Saline Wastewater Outfall Pipeline (SWOP)	A Gippsland Water pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait.
Statement of Obligations	Section 41(2) of the <i>Water Industry Act 1994</i> prescribes that the Minister may make Statement of Obligations to a water authority specifying obligations of the water authority in performing its functions and exercising its powers.
SORF	Soil and Organic Recycling Facility.

GLOSSARY

waterMAP	Water Management Action Plan. A mandatory program implemented by the DSE for all non-residential customers consuming more than five million litres per annum.
WGCMA	West Gippsland Catchment Management Authority.
WSAA	Water Services Association of Australia.
WSDS	Water Supply Demand Strategy.

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