



GIPPSLAND
WATER



ANNUAL REPORT 2015-16





members of Agriculture Victoria take a tour of the Dutson Downs farm; and the picturesque Traralgon Railway Reserve.

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Joint message from the **CHAIR AND MANAGING DIRECTOR**

The past 12 months have continued to see significant change for Gippsland Water. A refreshed Board with some new and some continuing directors, has brought renewed energy.

Two areas of focus are customer experience and community engagement. Gippsland Water has seen some success in these areas and will continue to explore ways in which we can provide a better experience to customers, particularly in how easy it is to do business with us. A significant milestone in this relationship is the launch of the organisation's new website, which has the potential to allow customers to both input and extract information about their accounts at times of their choosing.

Similarly, the ability of the organisation to provide eBills to customers has seen a rapid uptake of the technology, with almost 10 per cent of customer bills now being delivered by email. This provides convenience to customers as well as savings to the organisation by assisting us to continue to place downward pressure on bills.

The organisation's efforts in community engagement has seen significant relationships built with community groups, as well as more detailed interactions with customers about their experience of Gippsland Water.

We have conducted both our annual customer survey and a more qualitative 'values' research project which will provide valuable data for the next Pricing Submission, and offer customers more opportunity to be engaged with us.

The results of the customer survey show an uplift in satisfaction with more than 80 per cent of customers being satisfied with Gippsland Water's service. This represents a five per cent lift on last year's results and is in itself a strong result. There still remains work to be done around the issue of wastewater management awareness where, although the number was slightly higher at 63 per cent, is still low considering it is the largest part of the customer's bill.

At the customer interface level, more than 90 per cent of calls placed to the organisation are now resolved at first point of contact. This is a significant step towards the broader goal of making the customer experience as easy as possible and is, in some ways, aided by new information systems as well as broader cultural change.

A major milestone this year was the completion of the Loch Sport Sewerage Scheme. This \$40 million project provides reticulated sewage services to more than 2,600 properties.

Investment in assets serving the Sale community has seen \$12 million spent locally upgrading the water treatment plant and providing a second supply line to the town to ensure continued drinking water supply to the community.

Work at the Moe Wastewater Treatment Plant replaced 100 metres of 60-year-old reinforced concrete inlet pipe with modern fibreglass pipe, and will extend the life of the asset for another 20 years, while investment at the Moe Water Treatment Plant will improve the control, reliability and quality of water treatment during rainfall events.

Drouin has seen more than \$3 million invested in its wastewater treatment plant, with new inlet works and pump station to meet growing demand in the region's fastest growing town.

That project and collaboration with Baw Baw Shire Council for an integrated recycled water solution for the irrigation of Bellbird Park using treated wastewater from the Drouin Wastewater Treatment Plant, show the potential value of wastewater in an environment where water resources may become more scarce.

Our Soil and Organic Recycling Facility (SORF) at Dutson Downs continues to lead the way in terms of efficient and value-added uses of organic wastes as well as biosolids to create the Revive™ Recycled Compost. Revive™ also achieved a significant milestone this year with the receipt of Australian Standard 4454 Certification for Compost. This is a major success and reflects the hard work and ingenuity of the SORF team.

With safety being one of our key priorities, we have achieved a significant improvement in our safety performance. We will continue with our unrelenting efforts to ensure that all our staff and our contractors remain safe.

Provision of vital services to such a wide geographic base is never an easy task. Customer facing staff right through to the executive all play a vital role in providing that service 365 days a year to all our customers.

Finally, we would like to thank all those Board members who retired during the year for their significant contribution to the success of Gippsland Water; as well as the current Board of Directors and all of the staff at Gippsland Water for helping achieve such a successful year for the organisation and our customers.



Therese Ryan
CHAIR



David Mawer
MANAGING DIRECTOR

PART I

INTRODUCTION & OVERVIEW

This section provides an overview of Gippsland Water including its profile, mission, vision, and values. It also features some of the highlights for the year 2015-16.

Profile

The Central Gippsland Region Water Corporation is one of the major regional water corporations in Victoria. Trading as Gippsland Water, the corporation was constituted on 21 December 1994 under the *Water Act 1989*. The responsible minister during the 2015-16 period was the:

- Hon Lisa Neville MP, Minister for Environment, Climate Change and Water (1 July 2015 – 22 May 2016).
- Hon Lisa Neville MP, Minister for Water (23 May 2016 – 30 June 2016).

Gippsland Water has its statutory functions of water and wastewater detailed under parts 8 and 9 of the *Water Act 1989*, and 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*.

Our services

Gippsland Water supplies fresh drinking water to close to 68,000 customers and wastewater services to more than 60,000 customers across an area of approximately 5,000 square kilometres.

Our service area spans from Drouin in the west, to Loch Sport in the east, and from Briagolong in the north, to Mirboo North in the south. Gippsland Water's customers also include major industries, six of which are of state and national significance. Baw Baw, Latrobe City, South Gippsland and Wellington shires are incorporated in our service area.

The way water is treated depends on where it is sourced. We take water from aquifers, rivers, creeks, and reservoirs. Our largest storage is

Moondarra Reservoir, south of Erica, with a capacity of 30,300ML. We also take water from storages managed by Southern Rural Water (Blue Rock Dam and Lake Glenmaggie) and Melbourne Water (Tarago Reservoir) to supply our customers living near these storages.

Gippsland Water also treats more than 28,000 million litres of wastewater each year.

Our assets

Gippsland Water maintains a \$1 billion infrastructure network, which includes:

- More than 2,120 kilometres of water mains.
- More than 1,715 kilometres of sewer mains.
- 16 water treatment plants.
- 14 wastewater treatment plants.
- Two ocean outfalls.

Gippsland Water's agribusiness arm produces a combination of beef, crops and plantation timber at 12 sites across the region including Dutson Downs. The Dutson Downs property spans 8,500 hectares and is located 25 kilometres south-east of Sale. Dutson Downs is also the home of the Soil and Organic Recycling Facility (SORF) which treats thousands of tonnes of green and organic waste and transforms it into valuable, nutrient rich compost.

Approximately 2,000 tonnes of Revive™ Recycled Compost is supplied to dairy, beef, and horticultural farms across Gippsland each week. By doing this, Gippsland Water completes the water and nutrient cycle, returning important organic content back to the soil.

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

Efficient water and wastewater services for a healthy community and environment.

Our Values

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

Accountability

We are accountable for how we efficiently deliver quality water and wastewater services.

Capability

We are committed to strengthening the capabilities of our people and communities.

Collaboration

We work in partnership with our colleagues, customers and stakeholders to achieve the most efficient and sustainable solutions for our community.

Integrity and respect

We act with honesty, consistency and transparency, and demonstrate appreciation of peoples' diversity, needs and opinions.

Open dialogue

We engage with our colleagues, customers and stakeholders by actively listening and openly discussing and resolving issues of common interest.

Safety and wellbeing

We place the safety and wellbeing of our staff and communities at the forefront of decisions and actions we take.

PART I

HIGHLIGHTS OF THE YEAR

The 2015-16 financial year has seen another strong performance by Gippsland Water, delivering quality services to its customers and maintaining high standards of compliance with regulatory requirements. Key highlights for the reporting period are outlined below.

Resource resilience

- Collaborated with Baw Baw Shire Council for an integrated recycled water solution for the irrigation of Bellbird Park.
- Registered vegetation off-set lots into an offset bank managed by the Department of Environment, Land, Water and Planning (DELWP).
- Created and loaded more than 4.4 kilometres of new or replacement water mains and 58.5 kilometres of new or replacement sewer mains into the Geographic Information System (GIS). The 58.5 kilometres of sewer mains included the new Loch Sport Sewerage Scheme and the Dutson Downs to Loch Sport sewer transfer main.
- Captured and loaded 320 square kilometres of 10-centimetre imagery along the Baw Baw corridor covering Drouin, Warragul, Yarragon, Trafalgar and all the land in-between into the GIS. As part of this image capture, 0.25 centimetre contours have been derived to assist Asset Planning with future development. Townships of Neerim South and Willow Grove have also been captured as part of this project.

Customers, stakeholders and the community

- Achieved a customer satisfaction survey result of 83 per cent in September; a five per cent increase from the previous year.
- Continued to consolidate the Customer Service team's Knowledge Database which has contributed to the increase of first point resolution of customer enquiries, with around 90 per cent of calls being resolved at first point.
- Introduced eBills as an option for Gippsland Water customers with more than 6,000 customers opting to receive their bills online.
- Actively promoted the Utility Relief Grant (URG) scheme which saw an increase in customers seeking assistance through Gippsland Water's hardship program and a reduction in water

supply being restricted due to non-payment.

- Implemented an automated Property Information system that extracts information and prepares the Property Information Statement for solicitors and conveyancers to provide to customers when buying or selling properties. Automation of this process has improved the customer response time to 99.8 per cent responded to within two days (from 60 per cent responded to within three days). This has also resulted in enhanced regulatory compliance, reduced licensing costs, increased productivity, and significant cost savings.
- Launched the new Gippsland Water website that incorporates phone and tablet views.
- Increased social media presence via Facebook, YouTube and Twitter.
- Collaborated with the Community Consultative Committee (CCC) which provided useful insights and guidance in a range of areas including suggestions on reaching out to low income customers, shaping the customer 'values' research and providing more information to new customers regarding restrictions on building in catchments.
- Worked with VicRoads with regard to asset diversions to enable the Traralgon to Sale Princes Highway duplication project to continue.
- Consulted with developers and associated service providers (consultants and pipe-layers) to create a new land development framework that better manages the responsibilities of each party to developer works agreements.
- Celebrated the fifth birthday of the Gippsland Water Factory (GWF) with a community open day in December 2015.
- Delivered an education program to 2,970 students and community members via a combination of 100 school visits, 18 excursions to various Gippsland Water facilities, and three education events.
- Hosted many tours at the SORF with visitors from the Environment Protection Authority (EPA),

Agribusiness Victoria, and the Metropolitan Waste and Resource Recovery Group, along with a range of other farming, industry, and waste groups.

- Hosted numerous tours of the GWF and various other water and wastewater sites with school, community and industry groups including Mirboo North Secondary School, Federation University, Rotary Club of Sale, and Victorian Bioenergy Network.
- Promoted 'Choose Tap for October' in partnership with GippSport and 15 ambassadors from key local organisations to encourage people to turn to tap water by sharing their stories via social media.
- Continued to host community bird surveys on Gippsland Water properties at Moe and Trafalgar, resulting in the sighting of endangered and vulnerable species. A sighting of the Red-necked Stint was the first ever recorded in the region.
- Increased involvement at community events such as farmers markets.

Governance

- Settled in a refreshed Board with some new and continuing directors.
- Participated in the Water Service Association of Australia's (WSAA) benchmarking program to provide a gap analysis against ISO55000 to ensure we are adopting best practice in regards to Asset Management.
- Implemented water quality reporting tools to comply with new *Safe Drinking Water Regulations (SDWR) 2015* annual reporting requirements.
- Integrated new *SDWR 2015* requirements into existing risk management systems.
- Undertook internal audit of the Environmental Management System and its action plan for non-conformances.
- Implemented Enterprise Project Management (EPM) across the Asset team to strengthen budgeting, forecasting and reporting.

- Successfully participated in a range of audits and inspections at the SORF to demonstrate compliance. This includes:
 - EPA Landfill Audit.
 - AS4454 Certification.
 - Customer-driven audits.
 - VicRoads and Worksafe.

- Upgraded Digital Mobile Radio (DMR) system to strengthen resilience, support customer response, and support staff working remotely or in isolation.
- Delivered a number of Australasian Inter-Service Incident Management System (AIIMS) Incident Controller courses. This involved 39 interstate and 33 Victorian participants from water corporations and energy providers.
- Engaged with internal and external stakeholders to adopt the most recent Melbourne Retail Water Agencies' (MRWA) edition of the Water Services Association of Australia (WSAA) Water Supply Code. This included writing a Gippsland Water supplement to the code. As a result, all departments now refer to the same code of practice, as do the organisation's authorised consultants and pipe layers. The benefit to developers is that they will be operating under the same code of practice as in the Melbourne metropolitan area.
- Continued progress with the development of asset class plans with the majority of key assets now covered. These include water reticulation, gravity sewers, treatment plants, basins, and sewer pump stations, allowing Gippsland Water to optimise operation, maintenance and renewal of these assets.
- Developed a risk and opportunity-based capital project prioritising tool used in assessing projects and programs for the Pricing Submission. The tool has been made available to our Memorandum of Understanding (MoU) partners.
- Used the Asset Management Information System for the first time to provide component level asset information to the Valuer General for the 2016 asset revaluation.

Organisational success

- Increased the efficiency of the way we manage workloads with the introduction of a Workforce Management System within our Service Centre.
- Retained a stable industrial relations environment whilst successfully negotiating a four-year enterprise agreement.
- Met all annual safety targets, including both lead and lag indicators, with the exception of Lost Time Injury Frequency Rate (target <7; actual 16).
- Continued support of the expanded Apprenticeships Groups Australia (AGA) and Gippsland Water Field Services, Water and Wastewater Operator trainee program with four trainees now supported by this program.

- Renegotiated a major green waste supply contract for the SORF to reduce cost and deliver significant operational improvement through more efficient handling of material.
- Commenced the implementation of the Hach Water Information Management System (Hach WIMS), which will provide a central location for data to be captured about water quality and treatment. The new software will also replace Excel-based lists and reports over time, and ensure data security.
- Implemented Process Mapping across the organisation. This has become an integral part of daily work processes for some workgroups.
- Successfully implemented BoardPad, an industry leading meeting and document collaboration solution that transforms directors' devices into highly secure digital board and meeting packs, which can be accessed online or offline from any location.

Key initiatives and projects

Loch Sport Sewerage Scheme

The Hon. Lisa Neville, the then Minister for Environment, Climate Change and Water, announced the on-time and on-budget completion of the Loch Sport scheme. A community barbecue was held at Loch Sport in March 2016 to celebrate the town's new sewerage scheme.

The \$40 million project, which was completed in October 2015, involved the installation of pressure sewer units on customer properties and is part of the Victorian Government's Country Towns Water Supply and Sewerage Scheme program. The scheme has replaced septic tanks, and now provides wastewater services to around 1,700 homes in the lakeside township and will service a further 980 undeveloped properties.

Sale Water Treatment Plant upgrade

Construction of a contact tank, new aeration towers and a new chemical dosing facility was completed in December 2015 to ensure ongoing water quality for customers in Sale. The project is part of approximately \$10 million worth of investment in the town over the next three years.

Drouin Wastewater Treatment Plant

A major investment at the Drouin Wastewater Treatment Plant has been completed to meet the demand of the region's fastest growing town. Drouin has seen a rapid population growth in recent years. The \$3 million project saw construction of new inlet works and a pump station at the plant which was completed in May 2016.

Sale second water supply pipeline project

This \$2 million project will provide greater security of supply to Gippsland Water's customers in Sale by reducing its reliance on an existing single large water main from the Sale Water Treatment Plant to Sale's town reticulation system.

With the project's completion in June 2016, the secondary main will be able to ensure ongoing supply if the existing supply main fails or needs to be shut down to carry out repairs, replacement and maintenance, or for any other reason.

Yallourn North sewer rising main replacement

This is the first stage of a sewer rising main replacement project to ensure reliability of sewage transfer between Yallourn North and the Gippsland Water Factory, and to prevent sewer spills to the environment. The first stage of the \$1.8 million project was completed in May 2016 and will address high priority areas along the existing main that pose a high risk of failure to the environment.

Sale Stead Street pump station

A \$600,000 upgrade of the Stead Street sewer pump station in Sale was completed in April 2016. The new pump station has extra capacity as well as two pumps rather than one which will allow it to meet current and future demand and improve OH&S outcomes for operational staff.

Morwell Water Twin Six Main Replacement, Ridge Reservoir Upgrade and PowerWorks Main Duplication

A series of major projects are underway to improve the security of Morwell's drinking water network. Construction of 4.2 kilometres of new water mains to replace two old six-inch water mains connecting the Jumbuk Jeeralang region to the Morwell water system was completed in May 2016. This \$1.3 million project is aimed at ensuring continuity of water services to Gippsland Water customers in this area.

Work commenced in 2015-16 to install a new outlet main and upgrade the concrete lining of the Morwell Ridge Reservoir, which supplies 11,000 customers in Churchill, Yinnar, Morwell, Traralgon South, Jumbuk and Jeeralang. Work also commenced for the design and removal of the cover and liner. Further works to install a new cover and liner will begin in 2016-17.

A further \$365,000 was invested in the PowerWorks Main Duplication project. This project involved the installation of a 1.34 kilometre water main underneath the Princes Highway to reduce pressure loss along the transfer pipeline between Buckley's Hill Reservoir and the Ridge Reservoir. It will also supplement the existing water main supplying the Morwell low level system. Most of Morwell's major customers and large water users are connected to this system including National Foods, Engie Australia (Hazelwood) (formerly GDF SUEZ (Hazelwood)), Mid Valley Shopping Centre, and Carter Holt Harvey Woodproducts.

Gippsland Water Factory membrane replacement and major works

A total five-year budget allowance of approximately \$5 million has been allocated to allow the Gippsland Water Factory (GWF) to undergo a membrane replacement program and major works.

\$1 million was invested on preliminary major works in 2015-16, which included a Digital Mobile Radio roll-out, membrane cell liner upgrade, and an extensive upgrade of electrical systems boosting Uninterrupted Power Supply capacities, removing interference and reducing potential for high voltage failures.

The membranes, which assist with the wastewater treatment process, will be replaced in stages, and this will enable the GWF to remain operational at full capacity for both domestic and industrial wastewater processing.

Gippsland Water Factory minor improvement works

\$1 million was invested to undertake high priority minor improvement works at the GWF for improved process optimisation, cost reduction and risk mitigation. These works included optimisation of the storage facilities, an upgrade of the Australian Paper (AP) booster pump station to increase efficiency of the transfer from AP, improved safe and ready operator access to high-risk areas, and an upgrade of the Vortex Centre lake liner. These works will continue over the next five years with a total budget of \$5 million.

Water and sewer main maintenance and renewals

Gippsland Water also completed in 2015-16:

- 27.6 kilometres of CCTV inspection of gravity sewers, including 1,500 metres of 450 millimetre diameter trunk main.
- 9.6 kilometres of gravity sewer renewal by lining the existing pipes.
- 5.5 kilometres of water main renewals.

Future initiatives and projects

Drouin sewer – trunk main augmentation

\$3 million will be invested into the construction of a wet weather reliever pipeline to alleviate sewage spills from manholes near Settlement Road and Bosanko Road in Drouin during storm events. The pipeline is expected to be completed in June 2017 and will allow for future population growth within the Drouin township. It will also be designed to allow for a new treatment facility for Drouin, planned over the next five to 10 years.

Traralgon Sewer – Swallow Grove and Grubb Avenue augmentation

This \$2.8 million project will involve the augmentation of the existing sewer in Traralgon to overcome capacity issues in certain areas of the sewerage network. With a planned completion date of June 2017, this project will reduce the likelihood of sewer surcharging and overflows within the Swallow Grove/Grubb Avenue catchment.

Morwell sewer – reconfiguration of Crinigan Road Sewer Pump Station (SPS) Rising Main

Once completed in June 2017, this \$1.5 million project will alleviate current and future capacity issues on the Crinigan Road Sewer Pump Station (SPS) Rising Main. It will also reduce sewer spills to the environment in the Waterhole Creek and the Crinigan Road SPS catchments during major wet weather events.

Warragul-Moe water supply interconnect Stage 2 – Darnum to Warragul

Approximately \$9.5 million will be spent on the second and final stage of this project aimed to address the water resource shortfall in the Tarago system, as outlined in Gippsland Water's 2012 Water Supply Demand Strategy (WSDS). Upon completion in June 2019, the project will enable transfer of water from the Moe system to Warragul, freeing up existing water in Blue Rock Reservoir.

The final stage will involve a pipeline from Darnum to Warragul and deliver improved water supply security to customers in Trafalgar, Yarragon and major customers in Moe and Warragul. It will also provide operational security and flexibility to transfer water in both directions between the Moe and Tarago systems in the event of supply shortfall and water quality events.

Water and sewer main replacement program

Gippsland Water manages more than 2,120 kilometres of water reticulation pipes and approximately 1,715 kilometres of reticulation gravity sewer pipes. The corporation has well-established water main replacement and sewer main rehabilitation programs that are undertaken annually. The programs involve addressing risks that are associated with ageing and failing infrastructure, and identifying and replacing water and sewer mains.

A comprehensive monitoring program is in place to record and track every water pipe leak and main break. A monitoring program is also in place for the sewer reticulation system to determine the condition and remaining service life of the pipework to ensure levels of service can be maintained.

Collaboration within the water sector

Gippsland Water, in partnership with East Gippsland Water, South Gippsland Water, Westernport Water and Southern Rural Water, continue to proactively engage in delivering efficiencies and service improvements for water customers across the region as part of their industry-leading Memorandum of Understanding (MoU). In the last 12 months, the MoU partnership identified efficiencies and improvements across areas such as electricity and insurance. The MoU will continue into 2016-17.

OVERVIEW OF THE FINANCIALS

Summary of financial results

	2015-16 \$M	2014-15 \$M	2013-14 \$M	2012-13 \$M	2011-12 \$M
Core Business Revenue	127.9	116.5	120.6	114.5	106.3
Interest Received	0.2	0.7	0.3	0.5	0.7
Non-Government Contributions	10.7	9.4	6.5	12.0	10.4
Government Contributions	0.0	0.2	0.4	0.0	0.0
Other Revenue (Farm & Gross Proceeds)	3.3	3.6	2.3	1.9	2.3
	142.2	129.8	130.0	128.8	119.7
Operations, Maintenance & Administration	78.9	75.8	78.2	81.5	81.0
Depreciation Expenses	36.4	33.8	32.2	29.4	29.1
Asset Transfer	-0.1	3.2	0.0	0.0	0.0
Finance Expenses	15.1	15.3	14.6	13.6	13.2
	130.4	128.1	125.0	124.5	123.3
Net Operating Result	11.8	1.7	4.9	4.3	(3.6)
Current Assets	33.5	32.3	27.0	26.8	24.7
Non-Current Assets	1,179.5	1,143.7	1,125.7	1,108.0	1,007.1
	1,213.0	1,176.1	1,152.7	1,134.8	1,031.8
Current Liabilities	85.4	82.9	78.4	52.6	73.2
Non-Current Liabilities	368.5	361.6	344.9	355.8	226.6
	453.8	444.5	423.3	408.4	299.8
Net Cashflow from Operations	47.4	33.0	41.2	17.6	20.5
Payments for Capital Works	52.3	58.9	53.7	59.3	40.9

KEY RESULTS

FOR THE FINANCIAL YEAR

Overall revenue has increased by \$12.4M in 2015-16 which includes \$4M of non cash revenue due to plantation revaluation, realisation of land not previously valued and gifted assets from developers, plus rechargeable works on the Saline Wastewater Outfall Pipeline (SWOP) and the comparative 2014-15 result was significantly impacted by the write-off of assets totalling \$3.2M.

Core Business Revenue primarily includes Service Charges and Volumetric Revenue. In 2015-16, revenue was in line with internal expectations and forecasts. Service Charges increased by \$2.5M and this was primarily reflected with the new sewer scheme connections in Loch Sport. Volumetric Revenue was \$2.5M higher than 2014-15 due to drier conditions during summer and autumn and higher consumption from major customers. It should be noted that Gippsland Water provided rebates of \$2.2M to customers in accordance with the Victorian Government Water Rebate (formerly referred to as the Victorian Government Fairer Water Bills initiative).

Non-Government Contributions includes cash contributions and gifted assets from developers. Revenue was \$1.3M higher than in 2014-15. The figure was favourable to internal budgets and forecasts. These figures reflect that developer activity in the Gippsland region continues to be strong in 2015-16.

Operations, Maintenance and Administration expenditure has increased by \$3.1M since 2014-15. This has been driven by higher operational activities on existing and new connections. Administration costs have increased due to higher costs of postage.

Depreciation expense has increased by \$2.6M. The increase reflects additional depreciation of projects that have been completed during the year. The net value of new assets capitalised was \$46M, with some of the major assets included in this being the developer constructed assets and the final capitalisation of the Loch Sport Sewerage Scheme.

Finance expenses for the year are marginally lower (\$0.2M) than 2014-15. This is due to the temporary repayment of debt throughout the year.

PERFORMANCE REPORT

for the year ended 30 June 2016

PART I - Financial Performance Indicators								
KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
F1	Cash Interest Cover (Times) Net operating cash flows before net interest and tax / net interest payments	3.21	4.17	3.01	29.9%	1a	38.5%	1b
F2	Gearing Ratio Total Debt (including finance leases) / total assets * 100	23.60%	23.08%	23.90%	-2.2%		-3.4%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	56.70%	92.99%	69.70%	64.0%	2a	33.4%	2b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.41	0.41	0.36	0.0%		13.9%	3b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	1.45%	2.24%	1.70%	54.5%	3a	31.8%	4b
F6	Return on Equity Net profit after tax / average total equity * 100	0.05%	1.22%	0.40%	2340.0%	4a	205.0%	5b
F7	EBITDA Margin Earnings Before Interest, Tax, Depreciation and Amortisation / total revenue * 100	40.02%	44.43%	40.90%	11.0%	5a	8.6%	

(1a) In 2015-16, the Corporation had higher operating cash flows compared to 2014-15 due to higher revenue from wastewater service charges, residential and major customers volumetric charges and miscellaneous revenue.

(1b) In 2015-16, the Corporation had higher operating cash flows compared to the target for 2015-16 due to higher revenue from wastewater service charges, residential and major customers volumetric charges and miscellaneous revenue.

(2a) In 2015-16 the Corporation had higher operating cash flows compared to 2014-15 due to higher revenue from wastewater service charges, residential and major customers volumetric charges and miscellaneous revenue and lower capital expenditure compared to the prior year. Prior year indicator has been restated to reflect a change in calculation method.

(2b) In 2015-16 the Corporation had higher operating cash flows compared to the target for 2015-16 due to higher revenue from wastewater service charges, residential and major customers volumetric charges and miscellaneous revenue.

(3a) Due to significantly higher profits compared to the previous year as a result of higher revenues from operating revenue and non-cash revenues.

(3b) Current assets are higher at year end compared to the target due to a higher cash balance.

(4a) Due to significantly higher profits compared to the previous year as a result of higher revenues from operating revenue and non-cash revenues.

(4b) Due to significantly higher profits compared to the target as a result of higher revenues from operating revenue and non-cash revenues.

(5a) Due to higher revenues and proportionately lower expenditure in 2015-16 compared to the previous year.

(5b) Due to significantly higher profits compared to the target as a result of higher revenues from operating revenue and non-cash revenues.

PART 2

RESOURCE RESILIENCE

Water is a vital element of our natural environment. It sustains all forms of life. Gippsland Water is committed to securing and delivering a reliable and valued 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 quality reporting

In July 2015, the updated *Safe Drinking Water Regulations (SDWR) 2015* was released superseding the *SDWR 2005 Regulations*. Detailed water quality reporting is available in the Key Performance Indicator table (see Part 4 under 'Corporate Key Performance').

Each week, a prescribed water quality sampling program occurs, where water quality samples are taken at registered sampling points in accordance with the *SDWR 2015* requirements. If there are potential changes to water quality which may be caused by weather or other unplanned events, more frequent sampling is undertaken. Analysis of the water quality samples is undertaken by independent laboratories with the water quality monitoring data made available to customers on request.

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. Major updates of the WSDS are undertaken every five years. Accordingly, Gippsland Water will be conducting this update over the 12 month period April 2016 to March 2017.

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 initiatives, after a detailed assessment of options, to ensure supply will exceed demand.

The WSDS identified that the Tarago system, and in particular that part of the system that supplies Warragul and Drouin, as well as the Thorpdale system, were the most critical water systems in the Gippsland Water region in terms of the need for action to address rapid growth and drought resilience. The WSDS sets actions to ensure the long and short term reliability of these systems. Gippsland Water has progressed with these actions during 2015-16.

Planning for stage two of the Moe-Warragul water interconnection is now complete and easement acquisition is on target to be finalised. Preliminary works are scheduled for 2016-17 and 2017-18, followed by construction of the pipeline in 2018-19. This pipeline will run from Darnum to Warragul and will include supporting infrastructure such as pumping stations. It will provide an interconnected water grid between the Tarago and Latrobe systems, improving flexibility and reliability of supply.

To address current and future water resource concerns at Thorpdale, Gippsland Water set out an action plan in the WSDS. Action 17 stipulated that "Gippsland Water will investigate a local bore to determine if it can be sustainably used as a contingency supply into the future", while Action 18 provided for temporary water carting in the case that Action 17 was unsuccessful, followed by a further review in the WSDS.

While the groundwater supply option was investigated in detail, further assessment of the capability and condition of the Thorpdale Water Treatment Plant during 2014 brought forward the need to review options for the Thorpdale water supply system more holistically. A thorough engineering assessment of a range of supply

options for Thorpdale, together with a community engagement program, resolved that the most appropriate, sustainable, and responsible outcome for the Thorpdale township, and the wider customer base, was for treated water to be carted to Thorpdale from larger nearby systems for the long term. This will address a range of concerns including drought vulnerability, future climate change impacts, water treatment plant condition and drinking water aesthetics. The WSDS is now referred to as the Urban Water Strategy.

Drought Response Plan

Gippsland Water's Drought Response Plan (DRP) assists in the management of short term supply shortages. A key part of the DRP is the water restriction regime which consists of four stages of restrictions on water use. The DRP also details how Gippsland Water will communicate with its customers in relation to water restrictions, as well as detailing 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.

As of 2012, the DRP has been incorporated into the WSDS in order that the WSDS be a holistic and adaptive planning tool that guides both short term and long term action to ensure a supply-demand balance. The DRP was updated in 2011-12 as part of the development of the 2012 WSDS.

Gippsland Water released its annual Water Security Outlook (WSO) in December 2015. The purpose of the WSO is to provide customers and other interested persons with a forecast of the likely water resource situation for the coming summer, as well as providing a comparison of the latest annual demand figures against the long term yield outlook.

The 2015-16 year commenced with good rainfall in July and August, including some good snow falls across the Baw Baw plateau which forms the upper part of the catchments for the Moondarra and Blue Rock reservoirs. However, a strong El Nino had already established during May 2015, comparable to the strong El Nino event of 1997, the year the Millennium Drought commenced. The 2015 El Nino went on to become one of the four strongest on record. El Nino is linked to below average rainfall in winter and spring across Gippsland and indeed the spring of 2015 yielded poor rainfall especially during October. Record warm sea surface temperatures in the Indian Ocean initially moderated the impact of the El Nino, as observed in the valuable rainfall and streamflow during July and August, but by late August a positive Indian Ocean Dipole joined forces with the El Nino resulting in the dry spring.

Rainfall at Mt Baw Baw in October 2015 was only 39 millimetres compared with the long term average of 146 millimetres. The good snowfalls of winter ensured streamflows in the Tyers and Tanjil rivers remained close to average during September as the snow melted, but by October flows started to dwindle. Outflows from Moondarra (demand and environmental flows) began to exceed inflows by mid-November and the annual storage drawdown commenced.

Reasonable rainfall events such as those occurring in early November, late January, mid-March and early April provided some relief from the otherwise dry conditions, but by late February 2016 Gippsland Water made the decision to begin transferring water from its almost full Blue Rock Reservoir holdings across to Moondarra Reservoir to slow the drawdown and ensure continuity of supply to industrial and residential customers in the Latrobe Valley. The transfer continued until 16 May 2016 during which time 4,350ML was pumped, holding the Moondarra Reservoir level fairly steady during March and April.

In other parts of the Gippsland Water supply region, the Warragul-Drouin system experienced low streamflows in the Tarago River along with periods of high demand during hot weather, leading to a drawdown on the drought reserve of about 10 per cent, the highest drawdown since the Tarago Bulk Entitlements were created in 2009. This drought reserve is a part of the Melbourne storage pool and Gippsland Water purchases this water as required, and draws it from the Tarago Reservoir.

Streamflows ceased flowing during the summer in the supply systems for the towns of Thorpdale and Seaspray. The raw water basin that Gippsland Water had constructed for Seaspray meant that town had continuous supply without restrictions, while water carting at Thorpdale, which was already underway for water quality reasons, met the needs of that town also without restrictions being required.

Overall, despite the dry spring of 2015, Gippsland Water was able to manage its supply systems to meet the needs of customers without imposing water restrictions. Accordingly, Gippsland Water did not invoke its DRP during 2015-16 and all systems in Gippsland Water's region remained on Permanent Water Saving Rules for the full 2015-16 year.

Statement of Obligations

The Statement of Obligations (SoO) includes the requirement 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 Strategy

Gippsland Water participates in catchment management activities as part of the sustainable management of water resources identified in our 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 organisation:

- Continued to collaborate with stakeholders on catchment management issues. This included municipal councils, crown land managers, industry groups associated with catchment land uses, individual property owners and parties looking at undertaking use and development activity in catchments.
- Continued working with the West Gippsland Catchment Management Authority (WGCMA) to ensure successful implementation of their Regional River Health Strategy where the focus is on protection of potable water supply in-stream offtakes.
- Continued working with the Wellington and Baw Baw Shire councils to ensure successful implementation of their Domestic Wastewater Management Plans (DWMP) where the focus is on managing on-site waste for the protection of raw water quality in drinking water catchments.
- Enhanced the risk management systems regarding catchment monitoring activities, through ongoing participation in the Gippsland regional water monitoring partnership, as well as our own raw water sampling, and catchment land use observations.
- Continued an ongoing progressive update of our catchment risk assessments by utilising computer-mapping and aerial photography-based modelling. This included the development of high risk catchment water quality risk assessments.

This will allow us to present evidence to land managers about risks to water quality from point-source and disperse pollution. These updated assessments will be used to engage with land managers in an attempt to work collaboratively to reduce water quality risk.

- Participated in a regional catchment planning group, as well as the state-wide VicWater catchment task group, with the objective of establishing a consistent approach to land use and development in catchments. This approach will result in a consistent message from all water corporations, in engaging with land managers, and municipal planning and environmental health staff about our vested interest in water quality for potable water supply.
- Participated in the planning stage of crown land fire prevention rather than through the consultation phase with the local Department of Environment, Land, Water and Planning (DELWP) fire management officers.
- Strengthened relationships with local councils, Parks Victoria, catchment management authorities, and other crown land managers to improve decision-making and outcomes with respect to preservation of water quality in drinking water catchments, whilst promoting and enhancing economic development and recreational opportunities

Victorian Waterway Management Strategy

The Victorian Waterway Management Strategy (September 2013) provides the policy direction for managing Victoria's waterways over an eight-year period.

To achieve the strategy objectives regionally, the WGCMA released its West Gippsland Waterway Strategy 2014-2022. Under this strategy, Gippsland Water shares two activities with the catchment authority:

- Mid Latrobe Management Unit: investigate feasibility of addressing fish passage requirements in the Tyers River.
- Giffard Plain and Merriman Creek Management Unit: costs and feasibility of addressing the fish barrier in Merriman Creek assessed.

Gippsland Water and the WGCMA have worked closely on both of these projects to progress each of them to a business case for submission to DELWP to be considered for funding.

An additional outcome of collaborating on these projects has been a mutual strengthening of the understanding of the roles and responsibilities

of each of the agencies, which has identified opportunities for mutually beneficial strategies and projects into the future.

State Environment Protection Policy (Waters of Victoria)

The State Environment Protection Policy (Waters of Victoria) (SEPP (WoV)) provides guidance and opportunities for Gippsland Water to work collaboratively with other agencies to develop strategies to maintain and improve water quality within the catchments where we extract the region's drinking water. Over the last 12 months Gippsland Water has continued to work collaboratively with South Gippsland Water and local councils to develop DWMPs. In accordance with the SEPP (WoV) for Gippsland, these plans detail how onsite wastewater treatment systems will be managed to ensure that waterways are not impacted.

The SEPP (WoV) also provides the guidance and measures that Gippsland Water use to monitor the waterways where we discharge treated wastewater from Environment Protection Authority (EPA) licensed wastewater treatment plants (WWTPs) in Drouin, Warragul, Neerim South, Willow Grove, Rawson, and Moe. In many instances, this water represents a significant proportion of flow in the receiving waterways for much of the year.

Water quality 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.

Detailed biological monitoring surveys were undertaken upstream and downstream this year for the Morwell, Neerim South and Warragul WWTPs. The water quality data results of these surveys indicated that the wastewater discharges did not have an adverse affect on the receiving environments. Biological monitoring for the Drouin, Moe and Rawson WWTPs has commenced for 2016-17 with autumn sampling scheduled.

Urban stormwater

Gippsland Water has no role in the management of urban stormwater.

Biodiversity and natural asset management

As a manager of significant areas of land of high conservation significance, Gippsland Water continues to work on projects that help protect and improve Victoria's biodiversity. The work has been delivered in partnership with local and policy arms of the relevant agencies and contractors.

During the reporting period, environmental highlights include:

- Establishment of an additional ecological offset at Moondarra, adding an additional 100 hectares of vegetation and habitat to the existing 500 hectares already managed (containing optimal habitat for approximately 50 threatened species) in perpetuity across the operating region. All environmental offset sites are registered on the DELWP Credit Register and are managed under environmental covenants and land management plans. The offset bank ensures all past and future impacts of constructing and operating our infrastructure on biodiversity can be offset, ensuring no net loss of habitat to be caused.
- The preservation of ecological significance of our Dutson Downs property, which includes in excess of 4,000 hectares of high conservation status vegetation, has been strengthened through the development and implementation of a Pest and Weed Management Strategy. This allows landscape scale management and monitoring of threatening processes across the site, with emphasis on protecting threatened species such as the Dwarf Kerrawang, Trailing Hopbush and Wellington Mintbush.
- Bi-annual monitoring of the state and nationally threatened New Holland Mouse has been completed. The construction of a wildlife corridor project has continued (year four of six), which will provide connection between genetically isolated populations of the New Holland Mouse.
- A Macropod Management plan has been developed and approved by DELWP and implemented at Dutson Downs. One of the key objectives of the plan is to monitor the populations of kangaroos on the site.
- A species of bird (Red-necked Stint) not ever known to be seen in the region was spotted by members of the Latrobe Valley Field Naturalists Club Bird Group at the Moe WWTP during the annual BirdLife Australia Challenge Count in 2015. The results of their survey at Moe included 642 birds comprising of 42 different species. Some of the more notable birds were the Blue-billed Duck (endangered in Victoria), Marsh Sandpiper (vulnerable in Victoria and only the third ever

sighting in the region), White-bellied Sea-eagle (vulnerable in Victoria) and the Red-necked Stint – a wader bird that migrates annually from Siberia, and the first ever recorded in the region.

- An aquatic fauna survey of the Hazelwood Northern Wetland – our discharge point for the Morwell WWTP – had some very positive and unexpected results. This wetland is notable and unique amongst the others in the area for receiving the bulk of its water (all except during flood events) directly from our wastewater treatment process. Carp levels were found to be relatively low in this wetland compared to others

in the area. This is probably due to the wetland being disconnected from the Morwell River most of the time, except in flood events. Further good news is the thriving native aquatic fauna in the wetland. The study found Eastern Snake-necked turtles, Freshwater Shrimp, Flathead Gungeon, Australian Smelt and perhaps most remarkably, a platypus was located in this wetland.

Gippsland Water is committed to demonstrating leadership and empowering our staff to responsibly manage the environmental impacts of its operations. The Environmental Policy can be viewed at www.gippswater.com.au.

Greenhouse gas emissions

Gippsland Water is committed to reducing the greenhouse gas emissions and carbon footprint associated with its operations. Gippsland Water developed an updated Environmental Policy, with a stronger focus on climate change, and is developing specific actions and strategies to assist with reducing energy consumption and greenhouse gas emissions across the business.

An increase in emissions of 42.8 per cent from 2014-15 has been recorded across the business. Small increases in CO₂ emissions were expected due to the general expansion of Gippsland Water's operations. However, the majority of this increase was due to a significant increase in methane production at the Gippsland Water Factory (GWF), reduced operation of the cogeneration plant at the GWF and an increased operation of the GWF flare. Equipment failures, as well as compliance issues with some cogeneration equipment, required the GWF cogeneration plant to be out-of-service for approximately five months, meaning all biogas volumes were processed through the flare for that period. In addition, a combination of factors including increases in electricity usage from additional aeration required at the Drouin wastewater treatment and raw water transfer, a large desludging operation at the Drouin WWTP, as well as extended operation of the Reverse Osmosis and Biosolids Dewatering plants at the GWF also contributed to the increase.

Alternate energy sources such as solar and hydrological generators are being investigated, and projects such as changing lighting to more energy efficient LED's are being undertaken. Gippsland Water continues to commit to keeping energy efficiency in the forefront of our minds while undertaking our primary activities of delivering safe, efficient and reliable water and wastewater services to the Gippsland community.

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 indicator categories.

Activity	Target	Greenhouse gas emissions (t CO ₂ -equiv)				
		2015-16	2014-15	2013-14	2012-13	2011-12
Sewerage treatment and management ¹	N/A	47,166	28,445	24,774	31,617	28,446
Water treatment and supply ²	N/A	10,386	10,312	10,228	12,644	9,906
Transport ³	N/A	1,423	1,475	1,474	1,609	2,157
Other ⁴	N/A	1,989	2,474	1,771	1,971	21,218
Total	70,000	60,963	42,706	38,246	47,841	61,727

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

(2) Electricity consumption.

(3) Fuel – petrol, diesel, gas.

(4) Electricity, gas and diesel consumption in Traralgon head office and depot; SORF and Agribusiness operations.

Energy consumption

Activity	Target	2015-16	2014-15	2013-14	2012-13	2011-12
Wastewater treatment and reticulation kWh/ML	N/A	601	580	550	701	579
Water treatment and supply kWh/ML	N/A	154	150	151	158	136
All systems treatment and reticulation kWh/ML	N/A	297	286	280	325	288
Waste disposal (SORF) kWh	N/A	22,677	22,578	33,039	15,402	23,220
Other activities (office, depot, ancillary) kWh	N/A	1,043,399	1,121,606	875,824	888,281	851,443

Beneficial reuse of treated wastewater and biosolids

Across the 2015-16 financial year, Gippsland Water reused 8.48 per cent (1,957ML) of the 23,087ML of wastewater disposed by the organisation. This reuse percentage has increased almost 1 per cent from last year's annual reuse of 7.52 per cent (1,701ML).

Nine out of the 10 wastewater treatment plants with current reuse arrangements with Gippsland Water's Agribusiness arm, or third-party agreements, are reusing 100 per cent of treated water produced. 2015-16 is the third year running that treated wastewater reuse volumes have increased. These consecutive increases are largely attributable to significant volumes of irrigation from the Sale system at Dutson Downs where new centre pivot irrigation systems were commissioned in August 2015. Moderate increases in irrigation were also achieved at Drouin's plant. Also worthy of note is that 81 per cent of the wastewater handled by the organisation has salt concentrations which exceed those suitable to be reused for irrigation. Gippsland Water has no current reuse application for this water and it must therefore be discharged.

All biosolids produced by Gippsland Water activities are reused at the SORF to produce compost which is supplied to external customers, as well as used in pasture application throughout the Agribusiness. Reuse is considered to include any residual composted biosolids which may have been stockpiled during the previous year.

See next page for further information.

Beneficial reuse of treated wastewater and biosolids

Treatment system	Destination of wastewater	Treated water disposed by Gippsland Water		Volume reused (ML)		Volume discharged (ML)		Compliance with EPA water quality limits	
		2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	586	733	114	71	472	662	86%	86%
Heyfield	Irrigation to pasture or emergency discharge to Back Creek	91	76	91	76	-	-	100%	100%
Maffra	Irrigation to pasture and sporting/playing field. Emergency discharge to Macalister River.	203	299	203	299	-	-	100%	100%
Mirboo North	Irrigation to pasture and sporting/playing field or emergency discharge to Little Morwell River	93	73	93	73	-	-	100%	100%
Morwell	Supplement flow to wetlands	583	596	583	596	-	-	90%	100%
Seaspray	Irrigation to pasture	3	9	3	9	-	-	100%	100%
Stratford	Irrigation to pasture	128	139	128	139	-	-	100%	100%
Willow Grove	Irrigation to pasture or emergency discharge to Latrobe River	14	18	14	18	-	-	100%	100%
Neerim South	Discharge to Red Hill Creek	46	43	-	-	46	43	99%	100%
Rawson	Discharge to Coopers Creek	26	29	-	-	26	29	99%	100%
Warragul	Discharge to Hazel Creek	1,439	1,587	-	-	1,439	1,587	93%	100%
Moe	Discharge to Moe River	2,001	2,088	-	-	2,001	2,088	98%	100%
Sale	Irrigation to pasture	683	400	683	400	-	-	100%	100%
Regional Outfall System (ROS) [^]	Recycled to Pine Gully (GWF) or discharge to Bass Strait (Delray Beach)	7,653	8,332	45	21	7,608	8,311	98%	100%
Saline Wastewater Outfall Pipeline (SWOP)*	Discharge to Bass Strait (McGaurans Beach)	9,538	8,196	-	-	9,538	8,196	100%	100%
Total		23,087	22,618	1,957	1,702	21,130	20,916		
% of total				8.48%	7.52%	91.52%	92.48%		

[^]The vast majority of wastewater treated in the ROS system is unsuitable for irrigation due to its high salt content.

*Wastewater discharged from the SWOP is not treated by Gippsland Water; it is received and transferred to the discharge point as a treated product and its qualities do not meet EPA standards for reuse as irrigation water.

Alternative water sources

Gippsland Water does not use alternative water sources for potable water. Alternative sources are used for other purposes as described in the 'Beneficial reuse of treated wastewater and biosolids' table.

Corporate water consumption

During 2015-16, Gippsland Water's water consumption at the Traralgon head office was estimated at 3,365 kilolitres (kL) based on previous year's consumption due to a fault with the master water meter.

	2015-16				
Location	Total full-time equivalent employees	Office space (m ²)	Water consumption (kL)	kL/FTE	Water consumption by office space (kL/m ²)
55 Hazelwood Road	221.26	3,335	3,365	15.21	1.01

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
Gippsland Water – Blue Rock ¹	Tanjil River	20,000	3,932 (6,727)	<ul style="list-style-type: none"> Location and volume of water taken pursuant to clause 10: None. Implementation of programs under sub-clause 12.3 (Metering): Implemented. The Bulk Entitlement for Blue Rock is extracted from 3 points. Specified Point A is extracted directly from the reservoir. Specified Point B is extracted from the Tanjil River Pump Station. Specified Point C is extracted from the Latrobe River Pump Station. Specified Point A – Blue Rock Headworks Outlet (supply to Moondarra Reservoir and Willow Grove WTP): 2015-16 Total = 4,437ML; 3 yr rolling avg.: = 2,100ML. Specified Point B – Tanjil River Pump Station: 2015-16 Total = 2,291ML; 3 yr rolling avg.: = 1,828ML. Specified Point C – Latrobe River Pump Station: 2015-16 Total = 0ML; 3 yr rolling avg.: = 4ML.
Erica-Rawson	Trigger Creek	340	63	<ul style="list-style-type: none"> Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> Environmental program implemented. Metering program implemented.

Bulk Entitlement	Source of supply	Bulk Entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with BE clauses
Mirboo North	Little Morwell River (North Arm)	270	196	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Moe-Narracan Creek	Narracan Creek	3,884	1,405	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 8 (Making Allowances), 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>No diversions made downstream of the specified point.</i> - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Moondarra ²	Tyers River	62,000	45,860	<ul style="list-style-type: none"> • Diversion at Tyers River Pump Station for 2015-16 = 0ML. • Approval, amendment and implementation of programs under clauses 12 (Environmental Program) and 13 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
			(44,044)	
Noojee ³	Deep Creek/Loch River	73	0	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Seaspray	Merriman Creek	133	36	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Tarago	Tarago River	4,825	3,501	<ul style="list-style-type: none"> • Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 13 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Remote metering improvements well under development.</i> • Pederson Weir/Westernport Pipeline diversions 2015-16: 3,283ML of 4,070ML entitlement. • Labertouche Creek diversions 2015-16: 0ML of 480ML entitlement. • Tarago Reservoir (Neerim South) diversions 2015-16: 218ML 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	1,484	<ul style="list-style-type: none"> • Credits granted under clause 11: None • Approval, amendment and implementation of programs under clause 12 (Metering Program): <i>Implemented.</i> • Clause 13.1 (b) Extraction at Maffra Weir: 1,203ML. • Extraction at Thomson River at Heyfield: 234ML. • Extraction at Lake Glenmaggie: 47ML • Extraction at Main Southern Channel: 0ML. • Extraction at Cowwarr Weir: 0ML. • Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation: 0ML. • Clause 13.1 (f) Any change made to the reliability of supply and annual entitlement under sub-clause 2.3 of Schedule 2 of the Bulk Entitlement (Thomson/Macalister – Southern Rural Water) Conversion Order 2001: Nil. • Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement: 01/07/2015 – 30/06/2016: 100% allocation.
Thorpdale	Easterbrook Creek	80	3	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering no longer required from September 2015 as supply not being used.</i>

(1) Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2015-16).

(2) Bulk Entitlement volume calculated as two year rolling average (figure in brackets is volume for 2015-16).

(3) Noojee Bulk Entitlement not currently utilised.

General reporting requirements

Temporary or permanent transfer of Authority entitlements
No transfer of Authority entitlements in 2015-16.
Temporary or permanent transfers of licences or entitlements to Authority
Gippsland Water has access to 400ML/y in Tarago Reservoir as drought contingency. This water is held in reserve under agreement with the Melbourne retailers but relinquished on 30 June each year if not used, and replenished with a new 400ML allocation. The agreement is current until 1 July 2018. This agreement originally provided access to water held in the Melbourne retailers' joint Bulk Entitlement. Bulk Water reform in the Melbourne system occurred in 2014-15 which disaggregated the joint entitlement providing individual entitlements for Retailers. Gippsland Water has agreed with the retailers for this agreement to continue to operate under the reformed arrangements. Gippsland Water used 39.3ML under this agreement in 2015-16.
Amendments to Bulk Entitlements
Bulk Entitlement (Gippsland Water – Blue Rock) Minor Amendment Notice 2016 – 14 April 2016.
New Bulk Entitlements
No new Bulk Entitlements in 2015-16.
Failure by Authority to comply with provisions of Bulk Entitlements
Tarago Bulk Entitlement: A combination of events including telemetry upgrade delays at Pederson Weir, instrument limitations, low river flows, high demands and inadequate communication led to Pederson Weir being drawn down to an unknown degree from time to time during late February and early March 2016. It is known that the drawdown occurred as raw water customers downstream of the weir reported interrupted supply. The drawdown may have impacted upon passing flow obligations, hence this disclosure. Once aware of the matter, more demand was sourced from Rokeby Pump Station relieving Pederson Weir.
Difficulties experienced in complying with Entitlement and remedial actions
As above. A debrief on the issue was held on 18 April 2016 with relevant staff to improve system knowledge. Further telemetry and instrument improvements are programmed to help prevent recurrence.

Total groundwater

Raw water taken (ML)	2015-16	2014-15
Briagolong	63	73
Sale	1,850	1,910
Dutson	47	44
Total	1,961	2,027

Per capita daily residential drinking water consumption (L)

The following table details residential water consumption per capita on a daily basis.

Month	L/Person/Day
July	175
August	156
September	198
October	147
November	193
December	175
January	252
February	211
March	238
April	226
May	237
June	174

Major customer consumption

As required under the *Water Act 1989*, the number of Gippsland Water customers who consume more than 200ML per annum are 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 1,000ML	0
Greater than 1,000ML	4
Total no. of customers	8

Major customers and their participation in water conservation programs

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

Customer	Water conservation initiatives
AGL Loy Yang Pty Ltd (Traralgon)	<p>AGL Loy Yang aims to be a prudent and responsible user of water. AGL Loy Yang has ongoing maintenance and monitoring programs to maintain and improve the efficiencies already achieved through water saving initiatives. This includes:</p> <ul style="list-style-type: none"> • Increasing the cycles of concentration of the cooling towers. • Tighter control of cooling tower cycles. • Improved plant maintenance and operation to reduce demineralised water consumption and reduce excess waste generation. • Diversion of wastewater for fire service pond make-up water.
Australian Paper Pty Ltd (Maryvale)	<p>The modern efficient technology at Australian Paper underpins the sustainability of the business going into the future. Water consumption is minimised on site through efficient pulp washing and paper making processes, and the extensive water treatment system enables water to be recycled on site. The use of recycled water has also been enhanced by the supply of recycled water from the Gippsland Water Factory, an important recycling initiative for the region. The site has a water management plan and sets annual targets for water consumption.</p>
Energy Australia Yallourn Pty Ltd	<p>Programs that Energy Australia has completed in 2015-16 consist of:</p> <ul style="list-style-type: none"> • The significant refurbishment of intake valves from the Gippsland Water handover of the Yallourn Basins. • Upgrading of 10+ toilets on site to dual flush systems. • Removal of 500m of old asbestos from a 150mm water main from an old township line that burst and that was not on drawings. Line is now capped and closed. • Removal of filtered water coolers and replaced with bottled water dispensers. • Sprinkler Testing completed in line with AS1851 2012 reduced testing regime of deluge and water fire response systems.
Engie Australia (Hazelwood) (formerly GDF SUEZ Australia)	<p>Hazelwood used around 85 per cent of its overall raw water volume within its contracted volume in 2015, with approximately 12 per cent of total raw water used being directed to the management of water quality in the Hazelwood Cooling Pond during the drier period from January to May. This raw water for environmental management is dependent on climatic conditions, which requires additional raw water use in order to minimise water quality impacts of the cooling pond discharge to local streams. Employee awareness of water use and conservation continues to be communicated on a regular basis, with monthly performance against target reported in monthly health and safety reports to employees. Potable water continues to be monitored and reported internally.</p>
Engie Australia (Loy Yang B) (formerly GDF SUEZ Australia)	<p>Water usage patterns are routinely tracked for a range of power station processes. Key production water efficiency usage metrics are monitored and reported monthly. Any unexplained increases are investigated and remedied. Current water entitlement holdings are also monitored as well as the medium to long term potential for low water yield conditions in catchments. Loy Yang B's 2015-16 water conservation program remains unchanged and all previous initiatives are still in place.</p>

Customer	Water conservation initiatives
Fonterra Australia Pty Ltd	Whilst Fonterra Darnum did not participate in any formal water conservation programs during the 2015-16 year, previous initiatives implemented at the site continue to have a positive effect on water conservation and efficiency across the factory operations.
Lion – Dairy And Drinks, Lion Pty Ltd (Morwell)	As part of Lion Morwell's waste reduction and continuous improvement strategy, the site has implemented waste and utilities optimisation projects to improve environmental sustainability. Through the optimisation of processing, packaging and cleaning processes, the site has reduced its water consumption from 3.1 to 2.9 litres per kilogram of product produced.
Murray Goulburn Co-operative Co. Limited (Maffra)	As of 30 June 2016, Murray Goulburn was unable to provide comment regarding their water conservation initiatives.

PART 3

CUSTOMERS, STAKEHOLDERS AND THE COMMUNITY

Gippsland Water's objective is to manage our resources to provide value to customers, stakeholders and the community, and to provide strong leadership and advocacy in sustainable water management.

Community consultation and engagement

Community education

Water conservation and wastewater treatment education and awareness continues to be a key focus for Gippsland Water's engagement with the community and schools, with a strong focus on the broader theme of sustainability.

The schools program aims to build an appreciation of water from a young age. For many years, the corporation has delivered water education to schools and community groups in the local area. This commitment is continuing.

Free to schools and community groups within Gippsland Water's service area, the program incorporates a number of activities including the award-winning Vortex Centre, tailored visits to schools, tours of Gippsland Water's treatment plants and water storages, demonstrations and presentations from experienced Gippsland Water staff.

The primary schools water education program focuses on four priority areas identified in consultation with local educators: the Natural and Urban Water Cycle, Water Efficiency, Water for Health and Hydration and After the Drain. In addition to these topics, secondary school programs have been developed to support the new Geography curriculum, including 'Water in the World' and 'Water Sanitation'.

The education program has been promoted via local media, the Gippsland Water website, and through social media via Facebook and Twitter.

'Water Wonders', Gippsland Water's education e-mail newsletter was also sent out during school terms promoting upcoming events.

A total of 2,970 students from kinder to Third Year tertiary students from 46 schools, universities and educational institutions participated in the education program during the financial year. This included 101 school visits and 18 excursions to various Gippsland Water facilities. Feedback from teachers about the education program has been very positive with the majority indicating that the content is relevant, interesting, and has met their purpose.

Eleven school visits were made to the Gippsland Water Factory (GWF) and/or Vortex Centre with a total of 321 students ranging from Grade 2 to Year 11 secondary students.

A concerted effort to build a presence in secondary schools was made and resulted in 866 secondary school students participating in the program. The newly devised 'Water in the World' and 'Water Sanitation' lessons proved increasingly popular as did visits to various water and wastewater treatment plants. For example, the Mirboo North Water Treatment Plant was opened up to two groups of Year 9 students from Mirboo North High School. The students also participated in a catchment demonstration before touring the plant.

Gippsland Water participated in three local education events, which included Kids Teaching Kids; the Maffra Show education day which involved 150 students from six schools; and the Sustainable Skills Expo held at Gippsland Grammar in Sale with over 44 students from three local primary schools.

The National Water Week poster competition attracted a record number of entries from young students across central Gippsland. The theme 'Water Innovation' was imaginatively depicted in posters by a wide age group of students. The judges were impressed by the creativity shown in the competition, and the entries were also displayed on Gippsland Water's Facebook page, which gave people an opportunity to see the talents of the local students.

Community education plays a vital role in promoting the value that Gippsland Water delivers for its customers, stakeholders, and the community. Community and industry groups such as Australian and New Zealand Pulp and Paper Industry Association (APPITA), Rotary Club of Sale, Victorian Bioenergy Network, Lion Dairy & Drinks and Agribusiness Victoria have also taken tours throughout the year across several sites, including the GWF and Soil and Organic Recycling Facility (SORF).

Community-focused initiatives

The increased emphasis on community engagement which commenced last year continued with Gippsland Water attending or hosting a range of events across the year.

Farmers' markets have proved to be a useful method of meeting customers and providing information and receiving feedback on services and community needs.

Open Day style events were held at the GWF in early December 2015 and the Warragul Wastewater Treatment Plant in late April 2016.

Outreach to the community via the local Neighbourhood House Network was, once again, a positive experience. This activity allowed Gippsland Water to bridge the gap with these customers, many of whom are on low incomes, to provide them valuable information about bills, water usage and payment methods.

Sponsorship of community also increased with more activity in this space than in recent years. This sponsorship more often takes the form of service/merchandise provision rather than cash donations. Sponsorship was extended to a range of community groups including the Latrobe Community Choir, Traralgon Fire Brigade, Seaspray Surf Life Saving Club and the Sale Elderly Citizens Village.

It is expected that sponsorship of this type will increase in coming years as Gippsland Water attempts to grow its presence in the community and build good will towards the organisation.

Partnerships have been formed with local

government across the Gippsland Water service area to install water fountains in public spaces. Five units were installed in three municipalities this financial year, for a total of 14 units to date. This partnership will continue in 2016-17.

The partnership with local peak sporting agency GippSport (H30 Challenge) aimed to encourage people to give up sugar-based drinks/coffee/alcohol for 30 days in October and replace those drinks with tap water. This was a successful initiative gaining inroads into the community as measured by media mentions and social media traffic.

As with all businesses of a similar size and function, Gippsland Water was active in the media landscape including social media. This activity saw minimal negative commentary (<5 per cent of all comments) about the organisation and a high number of positive stories about the organisation in the local media landscape (100+).

Water and wastewater initiatives

In addition to the ongoing program of promoting awareness of water conservation and waste reduction with Gippsland Water's major non-residential customers (see Part 2), Gippsland Water continued to promote water conservation with the distribution of information packs at events, and also trigger nozzles and showerheads to eligible customers during 2015-16.

As construction work for a secondary water supply main in Sale began, Gippsland Water employees manned an information kiosk at the Gippsland Centre Sale to provide information about the project and answer any questions from customers.

Research conducted in September 2015 on behalf of Gippsland Water indicated that 64 per cent of customers were aware that the corporation is responsible for managing wastewater. This was a 10 per cent increase on the previous year. Initiatives that contributed to this increase were the 'Stop It. Don't Block It.' campaign and various open days at wastewater facilities.

The SORF achieved Australian Standard (AS 4454-2012) Certification for its Revive™ Recycled Compost product, which has earned Gippsland Water the right to use the FiveTicks Standards Mark on product packaging and printed documentation. This gives the product more credibility to enter new markets as well as build on Revive™ Recycled Compost's reputation with both new and existing customers and markets.

Local government initiatives

Permanent public drinking fountains were installed in various locations across the region in partnership with Rotary, the Baw Baw, Latrobe City and Wellington Shire councils over the course of the year. Portable water fountains continued to grow in popularity and were hired out for over 70 community events throughout the year.

Gippsland Water embarked on a 'Choose Tap for October' social media campaign. The campaign challenged Gippslanders to 'Choose Tap' over sugary drinks for the month and featured various videos promoting water as a drink of choice. Well-known Gippsland identities, including a number of shire councillors, participated in what was a successful campaign.

Gippsland Water participated in an event with Wellington Shire Council. This provided an opportunity to showcase the education program to local principals and welfare staff and resulted in an increase in school bookings from the Wellington area.

- 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 focus for the CCC's first year was around communication with the customer base. The Committee provided suggestions, guidance and encouragement in a range of areas, including methods for effectively reaching out to low income customers in public housing. The CCC also focused on providing more information to new customers regarding restrictions on building in catchments.

Additionally, the CCC helped shape 'customer values' research that was undertaken. The results from this research provided valuable insights and while forming a central part of Gippsland Water's next Pricing Submission, the results also provided an opportunity for the Committee to best represent the interests of the wider customer base.

Community Consultative Committee

The Community Consultative Committee (CCC) is made up of volunteer representatives that have been nominated by organisations representing customer demographics.

In the 2015-16 period, the committee met formally six times with internal sponsors from Property Connections, Environment, Communications, Water Quality and Customer Service seeking input to process and issues management.

The CCC comprises of seven members representing a diverse range of interests and organisations from across Gippsland Water's operating area. Some of the current member's terms of office expire at the end of 2016 with a recruitment process underway in terms of making contact with business and community groups to seek members.

The CCC's objectives are to:

- Provide a direct link between Gippsland Water and its customer base, enabling Gippsland Water to remain responsive to customer needs and concerns.

Social sustainability

Gippsland Water strives to meet the needs of all its customers, including those on low incomes or who are financially vulnerable. Listening to customers helps Gippsland Water continue to improve its Customer Care program.

Gippsland Water employees are trained in the early identification of those customers 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.

Customer-focused initiatives

Gippsland Water continued to improve procedures and make it easier for customers to do business with the corporation. Initiatives this year included:

- Embarking on an ambitious journey to improve customer experience by reducing customer effort while also driving down cost to serve. These concurrent goals will be enabled through better use of digital tools and channels. This project is an important first step in changing the organisation's thinking toward how it can better fit into the lives of its customers based on their expectations on how and when they communicate and transact while delivering efficiencies.
- With continued focus on making bills more manageable and convenient for customers, Gippsland Water continued campaigns to promote eBills and Direct Debit. These proved to be successful with around 6,000 customers opting to receive their bills electronically, and over 8,000 customers using the Direct Debit payment option.
- Property Information Statements were upgraded making it easier for customers to understand.
- The online solicitor updates system was successful with 55 per cent of solicitors in Gippsland Water's operating area using the system.

Community Service Obligations

	2015-16 \$	2014-15 \$	2013-14 \$	2012-13 \$	2011-12 \$
Provision of concessions to pensioners	5,168,386	4,988,032	4,799,341	4,611,778	4,412,478
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	274,263	273,523	268,530	249,182	234,081
Utility Relief Grant Scheme payments	92,391	89,048	139,129	164,859	108,073
Water concession on life support machines – Haemodialysis	1,928	2,921	2,571	2,250	2,494

Note: The Hardship Relief Grant Scheme is administered and managed by the Department of Health and Human Services (DHHS), and is accessed via direct application to the department by eligible concession cardholders.

Annual water consumption and number of assessments

Supply system	Residential		Non-residential		Major industry	Metered hydrant	Non-revenue	Total supplied	5 year average annual demand	Consumption variation
	Billed connections ⁵	Billed volume ⁷ (ML)	Billed connections ⁵	Billed volume ⁷ (ML)						
Briagolong	373	50.5	23	3.4	0.0	0.0	5.0	58.9	68.6	-14%
Coongulla-Glenmaggie	466	34.7	10	5.3	0.0	0.2	3.1	43.2	41.8	3%
Erica-Rawson	313	34.7	46	17.4	0.0	0.0	7.8	59.9	79.2	-24%
Heyfield	884	153.5	111	65.2	0.0	1.4	15.0	235.0	238.7	-2%
Maffra-Stratford	3,132	558.3	318	87.9	350.1	3.5	165.1	1,164.9	1,076.5	8%
Mirboo North	765	118.4	86	31.5	0.0	0.3	36.1	186.3	181.9	2%
Moe-Newborough ¹	11,229	1,674.1	869	268.1	1,454.3	13.5	205.4	3,615.3	3,626.9	0%
Moondarra ²	25,531	4,485.4	2,443	817.6	40,635.8	5.5	2538.7	48,483.0	48,674.4	0%
Neerim South-Noojee	712	135.1	66	26.4	0.0	0.0	39.1	200.6	194.2	3%
Sale-Wurruk	7,101	1,150.5	871	257.8	198.8	1.7	178.4	1,787.2	1,745.7	2%
Seaspray	357	20.7	11	5.0	0.0	0.0	4.3	30.0	30.1	-1%
Thorpdale ³	79	8.8	19	3.0	0.0	0.1	1.7	13.7	12.2	12%
Warragul-Drouin ⁴	13,110	1,983.3	1,213	371.4	210.3	3.3	532.7	3,100.9	2,868.5	8%
Willow Grove	166	31.7	11	1.2	0.0	0.0	6.0	38.8	44.6	-13%
Total	64,218	10,439.6	6,097	1,961.1	42,849.3	29.4	3,738.2	59,017.7	58,883.3	0%

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

² Supplies Boolarra, Churchill, Cowwarr, Glengarry, Hazelwood North, Morwell, Rosedale, Toongabbie, Traralgon, Traralgon South, Tyers, Jumbuk/Jeeralang and Yinnar.

³ Supply from Easterbrook Creek ceased during September 2015. Carting of treated water from other systems (mainly Moe) is now the normal means of supply.

⁴ Supplies Buln Buln, Drouin, Nilma, Darnum South, 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 Treated water only.

⁸ Includes raw water losses in the Moondarra System.

Non-revenue water summary

Non-revenue water (ML) total	1,915
Infrastructure Leakage Index (ILI)	1.11
Real water losses (kL/connection/day)	0.072
Real water losses (kL/km/day)	2.9

Note: Based on ESC report calculation methodology, treated water losses only. Data includes water systems supplying more than 5,000 connections (Warragul, Moe, Morwell, Traralgon, and Sale).

Living Victoria Water Rebate

The Living Victoria Water Rebate ceased on 30 June 2015. During the permitted grace period of 1 July 2015 to 31 October 2015, Gippsland Water processed 82 applications to a total value of \$60,759.

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 2015-16, EWOV handled 39 referrals on behalf of Gippsland Water customers. Thirty-seven of these referrals were handled as enquiries requiring no further action. No referrals were resolved by real time resolution, while two referrals were investigated by EWOV. All investigations were resolved.

PART 4

GOVERNANCE

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 nine directors and a managing director. Directors provide the Board with a mix of skills, experiences and a range of viewpoints. Gender balance and cultural diversity are also taken into consideration.

Following a Victorian Government announcement in April 2015, all board members were encouraged to participate in an expression of interest process. New board members were appointed on 1 October 2015 for terms of up to four years, and are responsible for the strategic planning and management of the affairs of the corporation.

Profile of the Board

Current Board Directors

Therese Ryan (Chair)

LLB, GAICD

Appointed October 2015

Current term expires September 2019

Therese Ryan, LLB, GAICD is an experienced director and former lawyer. She is presently a non-executive director of listed entity Bapcor Ltd, WA Super, Victorian Managed Insurance Authority, VicForests, and MFB. She is also an independent member of the Audit Committee of the City of Melbourne. In the not-for-profit sector, she is a director of Good Shepherd Australia New Zealand, whose principal activities are associated with disadvantaged women and girls. She was previously a director of Yarra Valley Water, and in her last executive role was Vice President and General Counsel of General Motors International Operations, based in Shanghai.

Greg Hade (Deputy Chair)

BBus, CPA, GAICD

Appointed October 2015

Current term expires September 2019

Greg has 15 years' experience as a non-executive director, including nine years as a director of Latrobe Regional Hospital and five years as a trustee director of Equisuper, a \$5 billion profit-for-member superannuation fund. His executive career spanned 40 years in the energy sector, most recently as Head of Finance, Merchant Energy AGL and Executive General Manager Finance (CFO) Loy Yang Power. Greg has a Bachelor of Business, is a Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors.

Jo Benvenuti

Appointed October 2015

Current term expires September 2017

Jo is an experienced consultant across a range of consumer matters, specialising in consumer engagement and energy and water policy. Jo was previously Executive Officer of the Consumer Utilities Advocacy Centre and held executive positions for the Energy and Water Ombudsman Victoria (EWOV) and RSPCA Victoria. She was previously Chair of the Consumers' Federation of Australia. Jo has a Graduate Diploma in Public Policy.

Sarah Cumming

B.A., LLB (Hons), EMBA

Appointed October 2011

Current term expires September 2017

Sarah is a lawyer and has an Executive MBA. She is currently the Executive Manager and General Manager Corporate Services at Latrobe City Council. Sarah's expertise is in governance, strategic advice, business solution design, business transformation and implementing regulatory reform. She has previously held a range of senior management positions at the Australian Securities & Investment Commission (ASIC) covering the areas of registry compliance, public information, data integrity, major projects, including being ASIC's Business Lead for Data Migration on the National Business Names project.

Sarah was previously a Litigation Lawyer with Slater and Gordon with expertise in personal injuries and employment law. Sarah has a Bachelor of Arts (ANU), Bachelor of Law (Honours) (ANU), and a Master of Business Administration (Executive) (Mt Eliza/Melbourne Business School) and is a graduate

of the Australian Institute of Company Directors.

Sarah lives in Gippsland and has a strong interest in the local community.

Malcolm Eccles

MSc, CEng, MIET, MAICD, FCMI

Appointed October 2011

Current term expires September 2017

Malcolm is the Chief Executive Officer and Managing Director of the Basslink Group (2007-current). The Basslink group owns power and telecoms transmission assets in Australia. He was previously Basslink's Assets and Operations Director (2005-2007).

Malcolm has held senior management and engineering roles with Siemens Power Services (2002-2005) and British Nuclear Fuels Ltd (1986-2002). He is a current Director and Executive Committee member of the International Cable Protection Committee (2007-current).

Malcolm has international management experience having led projects and operational businesses in Europe, USA, Asia and Australia. Malcolm has a Master of Science in Electrical Engineering and Management Studies. He is a Chartered Electrical Engineer (CEng), a member of the Institute of Engineering Technology (UK), a senior member of the Institute of Electrical and Electronic Engineers (US), a member of Australian Institute of Company Directors and a Fellow of the Chartered Management Institute (UK). Malcolm has also completed an Advanced Management Program at Henley Business School (UK) and the Australian Institute of Company Directors course. He is also a qualified health and safety practitioner, holding an International NEBOSH certificate.

Jane Oakley

Appointed October 2015

Current term expires September 2019

Jane is the Executive Manager Community, Information and Advocacy at Baw Baw Shire and was previously the Regional Director Regional Development Victoria Gippsland at the Department of State Development, Business and Innovation. Having worked in the telecommunications sector for a number of years, Jane has held senior leadership roles with Telstra Corporation primarily in sales and marketing. Jane has been a previous Director of Latrobe Regional Hospital. She has a Graduate Certificate in Regional Leadership, Diploma Practice Management, and Diploma Competitive Systems and Practices. Jane is also an accredited MBTi facilitator.

Margaret Supplitt

B.Eng (Civil), MIEAust

Appointed October 2015

Current term expires September 2017

Margaret has a Bachelor of Engineering (Civil) and is a MIEAust and is a Senior Project Manager at Crossco Consulting Pty Ltd. Her professional experience includes employment in local and state government agencies, the mining industry, property development and civil engineering consulting. Margaret's previous board experience includes membership of the Gippsland Lakes Ministerial Advisory Committee, East Gippsland Shire's Economic Development Advisory Board and East Gippsland Marketing Inc., company secretarial roles and community committees. Margaret currently lives in East Gippsland and works throughout greater Gippsland.

David Mawer (Managing Director)

MSM, MBA, Dip.M, Dip. Bus. MAICD

David has held senior management roles internationally with electricity and gas utilities, both in the public and private sectors. Previously the Managing Director of Westernport Water, he is a former State Manager for BHP Billiton. He is a metallurgist and has a special interest in utility markets and industry deregulation. He was a director of the gas market regulator of NSW for four years. David was formerly a Director of savewater!@Alliance Inc. and a Committee Member of the Australian Water Association (AWA). David oversees the organisation's strategic and business planning and economic regulation.

Former Board Directors

Peter Day

LLB, M Admin, FCPA, FCA, FAICD

Appointed October 2008

Term expired September 2015

Peter 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 non-executive director of a number of ASX-listed companies and public interest organisations.

Bernadette Hannagan

B.B. (Marketing) GAICD Appointed October 2013

Appointed October 2013

Term expired September 2015

Bernadette has 30 years private sector experience in retail and wholesale both in Australia and internationally. She has held senior executive roles at Target Australia and Pacific Brands. Her international experience was gained whilst working and living in London and Hong Kong. She holds a Bachelor of Business in Marketing from Monash University, completed the Advanced Executive Programme from Melbourne Business School and the Australian Institute of Company Directors course. She was also a Director of Berlei (Indonesia), Pacific Brands Asia (HK), Target Group Trading (India) and Target Group Trading (China). Bernadette lives in Gippsland, is on the Course Advisory Committee at Holmesglen TAFE and has a keen interest in mentoring our youth and management of our environment.

Leonie Hemingway

GAICD

Appointed October 2012

Term expired September 2015

Leonie, until recently, was a self-employed consultant providing strategic services to government, business and not-for-profit organisations. She has a background in local, state and federal government. She is Deputy Chair of the Melbourne Planning Authority (MPA) and Chair of the MPA Audit and Risk Committee, panel member for Geographic Place Names Advisory Panel, Ambassador for Open Family Australia/Whiteline, and Committee Member Epworth Medical Foundation Special Events Committee. Leonie is particularly interested

in community strategic planning and good governance.

Richard McDowell (Former Chair)

Dip.Bus. (Accounting), FCA, CTA, MAICD, Tax Agent

Appointed October 2007

Term expired September 2015

Richard is a semi-retired Chartered Accountant and was a principal of a Gippsland accounting firm for over 37 years. He also holds directorships and is involved with financial management in a number of private companies. For more than 19 years, Richard has contributed to the Victorian water industry through his previous role as Deputy Chairman of East Gippsland Water and his Chairman role of audit committees of both East Gippsland Water and Gippsland Water. He has also been Audit Committee Chairman for two Gippsland councils, two hospitals, and the Gippsland Ports Authority. Richard had his family home in Maffra for almost 40 years before recently moving to be closer to grandchildren. He has two adult daughters and three grandchildren and has been an active member of many Gippsland community groups.

Ormond Pearson (Former Deputy Chair)

BHSc (Mgt), FAICD, FAIM, FIPA

Appointed October 2012

Term expired September 2015

Ormond's career includes 30 years' experience as a chief executive officer of public health services in rural and regional South Australia and Victoria. Ormond recently resigned as Chief Executive Officer (CEO) of West Gippsland Healthcare Group, having worked previously as CEO with Colac Community Health Service, Barmera District Hospital (SA) and Kingston SM Hospital (SA). Ormond now works as a part time consultant/locum CEO and is a Director of Latrobe Health Services. Ormond holds a Bachelor Degree of Health Science Management and is a fellow of the Australian Institute of Company Directors, the Australian Institute of Management, and the Institute of Public Accountants.

Director attendances at board and committee meetings 1 July 2015 – 30 June 2016

Director	Board meeting		Safety, Health and Environment (SHE) Committee		Audit and Risk Committee		Executive Remuneration and Capability Committee	
	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance
Therese Ryan	6	6	2	2	0	0	1	1
Greg Hade	6	5	0	0	3	1	1	1
Jo Benvenuti	6	5	0	0	3	3	0	0
Sarah Cumming	9	7	2	1	1	1	2	1
Malcolm Eccles	9	9	3	3	3	3	1	1
Jane Oakley	6	6	0	1	3	1	0	0
Margaret Supplitt	6	5	2	2	0	2	0	0
David Mawer	9	9	0	1	1	3	2	2
Peter Day	3	2	1	0	1	1	1	1
Bernadette Hannagan	3	2	1	1	1	0	1	0
Leonie Hemingway	3	2	1	1	1	0	1	1
Richard McDowell	3	3	0	1	1	1	1	1
Ormond Pearson	3	2	0	0	1	1	1	1

Profile of the Executive Leadership Team

Paul Clark, General Manager Customer Service and Communications

Grad. Cert. Dispute Resolution

Paul is responsible for Corporate Communications, Customer Service, Major Customers and Property Development. With a background in the utilities sector, Paul holds postgraduate qualifications in dispute resolution and has extensive experience in customer service and stakeholder management. Previously the General Manager Customer and Market Services with Essential Energy in New South Wales, Paul is committed to community engagement and effective communications with customers and the community.

Nicole Griffin, General Manager Assets and Agribusiness

B.App Sci (SysAg) Grad Dip EnvMgmt GAICD

Nicole is responsible for the Soil and Organic Recycling Facility (SORF), Agribusiness and also has responsibility for Asset Management, Planning and Delivery. Nicole has worked in agribusiness for the past 22 years and has spent eight years

working in the biotechnology sector. Nicole has trained as an agronomist and spent several years in a consulting capacity in the cotton and broad acre industries. Most recently Nicole was working as the Regional Marketing Manager looking after the Asia Pacific business for Monsanto. Nicole is currently completing her Executive MBA and has a strong interest in sustainable agricultural practices and regional economic development.

David Mawer, Managing Director

See David's profile under 'Profile of the Board'.

Peter Skeels, General Manager Operations

BBus. (Acct. and Economics), FCPA

Peter is responsible for the management and leadership of the organisation's operational areas of water and wastewater treatment, bulk water storage and supply, bulk waste transport, potable water distribution, sewer reticulation and information technology. He is also responsible for Gippsland Water's internal service functions of safety, health and emergency management. Peter has over 35 years' experience in the utilities sector and has held a range of senior leadership roles in varied infrastructure, and service based businesses within this market segment.

Tony Staley, General Manager Corporate Services

BBus (Acct.), GradDipACG, FCPA, ACSA, GAICD

Tony is responsible for the organisation's commercial services, financial and management accounting and organisational development. He has over 30 years' experience working primarily in the utilities sector in the Gippsland region. These roles have included 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 and Risk Committee

Gippsland Water's Audit and Risk Committee supports the Board in discharging its oversight responsibilities related to financial reporting, risk management, maintenance of sound systems of internal control, assurance activities including internal and external audit, and the organisation's performance with regard to legislative and regulatory compliance. The Audit and Risk Committee is responsible for a range of activities including:

In accordance with the *Financial Management Act 1994*, an annual attestation was submitted to the Board confirming all the committees' responsibilities. During the 2015-16 financial year, the Audit and Risk Committee met four times.

Audit and Risk Committee members for 2015-16

Geoff Harry – Independent Chair

July 2014 – current

Appointed Chair September 2015

Attended all four meetings during the reporting year

Geoff is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors (AICD). He was an assurance partner at PricewaterhouseCoopers (PwC) for 25 years, and in addition to servicing a number of large corporate clients of PwC, Geoff was responsible for assurance and consultancy services to several water corporations in Melbourne and regional Victoria. He retired from PwC on 31 December 2006. Since then, Geoff has held roles with Jemena (formerly Alinta) for two years, and Fortescue Metals Group Limited for three years as the Chief Risk and Assurance Officer. He retired from full time executive roles on 30 June 2014.

Geoff has also been a leader in the development of improved governance performance and reporting for the Victorian local government sector over

many years, and he has developed and delivered training courses on enhancing the effectiveness of audit committees in that sector.

Geoff has held a number of independent memberships of audit committees since his retirement and is currently a member of audit and risk committees at the Department of Premier and Cabinet, City of Monash (Chairperson), Regional Kitchens Group, and Orygen. Geoff is also Chairperson of a large body corporate holiday resort in Queensland.

Neil Greenaway – Independent Member

July 2015 – current

Attended three of the four meetings during the reporting year

Neil is currently a consultant to the NFP and public sector. He is a Fellow of Chartered Accountants Australia & New Zealand, Fellow of CPA Australia, Fellow of Governance Institute of Australia, Fellow of Chartered Institute of Secretaries & Administrators and a Fellow of the AICD. He was awarded honorary fellowship of The Royal Australian College of General Practitioners in 2015.

Neil has held executive governance and finance positions at Medibank Private and St Vincent's Health. He has also held director/trust positions with The Royal Australian College of General Practitioners, Greater Metropolitan Cemeteries Trust and The Necropolis Springvale.

Neil currently holds director and independent governance roles with Eastern Victoria GP Training (Chairperson), member of Audit and Risk Committee of City of Frankston (Chairperson), Box Hill Cemetery Trust, and RACGP Oxygen.

The Audit and Risk Committee also included the following Board members:

- Malcolm Eccles (from November 2012).
- Jo Benvenuti (from November 2015).
- Greg Hade (from November 2015).
- Jane Oakley (from November 2015).

Former Audit Committee members

Joanne Booth – Independent Chair

August 2010 – August 2015

Attended 1 meeting during the reporting year

Joanne is a company director and former chief executive officer who has worked and consulted extensively in the public, not-for-profit and health sectors. She currently operates a governance and management consultancy in East Gippsland and Melbourne. Joanne holds non-executive directorships with the Victorian Healthcare Association; East Gippsland Region Water Corporation, Inner East Community Health and Workways Australia Ltd where she is Chair of the Audit and Risk Committee. Joanne is also an Independent-appointed Member of Latrobe City Council Audit Committee.

Joanne's qualifications include Master of Public Health, Graduate Diploma in Occupational Health, Bachelor of Arts, Diploma Company Directors and Practitioners Certificate in Mediation. Currently, Joanne is undertaking a Graduate Certificate in Internal Audit and has completed Governing for Non-Profit Excellence Program at Harvard Business School (Boston). Joanne is a Graduate of the AICD and Member of Women on Boards.

The former Audit Committee also included the following former Board Directors:

- Sarah Cummings (to September 2015)
- Ormond Pearson (to September 2015).

Board Safety, Health and Environment (SHE) Sub-Committee

Gippsland Water's 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 & Safety (OH&S), and environmental management at Gippsland Water.

The SHE Committee met four times in the year. Its members for 2015-16 were:

Current SHE Board members

- Malcolm Eccles (Chair)
- Therese Ryan (Board Director)
- Margaret Supplitt
- Sarah Cumming
- Jane Oakley

Former SHE Board members prior to October 2015

- Leonie Hemingway (Chair)
- Peter Day
- Bernadette Hannagan

Executive Remuneration and Capability Committee

This committee is responsible for the implementation of the Executive Remuneration Policy and has now expanded to include capability with a strong focus on talent management. The committee ensures the remuneration policy complies with Victorian government policy and the Government Sector Executive Remuneration Panel guidelines.

Current Executive Remuneration and Capability Committee members

- Sarah Cumming (Chair)
- Therese Ryan
- Greg Hade

Former Executive Remuneration and Capability Committee members

Up to September 2015, the Executive Remuneration and Capability Committee consisted of all Board Directors excluding the Managing Director, David Mawer.

Corporate Key Performance Indicators

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

In the 2015-16 reporting period, Gippsland Water reported against 33 indicators that measured performance for water, wastewater, customer service, safety, and employee availability. These indicators are directly linked to the 2013-18 Water Plan and are aligned with the service standards reported to the Essential Services Commission (ESC) six-monthly and annually.

Key Performance Indicators 2015-16

KPI no.	Key Performance Indicator	Unit of measure	2015-16 Target	2015-16 Actual	2014-15	2013-14	2012-13	2011-12
Water								
1	Unplanned water supply interruptions	Per 100km	19.5	18.47	19.69	8.70	22.07	18.52
2	Average time taken to attend bursts and leaks (priority 1)	Minutes	35	26.48	29.34	33.82	25.01	28.79
3	Average time taken to attend bursts and leaks (priority 2)	Minutes	138	56.72	52.76	90.74	69.29	91.86
4	Average time taken to attend bursts and leaks (priority 3)	Minutes	2,000	1,067.52	991.81	1,449.34	2,093.27	1,682.09
5	Unplanned water supply interruptions restored within 5 hours	Per cent	98	98.97	98.54	98.82	98.89	98.41
6	Planned water supply interruptions restored within 5 hours	Per cent	90	97.93	97.77	96.19	97.09	96.65
7	Average unplanned customer minutes off water supply	Minutes	10.8	8.51	10.69	7.88	10.33	8.74
8	Average planned customer minutes off water supply	Minutes	12	12.90	27.35	18.51	31.67	17.59
9	Average frequency of unplanned water supply interruptions	Number	0.12	0.11	0.130	0.108	0.120	0.115
10	Average frequency of planned water supply interruptions	Number	0.08	0.08	0.17	0.11	0.20	0.11
11	Average duration of unplanned water supply interruptions	Minutes	90	76.15	80.57	73.10	86.43	75.82

KPI no.	Key Performance Indicator	Unit of measure	2015-16 Target	2015-16 Actual	2014-15	2013-14	2012-13	2011-12
12	Average duration of planned water supply interruptions	Minutes	150	156.66 ¹	157.82	170.86	156.88	166.44
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	Number	0	0	0	0	0	0
14	Unaccounted for water	Per cent	12	12.9 ²	14.4	16.6	14.2	10.3
Sewerage								
15	Sewerage blockages	Per 100km	18	14.88	14.98	8.76	7.93	8.11
16	Average time to attend sewer spills and blockages	Minutes	40	23.43	28.84	30.63	40.78	31.32
17	Average time to rectify a sewer blockage	Minutes	95	78.68	87.44	93.70	95.70	90.98
18	Spills contained within 5 hours	Per cent	98	98.59	100	100	96	100
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 1,000 customers	0.08	0.028	0.059	0.030	0.015	0.015
21	Telephone calls answered within 30 seconds	Per cent	84	88.70	82.33	83.04	82.58	82.02
Additional Service Standards								
22	Population receiving water meeting E.coli standards	Per cent	100	88.9 ³	100	100	100	99.7
23	Population receiving water meeting disinfection by-products standards	Per cent	100	100	100	100	100	100
24	Population receiving water meeting turbidity standards	Per cent	100	100	100	100	100	100

KPI no.	Key Performance Indicator	Unit of measure	2015-16 Target	2015-16 Actual	2014-15	2013-14	2012-13	2011-12
25	Total CO ₂ equivalent emissions	Tonne (000's)	70	60.96	42.7	38.25	47.84	61.73
26	Recycled water target	Per cent	10.3	8.5 ⁴	7.52	5.23	6.70	5.37
27	Biosolids reuse	Per cent	100	100	100	N/A	N/A	N/A
28	CTWSS connections	Number	1,250	864 ⁵	536	280	0	0
Our People								
29 ⁶	No. of significant incidents per month/total number of reports per month	Per cent	<5	2	N/A	N/A	N/A	N/A
30 ⁶	Lost Time Injury Frequency Rate	Number	<7	15 ⁷	N/A	N/A	N/A	N/A
31 ⁶	Average severity index for incidents reported	Number	≤4	3.25	N/A	N/A	N/A	N/A
32 ⁶	No. of reported incidents without injury (near misses) per monthly/total no. of reports per month	Per cent	>25	31	N/A	N/A	N/A	N/A
33	Employee Availability	Hours	≤34 annually per employee	30.70	31.47	29.94	32.50	33.25

Notes to Key Performance Indicators 2015-16

1	KPI 12 – The target could not be met due to air scouring activities. The target for this KPI will be easily achievable with the air scouring data removed.
2	KPI 14 – The target of 12% was not achieved this year. The outcome of 12.9% was lower than last year's figure of 14.6%. Unaccounted for water can comprise of real losses from causes such as leaks (such as ageing pipelines), water main breaks, fire-fighting, and mains flushing may also be caused by metering inaccuracies in customer and bulk system meters.
3	KPI 22 – Two E.coli detections occurred in two samples in the Sale/Wurruk system during February 2016. Due to this detection, the Sale/Wurruk locality has remained non-compliant for the reporting period (until 30 June 2016) due to the <i>Safe Drinking Water Regulations (2015)</i> now requiring zero E.coli detections.
4	<p>KPI 26 – A total of 8.48% (1,957ML) of treated wastewater produced was reused in 2015-16 financial year. This figure is up almost 1% from last year's annual reuse of 7.52% (1,701ML), but still falls short of the 10.3% target. Nine out of the 10 wastewater treatment plants with current reuse arrangements with Agribusiness, or third-party agreements, are reusing 100% of treated water produced.</p> <p>Despite falling short of 100% reuse at one of the 10 plants, achievement of the 10.3% reuse target could not have been achieved without significant changes in the following:</p> <ol style="list-style-type: none"> 1. Entering into new reuse agreements at plants not currently supplying reuse water. 2. A reduction in volume discharged at plants not producing reuse water and/or an increase in overall volume produced at reuse sites. <p>A new agreement with Baw Baw Shire Council due to come online in late 2016 will see a further 30ML of Drouin's treated wastewater used at Bellbird Park for watering the sportsground. Early discussions are being held with farmers in the Drouin area about the possibility of reuse for horticultural operations. The Environment and Wastewater Treatment teams have agreed to make the investigation of potential wastewater reuse arrangements with third parties, an area of focus for the 2016-17 financial year.</p>
5	KPI 28 – A staged connection program was implemented for the Loch Sport Sewerage Scheme. Due to this, earlier connection rates were seen in 2014-15 which exceeded the original forecast of 50 connections by a further 476 properties. In 2015-16, although lower rates than the original forecast can be seen, an overall 87% connection rate throughout the implementation of the scheme occurred, with 90 connections higher overall.
6	KPI 29-32 – The OH&S Strategy was reviewed in the 2014-15 year and targets were reconsidered and updated to include those most appropriate as indicators of safety culture at Gippsland Water.
7	KPI 30 – Nine accepted lost time injury claims were accepted for Gippsland Water employees for the 2015-16 year. As at 30 June 2016, there remains a lost time injury claim pending. Therefore, the final Lost Time Injury Frequency Rate (LTIFR) for the year end 2015-16 may increase further.

FOI requests

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
Phone: 03 5177 4600
Email: foi@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 2016 is \$27.90.

Information required under Part II of the *Freedom of Information Act 1982* is also available on our website: www.gippswater.com.au/residential/about-us/governance/freedom-information.

The statement includes information about Gippsland Water functions, decision making, consultation arrangements and publications. It also outlines how to make a Freedom of Information request and how to request information outside the scope of the *Freedom of Information Act 1982*.

Categories of documents

Gippsland Water creates a large number of documents and records in the course of its work. We utilise a computerised records management system to manage correspondence and documents. We use online computer systems to manage financial, human resource and other operational activities and plans relating to our water supply, waterways, and drainage and sewerage responsibilities. Historical archives on our activities are available through the Public Record Office Victoria. More information is in Part II Information Statement on the Gippsland Water website.

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 2015-16 reporting period, Gippsland Water received one request for information under the *Freedom of Information Act 1982*. The requested information was fully supplied.

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 (FRD) 22G 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.

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 directors 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 directors 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 (VIPP). 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 \$1 million where state or federal funding has been utilised for the project. During the reporting period, no contracts commenced or were completed to which the VIPP applied.

Disclosure of major contracts

During the reporting period, Gippsland Water did not enter into any major contracts with a value exceeding \$10 million.

Government advertising expenditure

Gippsland Water's expenditure in the 2015-16 reporting period on government campaign expenditure did not exceed \$100,000.

Overseas travel

Approval was granted for international travel to Wellington, New Zealand for David Chambers to chair the INFOR SIG Meeting, and to attend the INFOR Forum from 7-10 September 2015.

David is Gippsland Water's Asset Management System Coordinator. INFOR is the software supplier for our Asset Management Information System and the User Group has been instrumental in driving product improvements and enhancements.

Gippsland Water has been a very active participant and this is reflected in the assessment we received as part of the Water Service Association of Australia's (WSAA) ISO alignment gap analysis ranking us as some of the best in the country.

Approval was granted for Jonathan Craven to travel internationally to Europe and North America as part of his Churchill Fellowship from 16 May to 5 August 2016. This travel was funded by the Churchill Fellowship and supported by Gippsland Water as a development opportunity.

Jonathan is Gippsland Water's Manager Agribusiness. Jonathan received a prestigious Churchill Fellowship offering him the opportunity to travel overseas to gather valuable research in his field and bring back knowledge, experience, ideas and innovation for the betterment of his industry in Australia.

Jonathan will use the opportunity to research effective recycling of urban and agricultural wastes to provide positive outcomes for agriculture. As part of his study, Jonathan will visit Israel, Austria, Germany, the Netherlands, the UK, USA and Canada looking at innovative methods of recycling, manufacturing processes and compost uses in agriculture.

His findings will assist in the further development of Revive™ Recycled Compost at Gippsland Water's Soil and Organic Recycling Facility (SORF) at Dutson Downs and wider agricultural community across Australia.

Consultant services

In 2015-16, there were 16 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2015-16 in relation to these consultancies is \$636,599.12 (excl. GST).

In 2015-16, there were 22 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2015-16 in relation to these consultancies is \$113,640.67 (excl. GST). Details of individual consultancies (valued at \$10,000 or greater):

Consultant	Purpose of consultancy	Start date	End date	(\$ thousand)		
				Total approved	Expenditure 2015-16	Future expenditure
Bang the Table P/L	Online Engagement Portal	1/05/2016	30/04/2017	26.3	26.3	-
CH2M Hill P/L	GWF Process Engineering Advice	1/07/2015	30/06/2015	188.6	188.6	-
Foundation Specialists P/L	Geotechnical Engineering Services	1/09/2015	20/04/2016	35.8	35.8	-
Gasco Unit Trust	Biogas System Review	1/07/2015	31/07/2015	17.9	17.9	-
Hach Pacific P/L	Programming Services	1/02/2016	30/06/2016	12.6	12.6	-
Indigenous Design	Weed and Native Vegetation consultancy	1/07/2015	31/10/2015	11.3	11.3	-
Infor Global Solutions	Asset Management System consultancy	1/07/2015	31/01/2016	17.5	17.5	-
Insync Surveys P/L	Customer Survey	1/08/2015	30/06/2016	49.5	49.5	-
KPMG	Asset Management Strategy	1/03/2016	30/06/2016	99.5	99.5	-
Meerkin and Apel Lawyers	Enterprise Agreement Advice	1/09/2015	20/12/2015	11.2	11.2	-
RCA Crisis Management	Crisis Management Exercise	17/07/2015	17/07/2015	10.9	10.9	-
Rodwells and Co P/L	Agronomy Services	1/11/2015	30/06/2016	11.4	11.4	-
SMECAustralia P/L	Various Engineering Consultancy Services	1/10/2015	30/06/2016	55.7	55.7	-

Consultant services (cont.)

Consultant	Purpose of consultancy	Start date	End date	(\$ thousand)		
				Total approved	Expenditure 2015-16	Future expenditure
Uniqco (WA) P/L	Fleet Utilisation Review	1/07/2015	31/07/2015	17.2	17.2	-
UXC Consulting P/L	VPDSS Review	1/01/2016	15/02/2016	15.0	15.0	-
Water Services Association of Australia	Asset Management Customer Value Project	1/02/2016	31/05/2016	56.5	56.5	-

For the purpose of the requirements of FRD 22G, a consultant is a particular type of contractor that is engaged primarily to perform a discreet task for an entity that facilitates decision-making through:

- (i) provision of expert analysis and advice; and/or
- (ii) development of a written report or other intellectual output.

ICT expenditure

(\$ million)			
BAU ICT expenditure	Non BAU ICT expenditure	Operational expenditure	Capital expenditure
Total	Total = A + B	A	B
8.4	2.7	0	2.7

Note: BAU - Business as usual.

Protected Disclosure Act 2012

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

Gippsland Water does not tolerate improper conduct by employees, nor reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment. Our commitment is incorporated in our Code of Conduct and our Protected Disclosure Procedures.

Where a disclosure is brought to Gippsland Water's attention by an investigative body, Gippsland Water will take all reasonable 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 to the extent it is legally possible.

What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. Gippsland Water is a public body for the purposes of the Act and a public officer can be a Gippsland Water employee (including temporary/contract staff), director or independent committee member.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- Mismanagement of public resources.
- Risk to public health or safety or the environment.
- Corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a 'protected disclosure'?

You can make a protected disclosure about Gippsland Water or its Board members, officers or employees by contacting the Independent Broad-

Based Anti-Corruption Commission Victoria using the contact details provided below. Please note that Gippsland Water is not able to receive protected disclosures.

How can I access Gippsland Water's procedures for the protection of persons from detrimental action?

Gippsland Water's procedures can be accessed at www.gippswater.com.au/residential/about-us/governance/corporate-documents/protected-disclosure-procedure.

Contact

Gippsland Water Protected Disclosure Coordinator:

Lynley Keene
Manager Commercial Services
Gippsland Water
Address: PO Box 348, Traralgon Vic 3844
Phone: 03 5177 4735

Independent Broad-Based Anti-Corruption Commission Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3000
Website: www.ibac.vic.gov.au
Phone: 1300 735 135
Email: See the IBAC website for the secure email disclosure process, which also provides for anonymous disclosures.

In the period 2015-16, Gippsland Water did not notify IBAC of any disclosures.

Public Administration Act 2004

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

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.

Gippsland Water is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

For more information on the Code of Conduct, visit the Victorian Public Sector Commission website: <http://vpssc.vic.gov.au/resources/codes-of-conduct/>.

PART 5

ORGANISATIONAL SUCCESS

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

Equal Employment Opportunity

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

Gippsland Water's Employee Induction program and regular EO training highlights the policies and procedures around discrimination, bullying, harassment and violence, including the Employee Assistance and Contact Officer programs, to provide information, support and processes for employees who feel harassed or bullied at work.

There were two Equal Employment Opportunity (EEO) complaints at Gippsland Water for the reporting period.

Gender equity

A total of 89 females were employed at Gippsland Water during the reporting period, representing 31 per cent of full-time equivalent workforce. Women worked in senior management, team leadership, engineering, scientific, technical and administrative roles.

During 2015-16, 10.7 per cent of roles appointed assisted several women to return from maternity leave through part-time, job sharing and other flexible working arrangements.

Gippsland Water continued to encourage women to participate in leadership, networking and development opportunities, and appointed 16.2 per cent of vacant positions to female applicants.

Community inclusiveness

Gippsland Water has recruitment policies that ensure a fair, open and transparent opportunity for all potential employees. Gippsland Water has supported a number of career initiatives, including active involvement in the Industry Placement Program in association with Federation University, Churchill and by hosting four work experience students from local secondary schools.

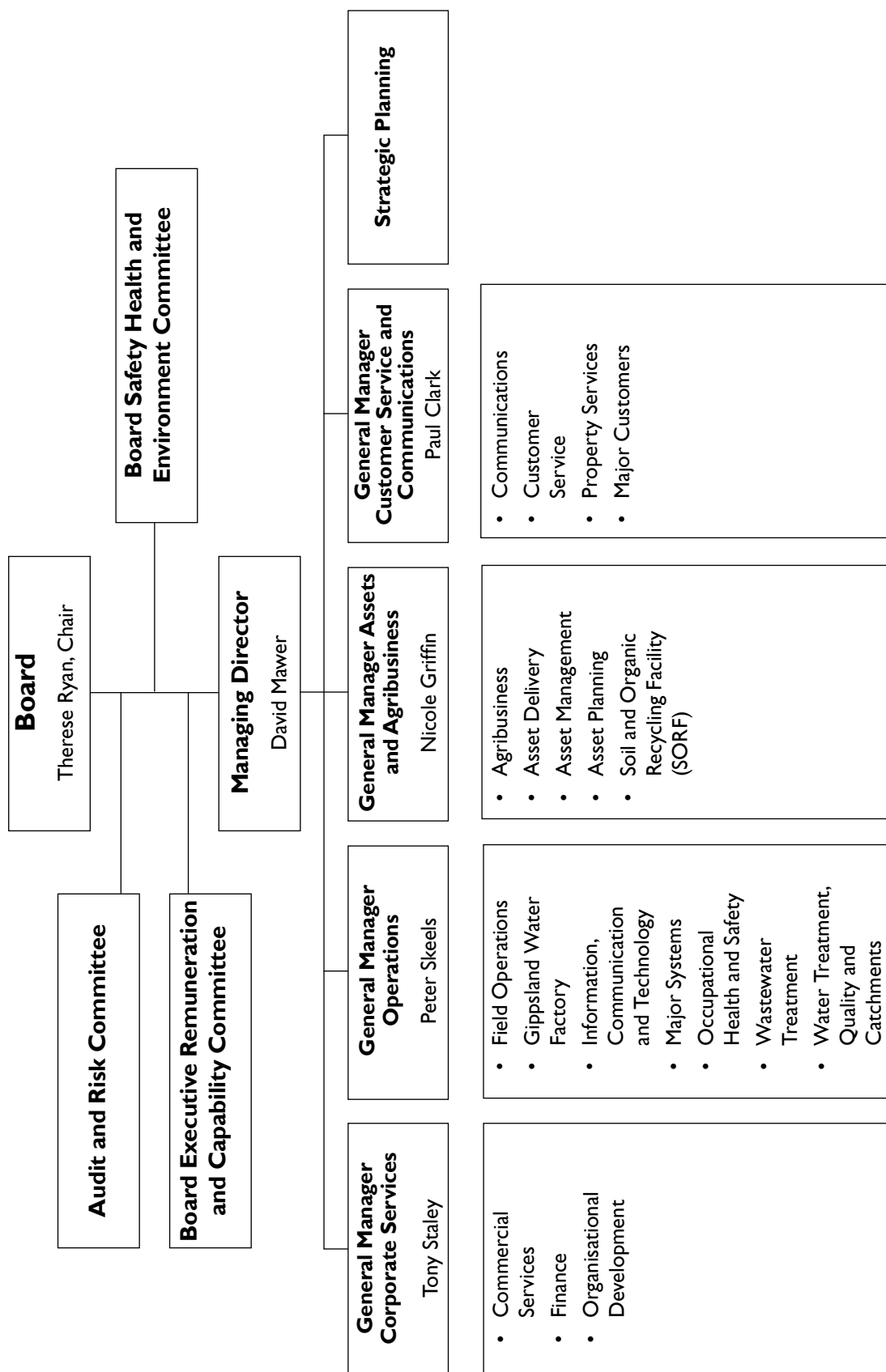
Employment and development opportunities for young people

Opportunities for young people at the corporation include:

- Work experience.
- Vacation employment.
- Industry Placement Program, Federation University Australia.
- Water Industry Traineeship Program – 24 month training and development opportunity.
- Apprenticeships – hosting placements.

These programs have provided young people with the ability to acquire and expand work experience, creating positive and lasting skills development and competencies. It has enabled three trainees to obtain full time employment with Gippsland Water and provided further employment support for two Industry Placement participants.

Organisational structure as at 30 June 2016



Employment by category

	2015-16				2014-15				2013-14			
	Ongoing		Fixed term and casual		Ongoing		Fixed term and casual		Ongoing		Fixed term and casual	
	Number (headcount)	FTE		FTE	Number (headcount)	FTE		FTE	Number (headcount)	FTE		FTE
Male	190	190	3		186	186		4	190	190		2
Female	77	63.68	1		81	66.23		4	78	64		5.58
Under 25	12	12	1		8	8		0	7	7		0
25-34	48	45.21	0		54	48.94		4	54	48.71		4
35-44	84	75.31	1		83	74.93		1	81	73.94		2
45-54	62	61.18	1		64	62.76		1	67	65.76		1.58
55-64	53	51.97	1		48	47.59		0	48	47.59		0
Over 64	8	8	0		10	10		0	11	11		0

	Ongoing employees					Fixed term and casual	
	Number (headcount)	Full time (headcount)	Part time (headcount)	FTE		FTE	
2015-16	267	243	28	253.68			4
2014-15	267	240	29	252.23			8
2013-14	268	240	29	254			7.58

Occupational Health & Safety (OH&S)

Gippsland Water's major achievements against the Gippsland Water Activity Plan for the 2015-16 year included:

- Continued delivery of OH&S training in accordance with the OH&S training requirements matrix.
- Responsible officers for service contracts trained in the OH&S obligations of those contracts.
- Well above target representative attendance at OH&S committees at all levels.
- Roll-out of the Gippsland Water low voltage electrical works guidance material to employees and contractors, following an extensive review of the 'Managing Electrical Safety' Code of Practice.

Consultation and communication

The Safety, Health and Environment (SHE) Committee encourages employee participation and a team-based consultative approach to occupational health and safety.

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

OH&S management measures

Measure	KPI	2015-16	2014-15	2013-14
Incidents	No of incidents (excl. contractors)	374	316	312
	No. of incidents (incl. contractors)	480	401	374
	Rate per 100 FTE (excl. contractors)	145	123	125
Claims	No. of standard claims	13	6	6
	FTE	257.68	252.23	254.66
	Rate per 100 FTE	5.05	2.38	2.36
	No. of lost time claims	11	3	2
	Rate per 100 FTE	4.27	1.19	0.79
	No. of claims exceeding 13 weeks	1	0	0
	Rate per 100 FTE	0.39	-	-
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per standard claim	\$27,845.85	\$13,678.83	\$4,077.50

Lost Time Injuries (LTIs) for 2015-16 were a combination of preventable, non-preventable and non-specific injuries. The rise in the number of reports was a result of increased education and awareness, driven through the SHE Committee and leadership at Gippsland Water. The total number of incidents include those that are classified as "lead indicators" – near misses, hazard reports – and an increased number of reports is an indicator of an open and transparent safety culture.

Gippsland Water also conducts training and education, awareness and ergonomic assessments as preventative and reactive measures to minimise LTIs.

PART 6

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 and maintains a consolidated business-wide risk management framework that is consistent with AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines and the requirements of the Victorian Government's Risk Management Framework 2015.

Gippsland Water's Risk Management Framework consists of policy, procedure and strategy which, when combined, promotes a positive risk culture and assists and guides all staff to identify and manage risk and uncertainty to achieve objectives.

To ensure currency and to foster continuous improvement in risk management, Gippsland Water is undertaking a comprehensive review of the Risk Management Framework and supporting business wide processes which are reviewed annually.

To ensure compliance with Standing Direction 4.5.5, Gippsland Water's Board, Audit and Risk Committee, and Risk Management Committee review the Risk Management Framework annually and receive quarterly reports focusing on the outputs of detailed annual risk assessments undertaken for all Corporate Risks with respective risk owners.

The reviews include assessment of the effectiveness of risk controls and identification of Inter-Agency or State Significant Risks. This process supports the four-year Internal Strategic Audit Plan that targets the effectiveness of control measures of specific high level risks.

Gippsland Water, along with other water corporations, continues to actively participate in the Department of Environment, Land, Water and Planning (DELWP) Risk Network and annually reports Corporate Risks to the state via the DELWP risk portal. This process assists in providing a snap shot of risks and risk nature across all Victorian water corporations.

Risk management attestation

In accordance with the Ministerial Standing Directions (being part of the Standing Directions of the Minister for Finance pursuant to the *Financial Management Act 1994*), I, Therese Ryan, Chair of the Board of Central Gippsland Region Water Corporation (trading as Gippsland Water) certify, on behalf of the Board, that the Corporation has complied with the mandatory requirements of Ministerial Standing Direction 4.5.5 related to the Victorian Government Risk Management Framework for the year ended 30 June 2016.

This certification is based on confirmation by the Corporation's Audit and Risk Committee (the Committee) that it has completed its programme of work for the year ended 30 June 2016, which included review of compliance with the mandatory requirements of Ministerial Standing Direction 4.5.5 related to the Victorian Government Risk Management Framework (Ministerial Standing Direction) and has received management representations which also confirm compliance with the relevant Ministerial Standing Direction.



Therese Ryan

Chair

Central Gippsland Region Water Corporation

Dated 26 August 2016

PART 7

PERFORMANCE REPORT

Performance Report for the year ended 30 June 2016

PART I - Financial Performance Indicators								
KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
F1	Cash Interest Cover (Times) Net operating cash flows before net interest and tax / net interest payments	3.21	4.17	3.01	29.9%	1a	38.5%	1b
F2	Gearing Ratio Total Debt (including finance leases) / total assets * 100	23.60%	23.08%	23.90%	-2.2%		-3.4%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	56.70%	92.99%	69.70%	64.0%	2a	33.4%	2b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.41	0.41	0.36	0.0%		13.9%	3b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	1.45%	2.24%	1.70%	54.5%	3a	31.8%	4b
F6	Return on Equity Net profit after tax / average total equity * 100	0.05%	1.22%	0.40%	2340.0%	4a	205.0%	5b
F7	EBITDA Margin Earnings Before Interest, Tax, Depreciation and Amortisation / total revenue * 100	40.02%	44.43%	40.90%	11.0%	5a	8.6%	

(1a) In 2015-16, the Corporation had higher operating cash flows compared to 2014-15 due to higher revenue from wastewater service charges, residential and major customers volumetric charges and miscellaneous revenue.

(1b) In 2015-16, the Corporation had higher operating cash flows compared to the target for 2015-16 due to higher revenue from wastewater service charges, residential and major customers volumetric charges and miscellaneous revenue.

(2a) In 2015-16 the Corporation had higher operating cash flows compared to 2014-15 due to higher revenue from wastewater service charges, residential and major customers volumetric charges and miscellaneous revenue and lower capital expenditure compared to the prior year. Prior year indicator has been restated to reflect a change in calculation method.

(2b) In 2015-16 the Corporation had higher operating cash flows compared to the target for 2015-16 due to higher revenue from wastewater service charges, residential and major customers volumetric charges and miscellaneous revenue.

(3a) Due to significantly higher profits compared to the previous year as a result of higher revenues from operating revenue and non-cash revenues.

(3b) Current assets are higher at year end compared to the target due to a higher cash balance.

(4a) Due to significantly higher profits compared to the previous year as a result of higher revenues from operating revenue and non-cash revenues.

(4b) Due to significantly higher profits compared to the target as a result of higher revenues from operating revenue and non-cash revenues.

(5a) Due to higher revenues and proportionately lower expenditure in 2015-16 compared to the previous year.

(5b) Due to significantly higher profits compared to the target as a result of higher revenues from operating revenue and non-cash revenues.

PART 2 - Water and Sewerage Performance Indicators								
KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
WS1	Unplanned water supply interruptions No. of customers receiving more than 5 unplanned interruptions in the year/total number of water (domestic and non-domestic) customers * 100	0.00%	0.00%	0.00%	0.0%		0.0%	
WS2	Interruption time (Minutes) Avg. duration of unplanned water supply interruptions	88.93	76.15	90.00	-14.4%	6a	-15.4%	6b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/ total unplanned water supply interruptions * 100	94.66%	98.97%	98.00%	4.6%		1.0%	
SSI	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours/ total sewer spills from reticulation and branch sewers * 100	100.00%	98.59%	98.00%	-1.4%		0.6%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	97.76%	99.13%	97.90%	1.4%		1.3%	

(6a) In 2015-16, we had fewer main breaks affecting our larger assets. During 2014-15, there were two interruptions that required work on key mains, impacting a large number of customers over an extended period.

(6b) Improved systems and processes have delivered a better result compared to the target and the five-year average.

PART 3 Customer Responsiveness Performance Indicators								
KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water quality complaints (No.) No. of complaints per 100 customers	0.43	0.34	0.43	-20.9%	7a	-20.9%	7b
CR2	Sewerage service quality complaints (No.) No. of complaints per 100 customers	0.02	0.01	0.01	-50.0%	8a	0.0%	
CR3	Sewerage odour complaints (No.) No. of complaints per 100 customers	0.05	0.03	0.06	-40.0%	9a	-50.0%	8b
CR4	Billing complains (No.) No. of complaints per 100 customers	0.12	0.21	0.05	75.0%	10a	320.0%	9b

(7a) The variance to the prior year has improved as there were less customer complaints for the 2015-16 reporting period.

(7b) The improved variance to target is due to Gippsland Water's mains cleaning program focusing on high priority systems.

(8a) The variance to the prior year has improved due to there being no spill/overflow complaints.

(8b) The result achieved in 2015-16 had 15 fewer complaints compared to the target and five-year average of Water Plan 2.

(9a) The 2015-16 result is significantly favourable to the prior year. During 2014-15 a major customer suffered plant failure resulting in their waste being treated at our wastewater treatment plant (WVTP) which created odour emissions and complaints.

(9b) The variance to target is larger than expected. An increased focus on resolving enquiries at first point of contact has identified more customer concerns regarding affordability. In 2015-16, we received 139 complaints of which 75 related to affordability, representing a 92% increase. Gippsland Water has committed to a comprehensive review of its hardship program.

(10a) The variance to prior year is predominantly due to a significant increase in affordability complaints. The total number of complaints for 2014-15 was 77 compared to 139 for 2015-16. Of the 139 complaints, 75 were in relation to affordability, representing a 92% increase. Gippsland Water continues to place a stronger emphasis on identifying affordability issues at first point of contact. During 2016-17, Gippsland Water will be undertaking a comprehensive review of its hardship program.

PART 4 - Environmental Performance Indicators								
KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent reuse volume (end use) Percentage recycled	7.50%	8.48%	10.30%	13.1%	11a	-17.7%	10b
E2	Total net CO ₂ (T) Net tonnes CO ₂ equivalent	42,705	60,963	70,000	42.8%	12a	-12.9%	11b

(10b) While the reuse volume falls 17.7% short of the 2015-16 target, nine out of the 10 wastewater treatment plants with current reuse arrangements with Agribusiness, or third-party agreements, are reusing 100% of treated water produced. Despite falling short of 100% reuse at one of the 10 plants, achievement of the 10.3% reuse target could not have been achieved without significant changes in the following:

- 1) Entering into new reuse agreements at plants not currently supplying reuse water.
- 2) A reduction in volume discharged at plants not producing reuse water and/or an increase in overall volume produced at reuse sites.
- 3) Further increases in output of recycled water from the Gippsland Water Factory (GWF).

(11a) The improved result is largely attributable to significant volumes of irrigation from the Sale system at Dutson Downs where new centre pivot irrigation systems were commissioned in August 2015. Moderate increases in irrigation were also achieved at the Drouin plant, and the GWF more than doubled its recycled water output to 45ML.

(11b) In 2013, the Clean Energy Regulator determined that emissions due to composting activities will no longer be included in greenhouse gas accounting from 2012-13 onwards. This decision has resulted in Gippsland Water's emissions being significantly below the 70,000 t KPI limit which was set to be inclusive of emissions generated from composting.

(12a) A 42.8% increase in emissions from 2014-15 has been recorded across the business. Small increases in CO₂ emissions are to be expected due to the general expansion of Gippsland Water's operations. On investigation, the majority of this increase is due to a significantly reduced operation of the cogeneration plant at the GWF, and a significantly increased operation of the GWF flare. Equipment failures as well as compliance issues with some cogeneration equipment required the GWF cogeneration plant to be out-of-service for approximately five months, meaning all biogas volumes were processed through the flare for that period. The issues associated with the cogeneration plant have now all been rectified and the plant is now fully operational. In addition, a combination of factors including increases in electricity usage from additional aeration required at the Drouin wastewater treatment and raw water transfer, a desludging operation at the Drouin WWTP, as well as extended operation of the Reverse Osmosis and Biosolids Dewatering plants at the GWF have also contributed.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Certification of Performance Report 2015-16

We certify that the accompanying Performance Report of Central Gippsland Region Water Corporation in respect of the 2015-16 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2015-16 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



Therese Ryan
Chair
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 26 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Central Gippsland Region Water Corporation

The Performance Report

I have audited the accompanying performance report for the year ended 30 June 2016 of Central Gippsland Region Water Corporation which comprises the performance report, the related notes and certification of performance report 2015–16.

The Board Members' Responsibility for the Performance Report

The board members of Central Gippsland Region Water Corporation are responsible for the preparation and fair presentation of the performance report and for such internal control as the board members determine is necessary to enable the preparation and fair presentation of the performance 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 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, I and my staff and delegates have complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the performance report of Central Gippsland Region Water Corporation in respect of the 30 June 2016 financial year presents fairly, in all material respects.

MELBOURNE
29 August 2016


for Dr Peter Frost
Acting Auditor-General


PART 8


FINANCIAL PERFORMANCE

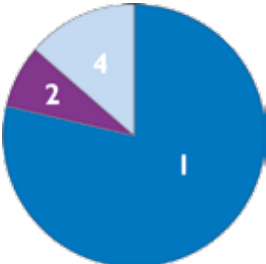
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FINANCIAL PERFORMANCE AND BUSINESS INDICATORS AS AT 30 JUNE 2016

Water Income from Service and Volumetric Charges		
		2016
		\$'000
	1 Urban Residential	29,196
	2 Urban Non-Residential	7,018
	3 Major Clients	13,689
	TOTAL	49,903

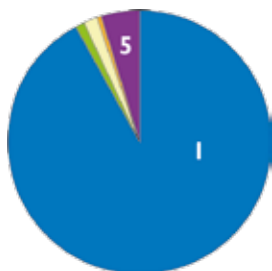
Wastewater Income from Service and Volumetric Charges		
		2016
		\$'000
	1 Urban Residential	43,765
	2 Urban Non-Residential	7,189
	3 Major Clients	11,336
	TOTAL	62,290

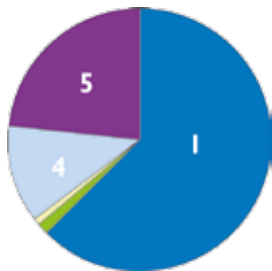
Total Income from All Sources		
		2016
		\$'000
	1 Service & Volumetric	112,193
	2 Development Contributions	10,727
	3 Interest	159
	TOTAL	142,217


Total Expenses		
		2016
		\$'000
	1 Operations, Maintenance & Administration	78,873
	2 Depreciation	36,416
	3 Interest	15,124
	TOTAL	130,413


FINANCIAL STATEMENTS 2015-16

CENTRAL GIPPSLAND REGION WATER CORPORATION

Total Assets		
		2016
		\$'000
	1 Fixed Assets	1,117,976
	2 Cash & Investments	11,364
	3 Debtors & Receivables	19,647
	4 Inventory & Biological	8,728
	5 Other	55,280
	TOTAL	1,212,995

Liabilities & Equity		
		2016
		\$'000
	1 Equity	759,149
	2 Creditors & Accruals	17,694
	3 Provisions	8,802
	4 Deferred Tax Liability	147,351
	5 Borrowings	280,000
	TOTAL	1,212,995

Business Stream Revenue		
		2016
		%
	1 Bulk	8
	2 Water	31
	3 Waste	52
	4 SORF	6
	5 Agriculture	3
	TOTAL	100

Business Stream Expenses		
		2016
		%
	1 Bulk	9
	2 Water	33
	3 Waste	51
	4 SORF	4
	5 Agriculture	3
	TOTAL	100

FINANCIAL STATEMENTS AS AT 30 JUNE 2016

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2016			
	Note	2016	2015
		\$'000	\$'000
Revenue from Operating Activities			
Service Charges	1.4, 3(a)	74,084	71,235
Volumetric Charges	1.4, 3(a)	38,109	35,923
Interest	1.4, 3(a)	159	149
Developer Contributions	1.4, 3(a)	10,727	9,360
Government Grants & Contributions	1.4	-	210
Other Revenue	1.4, 3(a)	15,142	9,954
Net (loss)/gain on disposal of Non-Current Assets	3(b)	63	(3,201)
Total Revenue from Operating Activities		138,284	123,630
Revenue from Non-Operating Activities			
Other Revenue	1.4, 3(a)	3,933	3,026
Total Revenue from Non-Operating Activities		3,933	3,026
Total Revenue			
		142,217	126,656
Expenses			
Employee Benefits	1.5	30,357	29,774
Direct Operating	1.5	21,285	20,574
Repairs & Maintenance	1.5	14,864	14,157
Administration		7,318	6,452
Environmental Contribution	1.5	4,660	4,660
Depreciation	1.5, 3(c)	35,689	33,133
Amortisation	1.5, 3(c)	727	681
Impairment Loss	3(c)	389	208
Borrowing Costs	1.5, 3(c)	15,124	15,262
Total Expenses		130,413	124,901
Net Result Before Tax			
		11,804	1,755
Income Tax Expense	1.23, 4(a)	2,721	1,422
Net Result	18	9,083	333

FINANCIAL STATEMENTS 2015-16

CENTRAL GIPPSLAND REGION WATER CORPORATION

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2015			
	Note	2016	2015
Other Comprehensive Income			
Items that will not be reclassified to net result			
Change in asset revaluation reserve		26,387	1,044
Income tax relating to components of Other Comprehensive Income	4(c)	(7,916)	(313)
Total Other Comprehensive Income	17	18,471	731
Comprehensive Result		27,554	1,064

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

FINANCIAL STATEMENTS 2015-16

CENTRAL GIPPSLAND REGION WATER CORPORATION

BALANCE SHEET AS AT 30 JUNE 2016			
	Note	2016	2015
		\$'000	\$'000
ASSETS			
Current Assets			
Cash & Cash Equivalents	1.7, 5	8,866	9,292
Receivables	1.8, 6	19,340	18,262
Prepayments	1.10	737	578
Inventories	1.9, 7	2,801	2,620
Biological Assets	1.13, 9	1,337	757
Other Financial Assets	8	394	505
Assets classified as held for sale		-	335
Total Current Assets		33,475	32,349
Non-Current Assets			
Receivables	1.8, 6	307	341
Other Financial Assets	8	2,498	2,211
Infrastructure, Property, Plant & Equipment	1.11, 10	1,111,473	1,073,272
Biological Assets	1.13, 9	4,590	3,725
Intangible Assets	1.14, 11	6,503	6,717
Deferred Tax Asset	1.23, 4(b)	54,149	57,467
Total Non-Current Assets		1,179,521	1,143,732
TOTAL ASSETS		1,212,996	1,176,081

FINANCIAL STATEMENTS 2015-16

CENTRAL GIPPSLAND REGION WATER CORPORATION

BALANCE SHEET AS AT 30 JUNE 2016			
	Note	2016	2015
		\$'000	\$'000
LIABILITIES			
Current Liabilities			
Payables	1.19, 12	17,694	18,482
Interest Bearing Liabilities	1.20, 13	60,000	57,500
Employee Benefits	1.22, 14	7,008	6,754
Provisions	1.21, 15	660	130
Total Current Liabilities		85,362	82,866
Non-Current Liabilities			
Interest Bearing Liabilities	1.20, 13	220,000	220,000
Employee Benefits	1.22, 14	1,134	1,026
Provisions	1.21, 15	-	564
Deferred Tax Liability	1.23, 4(c)	147,351	140,030
Total Non-Current Liabilities		368,485	361,620
TOTAL LIABILITIES		453,847	444,486
NET ASSETS			
EQUITY			
Contributed Capital	16	255,971	255,971
Asset Revaluation Reserve	17	183,548	165,077
Accumulated Funds	18	319,630	310,547
TOTAL EQUITY		759,149	731,595

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

Commitments	19
Contingencies	20

FINANCIAL STATEMENTS 2015-16

CENTRAL GIPPSLAND REGION WATER CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016					
	Note	Equity at 1 July 2015	Total Comprehensive Income	Transactions with Owners	Equity at 30 June 2016
		\$'000	\$'000	\$'000	\$'000
Contributed Capital		255,971	-	-	255,971
Capital Appropriations		-	-	-	-
	16	255,971	-	-	255,971
Accumulated Funds		306,921	-	-	306,921
Net Result After Tax		3,626	9,083	-	12,709
Other Comprehensive Income		-	-	-	-
	18	310,547	9,083		319,630
Asset Revaluation Reserve		164,616	-	-	164,616
Revaluation increment/ decrement, net of tax		461	18,471	-	18,932
Transfers to Accumulated Funds		-	-	-	-
	17	165,077	18,471	-	183,548
Total Equity at end of financial year		731,595	27,554	-	759,149

FINANCIAL STATEMENTS 2015-16

CENTRAL GIPPSLAND REGION WATER CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016					
	Note	Equity at 1 July 2014	Total Comprehensive Income	Transactions with Owners	Equity at 30 June 2015
		\$'000	\$'000	\$'000	\$'000
Contributed Capital		254,822	-	-	254,822
Capital Appropriations		-	-	1,149	1,149
	16	254,822	-	1,149	255,971
Accumulated Funds		306,921	-	-	306,921
Net Result After Tax		3,293	333	-	3,626
Other Comprehensive Income		-	-	-	-
	18	310,214	333	-	310,547
Asset Revaluation Reserve		164,616	-	-	164,616
Revaluation increment/ decrement, net of tax		(270)	731	-	461
Transfers to Accumulated Funds		-	-	-	-
	17	164,346	731	-	165,077
Total Equity at end of financial year		729,382	1,064	1,149	731,595

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

FINANCIAL STATEMENTS 2015-16

CENTRAL GIPPSLAND REGION WATER CORPORATION

8

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015			
	Note	2016	2015
		\$'000	\$'000
Receipts			
Fees and Charges		129,264	119,049
Interest Received		159	15
GST Received (i)		6,453	4,595
Developer Contributions Fees Paid		1,656	2,468
		137,532	126,263
Payments			
Payments to Suppliers		(39,932)	(44,212)
Payments to Employees		(30,467)	(29,358)
Interest and Other Costs of Finance Paid		(15,097)	(15,060)
Environmental Contributions		(4,660)	(4,660)
		(90,156)	(93,290)
Net Cash Flows from Operating Activities	23	47,376	32,973
Cash Flows from Investing Activities			
Payments for Infrastructure, Property, Plant & Equipment		(52,334)	(58,931)
Payments for Intangible Assets	11	(138)	(56)
Proceeds from Sale of Property, Plant & Equipment	3(b)	1,385	774
Proceeds from Investments	8	785	-
Net Cash Flows from Investing Activities		(50,302)	(58,213)
Cash Flows from Financing Activities			
Proceeds from Borrowings	13	2,500	27,000
Net Cash Flows From Financing Activities		2,500	27,000
Net Increase/(Decrease) in Cash and Cash Equivalents		(426)	1,760
Cash & Cash Equivalents at beginning of year	5	9,292	7,532
Cash & Cash Equivalents at end of year	5	8,866	9,292

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

(i) Goods and Services Tax received from Australian Tax Office (ATO) is presented on a net basis.

NOTES TO THE FINANCIAL REPORT AS AT 30 JUNE 2016

Introduction

The Central Gippsland Region Water Corporation (The Corporation), trading as Gippsland Water, was constituted on 21 December 1994 under the *Water Act 1989*. The Corporation's principal address is 55 Hazelwood Road, Traralgon, Victoria 3844 and its website address is www.gippswater.com.au.

Advisors to the Corporation

The key advisors to the Corporation are:

- Lawyers – Russell Kennedy, DLA Piper, Herbert Smith Freehills, Logie-Smith Lanyon Lawyers, Meerkin & Apel Lawyers, Mills Oakley Lawyers
- Bankers - Westpac Banking Corporation
- External Auditors – Auditor General of Victoria
- Internal Auditors – Shinerwing Australia
- Tax Agents – RSM Cameron
- Funding Agency – Treasury Corporation of Victoria (TCV)

Contents of the Financial Report

The financial report of the Corporation is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes for the year ended 30 June 2016. The Corporation operates as a single entity with no subsidiary entities.

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. The Corporation is a not-for-profit entity for the purpose of preparing the financial report.

This financial report was approved and authorised for issue by the Board on 26 August 2016.

NOTE I - SIGNIFICANT ACCOUNTING POLICIES

I.1 Basis of Accounting

This financial report has been prepared on the accrual and going concern basis under the historical cost convention, except where otherwise specifically stated. Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

I.2 Critical Estimates and Judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions which, by definition, rarely replicate actual results. Management also needs to exercise judgement in applying the Corporation's accounting policies.

Key areas in this financial report that have involved the application of estimates and judgements are summarised below:

- Revenue and expenditure accruals;
- current tax payable, current tax expense and deferred tax assets and liabilities;
- provisions for future costs of site rehabilitation;
- employee benefits liabilities;
- fair values of financial assets and liabilities, including impairment assessments;

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

- fair values of non-financial assets, including the determination of values used in the asset revaluation undertaken during the reporting period and impairment assessments;
- fair values of biological assets and impairment assessments; and
- fair values of contingent liabilities and assets.

1.3 Classification of Assets and Liabilities Between Current and Non-Current

Assets and liabilities are classified as either current or Non-Current in the Balance Sheet. Current and Non-Current classification is determined by the period of time in which the asset is expected to be realised or the liability settled. Assets and Liabilities expected to be realised or settled within one year of the balance date are classified as current, and assets and liabilities expected to be realised or settled at least one year after the balance date are classified as Non-Current.

An exception to this method occurs in relation to employee benefits, which is described later in this note.

1.4 Revenue Recognition

(a) 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 services are provided. Meter reading is undertaken progressively throughout the year. An estimation of unbilled volumetric charges is made at the end of each accounting period in respect of meters which have not been read at balance date and accrued as revenue. Details of the accrued revenue are included in Note 6.

(b) Interest

Interest earned on bank accounts and other interest bearing facilities are recognised as revenue using the effective interest rate method. Effective interest rate is the interest rate on a loan or financial product restated from the nominal interest rate from Treasury Corporation Victoria (TCV) as an interest rate with annual compound interest payable in arrears.

(c) 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, and 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.

(d) Government Grants and Contributions

Government grants and contributions are recognised as revenue on receipt, or when the Corporation obtains control of the contributions and meets certain other criteria as required by Australian Accounting Standard AASB 1004 Contributions.

Grants and contributions received from the Victorian State Government which were originally appropriated by Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have designated are in the nature of owners' contributions are recognised as equity (Contributions by Owners) in accordance with FRD 119A Transfer through Contributed Capital.

(e) Other Revenue from Operating Activities

Other revenue includes revenues related to waste charges (Prescribed and non-prescribed), agricultural activities, new development connection fees and miscellaneous fees and charges. Revenue from these activities is recognised in the period in which the service is rendered.

1.5 Expenditure Recognition

(a) Employee Benefits

Employee benefits include all costs related to employment including wages and salaries, superannuation costs, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums and are recognised as expenses when incurred.

NOTE I - SIGNIFICANT ACCOUNTING POLICIES (cont.)

Superannuation costs are contributions paid or payable to the relevant superannuation plans of which current and past employees are members. The Corporation makes contributions to the plans based on the rules of each plan and any relevant compulsory superannuation requirements that the Corporation is required to comply with.

(b) Direct Operating

Direct operating expenditure include all costs directly attributable to the operations of the Corporation including energy costs, treatment chemicals and supplies, contracted sampling costs and cost of sales on livestock. These are recognised as expenses when incurred.

(c) Repairs and Maintenance

Routine maintenance, repair and minor renewal costs of the water supply and wastewater systems are recognised as expenses as incurred. Where repairs relate to upgrade of components of an asset and the cost exceeds the capitalisation threshold, those costs are capitalised and depreciated. The carrying values of the replaced components of such assets are expensed.

(d) Environmental Contributions

The *Water Industry Act 1994 (Environmental Contributions Act 2004)* as amended) establishes an obligation for water corporations to pay annual environmental contributions into the Consolidated Fund in accordance with a prescribed schedule of payments for each corporation. The initial contribution period has been extended to include the period 1 July 2012 to 30 June 2020.

The purpose of the environmental contribution is set out in the Act. In summary, they may be used to fund initiatives that seek to promote the sustainable management of water or address water-related initiatives.

The Corporation's contribution is recognised as an expense during the reporting period as incurred.

(e) Depreciation and Amortisation of Non-Current Assets

Non-Current Physical Assets

All Non-Current Physical Assets that have limited useful lives are depreciated over their useful lives. Where assets have separate identifiable components that have distinct useful lives and/or residual values, separate depreciation rates are determined for each component.

Land is assumed to have unlimited useful life and is not depreciated.

Depreciation is calculated using the straight line method, whereby the cost or revalued amounts, net of residual values, is allocated over the useful lives of the assets. Depreciation commences when assets are first ready for use, which is when they are in the location and condition required for them to operate as planned. Residual values and useful lives are estimated at the time depreciation commences and are reviewed and adjusted if necessary at each balance date.

All Non-Current Physical Assets are assessed annually for signs of impairment, as described in Note 1.17.

Intangible Assets

Intangible assets with finite lives are amortised over their useful lives. Amortisation is calculated on a straight line basis commencing when each asset is first ready for use. Amortisation periods are reviewed and adjusted, if appropriate, at each balance date.

Intangible assets with indefinite lives are not amortised. All intangible assets are assessed for impairment annually, as described elsewhere in this note.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

Useful Lives

Depreciation and amortisation periods used for each asset class are listed below and are consistent with the prior year except for Motor Vehicles (2015: 3 years with residual value) and Buildings (2015: 50 years), unless otherwise stated:

Asset Class	Useful Life (Years)	
	Water	Wastewater
Buildings	5-50	
Infrastructure		
Storages		60-80
Earth Embankments	350	
Spillways and By-Washes	100	
Discharge Control Structures and Outlet Works	80	
Civil Works, Drainage, Fencing	50	
Mechanical, Electrical Works	25	
Distribution Networks	50-110	
Treatment Plants	25-75	
Other Assets		
Plant & Equipment	10-20	
Motor Vehicles	3-5	
Furniture & Computers	3-10	
Intangibles		
Software	3-5	

(f) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include interest on bank overdrafts, short term and long term borrowings and the Financial Accommodation Levy (FAL) administered by Department of Treasury and Finance (DTF). The purpose of the FAL is to expose public sector corporations to competitive disciplines by neutralising the competitive advantage provided by the State Government guarantee on borrowings.

(g) Resources Provided Free of Charge

Resources provided free of charge or for nominal consideration by the Corporation are recognised at their fair value when the transferee obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the resources.

Contributions in the form of services provided to external parties are only recognised when fair value can be reliably determined and if the services would have been purchased by the transferee if they had not been donated by the Corporation.

1.6 Recognition of Financial Assets and Financial Liabilities

Financial assets and liabilities are initially recognised at cost and in subsequent reporting periods, at amortised cost. Amortised cost is the amount at which the financial asset or liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortisation (measured using the interest rate method) of any difference between the initial amount at which they were recognised and the maturity amount, adjusted for any impairment loss.

1.7 Cash and Cash Equivalents

Cash and cash equivalents recognised in the Balance Sheet comprise cash on hand, deposits held at call with financial institutions and other highly liquid investments (with original maturity dates of three months or less), that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in values.

NOTE I - SIGNIFICANT ACCOUNTING POLICIES (cont.)

I.8 Receivables

Receivables recognised in the Balance Sheet consist of:

- Contractual receivables, such as trade debtors arising from the sale of goods and services, loans to third parties, accrued investment income and lease receivables; and
- Statutory receivables, such as amounts receivable from the Victorian Government and Goods and Services Tax input credits recoverable.

Contractual receivables are due for settlement no more than 30 days from date of recognition for both water utility and other debtors.

Statutory receivables are not classified as financial instruments because they do not arise from any contractual arrangements. They are recognised similarly to contractual receivables, except that no provision is made for impairment.

Collectability of contractual receivables is reviewed regularly. Receivables which are known to be uncollectible are written off as expenses in the Comprehensive Operating Statement. A provision for impaired receivables is established when there is objective evidence that the Corporation will not be able to collect amounts due according to the original terms of those receivables. The provision for impairment is measured as the difference between the carrying amount of the receivables and the present value of future cash flows that are estimated will be received by the Corporation from those receivables, discounted at the original effective interest rate applicable to the receivables. Increases in the provision for impairment are recognised as expenses in the Comprehensive Operating Statement.

I.9 Inventories

Inventories recognised in the Balance Sheet are comprised of unused stores and materials held for use in the construction of new assets and the repair and maintenance of existing assets. All inventories are measured at the lower of cost and net realisable value. Cost is based on weighted average cost. Inventories include goods held for distribution at no or nominal cost in the ordinary course of business.

Inventories are valued at net realisable value if there has been any loss of service potential during the period that they have been held. Loss of service potential can occur as a result of technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired. Reductions in the carrying amounts of inventories are recognised as expenses in the Comprehensive Operating Statement.

I.10 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.

I.11 Infrastructure, Property, Plant and Equipment

(a) Recognition

Infrastructure, property, plant and equipment recognised in the Balance Sheet include land, buildings, water and wastewater infrastructure, plant, equipment and motor vehicles used by the Corporation in its operations. Items with a cost or value in excess of \$500 (2015: \$500) and useful lives of more than one year are recognised as Non-Current Assets and items under these limits are expensed in the Comprehensive Operating Statement.

The cost of assets constructed by the Corporation includes an appropriate share of fixed and variable overheads.

During construction the costs of new assets are recorded in capital work in progress accounts until the assets are completed and available for their intended use, at which point they are capitalised. Capital work in progress at the end of the reporting period is recognised as an asset in the Balance Sheet.

Assets acquired at no cost to the Corporation are recognised at fair value at their dates of acquisition.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) Measurement

All Non-Current Assets are initially recognised at cost and are subsequently revalued at fair value less accumulated depreciation and impairment charges in accordance with the requirements of Financial Reporting Direction (FRD) 103F Non-Current Physical Assets.

(c) Revaluation

Revaluations are conducted in accordance with FRD 103F, which requires that revaluations be undertaken at least every five years. In between the five-year valuations, an annual assessment of fair value is undertaken to determine if any class of assets have values materially different to their carrying values. If there is a difference of 10 per cent or more between the carrying value and the annual assessment of fair value for any asset class, a management revaluation of the asset is undertaken. If the difference is greater than 40 per cent, an appropriately qualified valuer is engaged to perform a detailed assessment of fair value. If the movement in fair value of an asset class since the last revaluation is no greater than 10 per cent, no change is made to carrying amounts. A movement of greater than 10 per cent was identified for the Buildings asset class at 30 June 2015 which is discussed further in Note 10.

(d) Leasehold Improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired periods of leases or the estimated useful lives of the assets, whichever is the shorter.

1.12 Fair Value Measurement

The Corporation measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. These assets include Non-Financial Assets (infrastructure, property, plant and equipment, biological assets) and Financial Assets (financial instruments such as receivables, assets held for sale and loans to third parties).

Australian Accounting Standard AASB 13 Fair Value Measurement provides a definition of fair value and a single source of fair value measurement and disclosure requirements for use across all Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial report are categorised within a fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Hierarchy	Fair Value Approach
Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Corporation applies depreciated replacement cost for the plant, equipment and vehicle asset classes as an approximation of fair value where reliable market-based fair values (or other fair value indicators) are not available.

For the purposes of fair value disclosures, the Corporation has determined classifications of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Corporation annually reviews categorisation of assets within the hierarchy levels and recategorises assets as appropriate (based on the lowest level input that is significant to the fair value assessment as a whole) at the end of each reporting period.

NOTE I - SIGNIFICANT ACCOUNTING POLICIES (cont.)

The fair value measurement of a Non-Financial Asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use (HBU) or by selling it to another market participant that would use the asset in its highest and best use.

Judgements about HBU take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

I.13 Biological Assets

The Corporation holds various biological assets that are recognised in its Balance Sheet. These assets are comprised as follows:

Asset	Description
Livestock	Heifers, steers, cows, bulls and wether lambs located at the Corporation's various farming properties.
Plantations	Forests established through planting of seedlings at specified spacings, following intensive site preparation.
Crops	Cereal, forage and legumes stored on site at the Corporation's various farming properties.

(a) Recognition

These assets are recognised at fair value in accordance with the requirements of Australian Accounting Standard AASB141 *Agriculture*. There were no changes in the basis of valuation during the year.

(b) Valuation

Livestock

Fair value for livestock is based on relevant market indicators, including store cattle prices, abattoir market prices and cattle prices received/quoted for the Corporation's cattle at reporting date. Prices for cattle generally reflect the shorter term spot prices available in the market and vary depending on the weight and condition of animals.

Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2016 and previously at 30 June 2015.

Plantations

Plantations are recognised at fair value less estimated costs to sell.

Plantations have been independently valued based on expected volumes of merchantable timber that could be obtained from existing stands given current management strategies. The cost of growing the trees has been included in the assessment of net cashflows. Costs associated with the land on which the plantations are grown are rates, land tax and other related costs.

Agribusiness Valuations Australia, Certified Practising Valuers completed an independent valuation of the plantations at 30 June 2016 and at 30 June 2015.

Any net increment and decrement in market value in the reporting year is recognised in the Comprehensive Operating Statement after allowing for the costs of acquiring and planting the trees.

Crops

The value of crops has been verified by reference to established market prices. These values are determined having regard to prevailing seasonal conditions in Gippsland and in other recipient markets for each category of produce.

I.14 Intangible Assets

The Corporation recognises various intangible assets in the Balance Sheet in accordance with Australian Accounting Standard AASB 138 *Intangible Assets* and Financial Reporting Directive (FRD) 109 *Intangible Assets*.

NOTE I - SIGNIFICANT ACCOUNTING POLICIES (cont.)

These assets are identifiable non-monetary assets without physical substance and can either have finite useful lives or have indefinite useful lives.

(a) Intangible Assets with Finite Useful Lives (Computer Software)

Intangible assets with finite useful lives are recognised at cost and are amortised over their useful lives. Annually these assets are tested to determine whether carrying value exceeds recoverable amount and hence whether there has been any impairment.

In years subsequent to acquisition, these assets are recorded at cost less accumulated amortisation and impairment losses. Costs incurred subsequent to acquisition are capitalised when it is expected that additional economic benefits will flow to the Corporation.

(b) Intangible Assets with Indefinite Useful Lives (Permanent Water Entitlements)

Intangible assets with indefinite useful lives are recognised at cost and are tested annually to determine whether carrying value exceeds recoverable amount and hence whether there has been any impairment.

Permanent water entitlements acquired after 1 July 2013 are recognised as intangible assets with indefinite lives and are not amortised. Entitlements acquired prior to 1 July 2013 are not recognised as intangible assets as they cannot be reliably measured.

A summary of the approach to amortisation of the various types of intangible assets recognised by the Corporation is set out in the table below. Amortisation periods used for each asset class are listed and are consistent with the prior year, unless otherwise stated:

	Computer Software	Water Entitlements
Useful Life	3-5 years	Indefinite
Method of Amortisation	Straight Line	Not amortised or revalued
Type of Asset	Internally generated and acquired assets	Acquired assets
Impairment Test	Amortisation and indicators of impairment are reviewed annually	Reviewed annually for indicators of impairment or whenever an indicator exists

1.15 Leased Assets

Assets leased by the Corporation are recognised as either finance or operating leases, depending upon individual lease contract terms and conditions. Leases where substantially all the risks and rewards of ownership are retained by the Corporation are treated as finance leases. The Corporation has no finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are charged as expenses in the Comprehensive Operating Statement on a straight line basis over the period of the leases to reflect the pattern of benefits derived from the leased assets.

1.16 Other Financial Assets

Other financial assets include private scheme receivables, renewable energy certificates, TCV environmental bond and sundry receivables from employees of the Corporation.

(a) Private Scheme Receivables

Private scheme receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are included in the Balance Sheet as Current Assets, except for those with maturities of greater than 12 months after the reporting date, which are classified as Non-Current Assets. These assets are recorded at amortised cost less any impairment.

(b) TCV Deposit - Environmental Bond

The Corporation operates a prescribed (Industrial) waste treatment and storage facility at its Dutson Downs property which falls under EPA Licence CL62999, and is required to meet the conditions of Section 67B of the *Environment Protection Act 1970* (the Act). Pursuant to the Act, the Corporation is

NOTE I - SIGNIFICANT ACCOUNTING POLICIES (cont.)

required to provide financial assurance as the occupier of a landfill. The financial assurance is intended to provide a guarantee that the costs of remediation and site closure and post closure costs are not borne by the local community in the event of the occupiers of the site abandoning the site, becoming insolvent or incurring clean-up costs beyond their financial capability. This assurance takes the form of a \$1 million cash deposit with TCV and is recognised in the Balance Sheet as a Non-Current Financial Asset.

(c) Renewable Energy Certificates

The Corporation operates a biogas co-generation unit and micro hydro-electric generator as part of the Gippsland Water Factory operation. The Corporation is able to obtain Renewable Energy Certificates in exchange for the energy created. There is an active sales market for these certificates.

(d) Sundry Receivables Due by Corporation Employees

The Corporation has in place a limited number of salary sacrifice arrangements which employees can enter into. These include motor vehicles, uniform and professional membership subscriptions.

I.17 Impairment of Assets

At each balance date, the Corporation reviews the carrying value of its assets to determine whether there is any indication that they have been impaired. If such an indication exists, the recoverable amounts of those assets, being the higher of fair value less costs to sell and value in use, are compared to carrying values. Any excess of the carrying values of those assets over their recoverable amounts are expensed to the Comprehensive Operating Statement, unless those assets are carried at revalued amounts, in which case the impairment losses are recognised directly against the revaluation surpluses in respect to the same classes of assets to the extent that the impairment losses do not exceed the amounts in the revaluation surpluses for those same classes of assets.

All assets are assessed annually for indicators of impairment, except for:

- Inventories;
- financial instrument assets;
- certain biological assets related to agricultural activity; and
- intangible assets with finite lives.

I.18 Revaluation of Non-Current Physical Assets

When revaluations of Non-Current Physical Assets occur, the Corporation complies with the requirements of Australian Accounting Standard AASB 116 *Property, Plant and Equipment* and FRD 103F.

Revaluation increments arising on asset revaluations are credited directly to the Asset Revaluation Reserve except that, to the extent that increments reverse prior year decrements for the same class of asset that had been previously recognised as an expense, increments are recognised as revenue in determining the net result.

Revaluation decrements are recognised as an expense except that, where prior increments are included in the Asset Revaluation Reserve for that class of asset, they are debited to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

I.19 Payables

Payables consist of:

- Contractual trade accounts payable, which are liabilities for goods and services supplied to the Corporation prior the end of the financial year that are unpaid at that date; and
- Statutory payables which are obligations to make payments to government and government agencies, such as payment of goods and services tax and fringe benefits tax.

Contractual payables are unsecured and usually due for settlement no more than 30 days from date of recognition.

Statutory payables are not classified as financial instruments because they do not arise from contractual

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

arrangements and are therefore not required to be recognised at amortised cost.

1.20 Interest Bearing Liabilities

Interest bearing liabilities are recognised in the Balance Sheet and are entirely represented by borrowings from TCV.

Borrowings are initially recognised at fair value, net of transaction costs incurred. As borrowings are a financial liability, in subsequent years they are measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the borrowings, using the effective interest rate 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.

The Corporation has classified borrowings which mature within 12 months as Non-Current Liabilities on the basis that it has discretion to refinance or rollover these loans with the lender, TCV, pursuant to Section 8 of the *Borrowings and Investment Powers Act 1987*. Borrowings known as I lam debt are classified as current borrowings.

1.21 Provisions

Provisions are recognised in the Balance Sheet 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. Where a provision is measured on the basis of cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle the provision are expected to be received from a third party, the receivable is recognised as an asset if recovery is virtually certain and the amount of the receivable can be reliably measured.

1.22 Employee Benefits

Liabilities for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date are recognised in the Balance Sheet.

(a) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as current liabilities because the Corporation does not have an unconditional right to defer settlement of these liabilities.

Depending upon the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- Undiscounted value – if the Corporation expects to wholly settle within 12 months; or
- Present value – if the Corporation does not expect to wholly settle within 12 months.

(b) Long Service Leave

A liability for long service leave is recognised in the provision for employee benefits. Long service leave entitlements are comprised of two categories as follows:

- Unconditional long service leave – entitlements that employees can access immediately; and
- Conditional long service – entitlements to which employees are not immediately entitled as they have not completed the requisite years of service.

Unconditional long service leave entitlements are recognised in the Balance Sheet as a current liability,

NOTE I - SIGNIFICANT ACCOUNTING POLICIES (cont.)

even where the Corporation does not expect to settle the liability within 12 months as it does not have an unconditional right to defer settlement should an employee take leave within 12 months.

Unconditional long service leave entitlements are measured at either undiscounted value (if the Corporation expects to wholly settle within 12 months) or at present value (if the Corporation does not expect to wholly settle within 12 months).

Conditional long service leave entitlements are recognised in the Balance Sheet as a Non-Current Liability as there is an unconditional right to defer the settlement of the entitlements until the employees have completed the requisite years of service. Non-Current long service leave entitlements are measured at present value.

Any gain or loss following reassessment of the present value of long service leave entitlements is recognised as revenue or expenses in the Comprehensive Operating Statement.

(c) Employee Benefit On-Costs

Provisions for on-costs related to employee benefits provisions such as payroll tax, workers' compensation insurance and superannuation are recognised as liabilities separately from the provision for employee benefits.

(d) Performance Payments

The Corporation's Executive Officers are entitled to performance payments (subject to achievement of agreed key performance indicators) based on a percentage of the annual salary packages provided under their contracts of employment. A liability is recognised in the Balance Sheet for these entitlements and is measured as the aggregate of the amounts accrued under the terms of the contracts up to the balance date.

(e) Superannuation

Contributions made by the Corporation to superannuation plans in respect to the current service of employees are charged to the Comprehensive Operating Statement. Contributions are made to the plans based on the relevant rules of each plan. At 30 June 2016, for employees in accumulation funds the Corporation contributes an amount equivalent to 9.5 per cent (2015: 9.5 per cent) of employees' earnings pursuant to the *Superannuation Guarantee Administration Act 1992*.

I.23 Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER) which is administered by the Australian Taxation Office on behalf of the Victorian Government. The Corporation is required to pay tax (tax expense) under NTER if it has generated a taxable income in the reporting period. If the Corporation has incurred a tax loss in the reporting period, an amount is recoverable (tax revenue).

(a) Income Tax Expense

The income tax expense or revenue of the Corporation for the reporting period is the tax payable or receivable under the NTER scheme on the taxable income or loss for the reporting period based on the Federal corporate tax rate of 30 per cent. The amount payable or receivable is adjusted by changes in the balances of deferred tax assets and liabilities attributable to:

- Temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Corporation's financial records; and
- Unused tax losses.

(b) Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered and liabilities 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 if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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.

1.24 Equity

(a) Contributions by Owners

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

(b) Asset Revaluation Reserve

Revaluation increments and decrements arising from revaluation of non-financial assets as described elsewhere in this note are credited/debited to the asset revaluation reserve in the Balance Sheet.

1.25 Commitments for Future Expenditure

Commitments for future expenditure include operating and capital expenditure commitments arising from contractual commitments. These commitments are disclosed in these notes at their nominal values and are inclusive of related goods and services tax 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 expenditures cease to be disclosed as commitments once the related obligations are recognised as liabilities in the Balance Sheet.

1.26 Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet, but are disclosed by way of note and, if quantifiable, are measured at nominal value. The amounts shown for contingent assets and liabilities are inclusive of goods and services tax receivable or payable.

1.27 Dividend Policy

The Corporation is required to pay a dividend to the State, such dividend, at such time and in such manner, as is determined by the Treasurer after consultation with the board of directors of the water corporation and the Minister for Water.

1.28 Goods and Services Tax

Revenues, expenses and assets are recognised in this financial report net of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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 Australian Taxation Office 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 – that is, inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

1.29 Events After the Reporting Period

Assets, liabilities, revenue and expenses arise from past transactions and past events. Where the transactions result from agreements between the Corporation and other parties, the transactions are only recognised in the financial report when the agreements are irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial report for events which occur between the end of the reporting period and the date when the financial report is authorised for issue, where those events provide information about conditions which existed at the reporting date.

Note disclosure is made about events between the end of the reporting period and the date the financial report is authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

NOTE I - SIGNIFICANT ACCOUNTING POLICIES (cont.)

I.30 New and Changed Australian Accounting Standards and Interpretations

As the Corporation reports its annual financial results pursuant to the *Financial Management Act 1994*, it relies on advice from the DTF as to the applicability of any new or changed requirements of Australian Accounting Standards and interpretations, and early adoption where applicable.

At 30 June 2016 there are a number of new or changed Australian Accounting Standards and interpretations that may have future applicability for the Corporation. The impact of such changes on the Corporation's financial reports in future years are assessed on an ongoing basis and any changes that are assessed as potentially significant are disclosed in the financial report as soon as the assessment is concluded.

Based on current assessments, there are no new or changed Australian Accounting Standards and interpretations that are likely to significantly impact future financial reports of the Corporation.

NOTE I - SIGNIFICANT ACCOUNTING POLICIES (cont.)

Topic	Key requirements	Effective date for the entity	Estimated impact
<i>AASB 9 Financial Instruments</i>	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 July 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Gippsland Water does not currently have any assets available for sale.
<i>AASB 15 Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 July 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods.
<i>AASB 16 Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on Balance Sheet.	1 July 2019	Management will undertake a review of any operating leases and their applicable recognition under this standard.
<i>AASB 2015 6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not for Profit Public Sector Entities</i> <i>[AASB 10, AASB 124 & AASB 1049]</i>	AASB 2015 6 extends the scope of AASB 124 <i>Related Party Disclosures</i> to not for profit public sector entities. Guidance has been included to assist the application of the Standard by not for profit public sector entities.	1 July 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

1.31 Rounding

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

NOTE 2 - RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Corporation's business activities expose it to a variety of financial risks, primarily through ownership of financial assets and liabilities. This note explains those exposures and how the associated risks could affect the Corporation's future financial performance.

(a) Types of Financial Risk

The table below shows a summary of the risk exposures related to financial instruments held by the Corporation at the reporting date. The Corporation's approach to management of these risks is explained later in this note.

Risk	Source of Exposure
Market risk – interest rates	Long term borrowings at variable rates
Credit risk	Cash and cash equivalents Trade receivables Private schemes Environmental bond Renewable energy certificates
Liquidity risk	Borrowings and other liabilities

(b) Management of Financial Risks

The Board of the Corporation is responsible for setting a risk management policy and monitoring management's performance in compliance with the policy. The Board has established an Audit and Risk Committee to assist and support it in overseeing the effectiveness of risk management. The Board has also established various policies related to financial risk management that must be complied with and for which compliance is regularly reviewed through regular Board reporting and an internal audit programme that is monitored by the Audit and Risk Committee.

The Corporation's financial risk management activities are carried out by the finance function in accordance with the Board approved Treasury Management Policy, which provides guidance on management of interest rate risk, credit risk and liquidity risk. The policy also provides guidance on the use of non-derivative financial instruments and investment of excess liquidity. The Board receives regular reports on the Corporation's performance with regard to these matters.

(c) Holding Gains and Losses Arising from Financial Assets and Liabilities

The following table provides details of the holding gains and losses for financial instruments during the reporting period.

2016				
Financial Instrument	Interest Income and Expense	Fee Income and Expense	Impairment Loss	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash & Cash Equivalents	111	-	-	111
Trade Receivables	-	-	11	11
Other Receivables	48	-	-	48
Total	159	-	11	170
Financial Liabilities				
Payables	-	-	-	-
Interest Bearing Liabilities	11,427	3,697	-	15,124
Total	11,427	3,697	-	15,124

NOTE 2 - RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (cont.)

2015				
Financial Instrument	Interest Income and Expense	Fee Income and Expense	Impairment Loss	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash & Cash Equivalents	96	-	-	96
Trade Receivables	-	-	35	35
Other Receivables	53	-	-	53
Total	149	-	35	184
Financial Liabilities				
Payables	-	-	-	-
Interest Bearing Liabilities	11,978	3,284	-	15,262
Total	11,978	3,284	-	15,262

(d) Risk Exposures – Market Risk

Market risk is the risk that changes in market prices will affect the fair value of future cash flows of the Corporation's financial assets and liabilities, and it has three components – interest rate risk, foreign exchange risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk. Exposures to foreign exchange and other price risks are insignificant. There were no changes to the policy for managing market risk in the reporting period.

Interest Rate Risk

The Corporation minimises its exposure to adverse interest rate changes on its long term borrowings by holding a mix of fixed and floating rate debt with a range of maturities. All long term debt is sourced from TCV and is managed within a range of Board approved limits. Debt levels and related interest rates are monitored regularly by the Board through reports from management.

The Corporation has minimal exposure to interest rate risk arising from its holdings of cash and cash equivalents and other financial assets and manages interest rate risk arising from these sources by maintaining a diversified investment portfolio with regular review of market trends in rates.

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 2 - RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (cont.)

The table below sets out the potential impact of 'reasonably possible' movements in interest rates on the net result, financial assets and liabilities and equity of the Corporation at 30 June 2016 and at 30 June 2015 for comparative purposes.

2016					
Financial Instruments	Carrying Amount	Rate Change of -0.25%		Rate Change of +0.50%	
		Net Result	Equity	Net Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Cash Equivalents (1)	8,866	(22)	(22)	44	44
Trade Receivables (2)	12,764	-	-	-	-
Other Receivables (2)	6,752	-	-	-	-
Other Receivable - TCV Deposit	1,000	(3)	(3)	5	5
Financial Liabilities					
Payables (2)	17,378	-	-	-	-
Interest Bearing Liabilities - Fixed	220,000	-	-	-	-
Interest Bearing Liabilities - Maturing	40,000	100	100	(200)	(200)
Interest Bearing Liabilities - Variable	20,000	50	50	(100)	(100)
Total		125	125	(251)	(251)

2015					
Financial Instruments	Carrying Amount	Rate Change of -0.25%		Rate Change of +0.50%	
		Net Result	Equity	Net Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Cash Equivalents (1)	9,292	(23)	(23)	46	46
Trade Receivables (2)	12,139	-	-	-	-
Other Receivables (2)	6,858	-	-	-	-
Other Receivable - TCV Deposit	1,000	(3)	(3)	5	5
Financial Liabilities					
Payables (2)	18,198	-	-	-	-
Interest Bearing Liabilities - Fixed	220,000	-	-	-	-
Interest Bearing Liabilities - Maturing	50,000	125	125	(250)	(250)
Interest Bearing Liabilities - Variable	7,500	19	19	(38)	(38)
Total		118	118	(236)	(236)

(1) All cash and cash equivalents are held at variable interest rates.

(2) Receivables and payables balances at 30 June 2016 are not subject to interest rate risk.

NOTE 2 - RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (cont.)

(e) Risk Exposures - Credit Risk

Credit risk is the risk of financial loss to the Corporation as a result of customers and counter parties to financial instruments failing to meet their contractual obligations. Credit risk arises principally from the Corporation's trade receivables and other financial assets.

The Corporation measures credit risk on a fair value basis and monitors credit risk continually. The Corporation's Credit Department has direct responsibility for monitoring collection performance on customer-by-customer and whole of portfolio bases and identifying any changes in collection performance trends across the entire customer database based on ageing of receivables, requests for extensions of time to pay, customer payment arrangements, comparison of actual and estimated collections on a monthly basis and review of impaired accounts. This information is reviewed regularly with the Finance Department in order to identify any significant impacts on the Corporation's operating cash flows.

There have been no significant changes in collection patterns during the reporting period and based on assessments at balance date, no significant changes are expected after balance date.

The Corporation has large numbers of both water and wastewater customers. Gippsland Water provides water and wastewater to a small number of large industrial customers under contractual arrangements.

(f) Risk Exposures - 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 has detailed knowledge of the key cycles in the business for both cash inflows and outflows and therefore has excellent knowledge of its cash requirements. Nevertheless, it manages liquidity risk through careful planning of cash inflows and outflows based on known collection performance and the required timing of payment of obligations. In conjunction with these assessments, the Corporation undertakes regular reviews of current and future borrowing levels to ensure that cash requirements for the capital expenditure programme are anticipated and met bearing in mind the maturity date profiles of borrowings. A key objective of cash flow planning is to ensure that the Corporation has adequate reserves at all times, and this includes ensuring that there are sufficient standby credit facilities available to meet all obligations as they fall due, including allowances for any unexpected short term cash flow needs.

Maturity of Financial Liabilities

At reporting date the Corporation's financial liabilities had the following maturities:

2016						
Financial Instruments	Carrying Amount	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	17,378	17,378	-	-	-	-
Interest Bearing Liabilities	280,000	40,000	20,000	30,000	80,000	110,000
Total	297,378	57,378	20,000	30,000	80,000	110,000

2015						
Financial Instruments	Carrying Amount	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	18,198	18,198	-	-	-	-
Interest Bearing Liabilities	277,500	47,500	10,000	40,000	90,000	90,000
Total	295,698	65,698	10,000	40,000	90,000	90,000

NOTE 2 - RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (cont.)

(g) Fair Value of Financial Instruments

Receivables

For receivables, carrying value less impairment adjustments is considered to be a reasonable approximation of fair value due to their short term nature as indicated in the table below.

Payables and Interest Bearing Liabilities

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the market interest rate that is available to the Corporation for similar financial instruments.

For payables, carrying value is considered to be a reasonable approximation of fair value due to their short term nature as indicated in the table below.

In assessing fair value for interest bearing liabilities, the market rates used vary from 2.17% to 7.13% (2015: 2.67% to 7.13%).

Financial Instrument	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash & Cash Equivalents	8,866	8,866	9,292	9,292
Trade Receivables	12,764	12,764	12,139	12,139
Accrued Revenue/Other Receivables	6,752	6,752	6,858	6,858
Deposits at TCV	1,000	1,006	1,000	1,005
Total	29,382	29,388	29,289	29,294
Financial Liabilities				
Payables	17,378	17,378	18,198	18,198
Interest Bearing Liabilities	280,000	298,978	277,500	291,973
Total	297,378	316,356	295,698	310,171

NOTE 3 - COMPREHENSIVE OPERATING STATEMENT DISCLOSURES

(a) Revenue

	Note	2016	2015
		\$'000	\$'000
Service Charges			
– Water Charges		20,058	19,722
– Rebates on Tariffs (i)		(2,185)	(2,541)
– Wastewater Charges		55,946	53,794
– Trade Waste Charges		265	260
Total Service Charges	1.4	74,084	71,235
Volumetric Charges			
– Water		32,030	29,529
– Wastewater		6,079	6,394
Total Volumetric Charges	1.4	38,109	35,923
Developer Contributions			
– Fees Paid by Developers		1,965	3,276
– Assets Received from Developers		8,762	6,084
Total Developer Contributions	1.4	10,727	9,360
Interest received from Financial Assets not at Fair Value through Comprehensive Operating Statement		159	149
Other Revenue – Operating			
– Agriculture Pursuits		4,527	3,569
– Waste Charges (Prescribed and Non-Prescribed)		5,624	4,307
– Rechargeable Works		3,578	626
– Other Fees		1,413	1,452
Total Other Revenue – Operating	1.4	15,142	9,954
Other Revenue – Non-Operating			
– Liquidated Damages		46	925
– Land not previously recognised (ii)		1,424	-
– Other Fees		2,463	2,101
Total Other Revenue – Non-Operating	1.4	3,933	3,026

(i) Rebates on Tariffs represent discounts to customers arising from the Victorian Government Water Rebate.

(ii) Land identified through the revaluation process in 2016, predominantly belonging to reserves gifted to the Corporation.

**NOTE 3 - COMPREHENSIVE OPERATING STATEMENT
DISCLOSURES (cont.)**

(b) Net Gain/(Loss) on disposal of Non-Current Assets

	Note	2016	2015
		\$'000	\$'000
The Gain/(Loss) from ordinary activities includes the following specific net gains and expenses on disposal of Property, Plant & Equipment			
– Proceeds on Sale		1,385	774
– Written Down Value (ii)		(1,322)	(3,975)
Net Gain/(Loss) on Disposal of Property, Plant & Equipment		63	(3,201)

(ii) During 2014-15, the Corporation transferred assets to a major customer in a one-off transaction. The assets concerned had a written down value of \$2,896,349.

NOTE 3 - COMPREHENSIVE OPERATING STATEMENT DISCLOSURES (cont.)

(c) Expenditure

	Note	2016	2015
		\$'000	\$'000
Employer defined benefit and superannuation contribution expense	21	2,074	2,088
Operating lease rental expense		28	31
Bad and doubtful debts			
– Written off		433	238
Auditors Remuneration			
– Auditor General for audit of financial statements		65	60
– Internal audit		174	186
Depreciation			
– Buildings		525	515
– Water Infrastructure		12,253	12,003
– Wastewater Infrastructure		20,399	18,101
– Plant & Equipment		1,452	1,450
– Motor Vehicles		1,059	1,064
Total Depreciation	1.5, 10(b)	35,688	33,133
Amortisation			
– Software	1.5, 11	727	681
Total Depreciation & Amortisation		36,415	33,814
Borrowing Costs			
– Interest on TCV borrowings	1.5	11,427	11,978
– Financial Accommodation Levy	1.5	3,697	3,284
Total Borrowing Cost		15,124	15,262
Impairment Loss			
– Non-Financial Assets	10(b)	378	173
– Financial Assets - Receivables	1.8, 6	11	35
Total Impairment Loss		389	208

NOTE 4 - INCOME TAX

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

	2016	2015
	\$'000	\$'000
Net result before income tax expense	11,804	1,755
Tax at the Australian tax rate of 30% (2015: 30%)	3,541	527
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	8	-
Expenditure not allowable for income tax purposes	-	-
Benefit of tax losses not brought to account	-	-
Other Permanent Adjustment	(828)	895
Income tax expense as reported in the Comprehensive Operating Statement	2,721	1,422

(b) Deferred Tax Asset

	2016	2015
	\$'000	\$'000
This balance comprises temporary differences attributable to:		
<i>Amounts recognised in Comprehensive Operating Statement</i>		
Provisions and accrued expenditure not deductible	5,852	2,612
Other	198	395
Tax losses	48,089	54,460
Net deferred tax assets	54,149	57,467
Movements:		
Opening balance at 1 July	57,467	62,474
Credited/(charged) to the comprehensive operating statement	3,011	(66)
Tax losses	(6,329)	(4,941)
Closing balance at 30 June	54,149	57,467
Deferred tax assets to be recovered after more than 12 months	54,149	57,467

NOTE 4 - INCOME TAX (cont.)**(c) Deferred Tax Liabilities**

	2016	2015
	\$'000	\$'000
This balance comprises temporary differences attributable to:		
<i>Amounts recognised in Comprehensive Operating Statement</i>		
Depreciation	67,534	71,876
Other	1,154	865
<i>Amounts recognised in Equity</i>		
Asset revaluations	78,663	67,289
Net deferred tax liabilities	147,351	140,030
Movements:		
Opening balance at 1 July	140,030	143,305
Credited/(charged) to the Comprehensive Operating Statement	(595)	(3,588)
Credited/(charged) to the Equity	7,916	313
Closing balance at 30 June	147,351	140,030
Deferred tax liabilities to be recovered after more than 12 months	147,351	140,030

(d) Change in Accounting Estimate

Based on ATO Interpretative Decision 2012/15, the Corporation prepares the financial report on the basis that unbilled revenue is treated as assessable income for the purposes of tax effect accounting. In previous years, only billed revenue had been included as assessable income. Management has agreed to adopt the principles of Interpretative Decision ATO ID 2012/15 and accordingly this is a change in accounting estimate.

NOTE 5 - CASH AND CASH EQUIVALENTS

	2016	2015
	\$'000	\$'000
Cash on Hand (a)	1	1
Cash at Bank	8,865	9,291
Total Cash & Cash Equivalents	8,866	9,292

(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:

	2016	2015
	\$'000	\$'000
Balances as above	8,866	9,292
Balances as per Cash Flow Statement	8,866	9,292

(c) Deposits at call

The deposits are bearing floating interest rates between 2.19% and 2.44% (2015: 2.50% and 2.75%).

NOTE 6 - RECEIVABLES

	2016	2015
	\$'000	\$'000
Current Receivables		
<i>Statutory Receivables</i>		
Goods & Services Taxation Refund Due	1,490	1,322
<i>Contractual Receivables</i>		
Trade Receivables	12,990	12,353
Provision for Impaired Receivables (a)	(226)	(214)
Loans to third parties	33	31
Accrued Revenue	5,053	4,770
Total Current Receivables	19,340	18,262

The Corporation estimated unbilled revenue in respect of residential water meters which had not been read at balance date of \$3,035,679 (2015: \$3,012,220) for residential customers and \$533,403 (2015: Nil) for non-residential customers, by multiplying the number of days since the last reading by each customer's average service usage.

	2016	2015
	\$'000	\$'000
Non-Current Receivables		
<i>Contractual Receivables</i>		
Loans to third parties	307	341
Total Non-Current Receivables	307	341
Total Receivables	19,647	18,603

(a) Movement in provision for impaired receivables

	2016	2015
	\$'000	\$'000
Opening balance at 1 July	(214)	(179)
(Increase)/decrease in allowance recognised in Comprehensive Operating Statement	(445)	(273)
Amounts written-off during the year (i)	433	238
Closing balance at 30 June	(226)	(214)

(i) Refer to Note 27.

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 6 - RECEIVABLES (cont.)

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 ageing of these receivables is as follows:

	2016	2015
	\$'000	\$'000
3-6 months	226	214
Over 6 months	-	-
	226	214
The carrying amount of Trade Receivables that would otherwise be past due or impaired whose terms have been renegotiated.	1,308	834

(b) Trade Receivable Past Due But Not Impaired

	2016	2015
	\$'000	\$'000
30-60 days	2,151	2,205
60-90 days	353	1,287
Over 90 days	869	741
Total Trade Receivables past due but not impaired	3,373	4,233

The total of impaired trade receivables at 30 June 2016 was **\$225,550** (2015: \$214,400).

(c) Foreign Exchange Risk

At 30 June 2016 (2015: Nil) the Corporation had no receivable denominated in a foreign currency.

(d) Fair Value and Credit Risk

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

NOTE 7 - INVENTORIES

	2016	2015
	\$'000	\$'000
Stores and Consumables - at Cost	2,801	2,620
Total Inventories	2,801	2,620

There were no inventories pledged as security for liabilities (2015: Nil).

NOTE 8 - OTHER FINANCIAL ASSETS

	2016	2015
	\$'000	\$'000
Current Other Financial Assets		
Private Schemes Unmatured Capital	91	69
Other	303	436
Total Current Other Financial Assets	394	505
Non-Current Other Financial Assets		
Private Schemes Unmatured Capital	1,498	1,211
TCV Deposit - Environmental bond	1,000	1,000
Total Non-Current Other Financial Assets	2,498	2,211
Total Other Financial Assets	2,892	2,716
Other Financial Assets at Fair Value		
Other Financial Assets and Private Schemes	1,892	1,716
TCV Deposit - Environmental bond	1,006	1,005
Total Other Financial Assets at Fair Value	2,898	2,721

Private Schemes Unmatured Capital

During the reporting period, the Corporation had private schemes only on sewerage 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

Renewable Energy Certificates (REC) and sundry receivables due from employees of the Corporation. In 2016 the Corporation sold 10,000 RECs worth \$785,000 (2015: Nil).

TCV Deposit - Environmental Bond

This deposit with TCV has no specified maturity date, but has specific terms and conditions as specified in Note 1.16.

Credit Risk

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.

There are no foreign currency exposures on above assets and there is no exposure to price risk.

NOTE 9 - BIOLOGICAL ASSETS

	2016	2015
	\$'000	\$'000
Current - at Fair Value		
Fodder	200	134
Crops	129	97
Cattle	1,008	526
Total Current Biological Assets	1,337	757
Non-Current - at Fair Value		
Plantation Softwood	3,381	2,189
Cattle	1,209	1,536
Total Non-Current Biological Assets	4,590	3,725
Total Biological Assets at Fair Value at 30 June	5,927	4,482
Movement in Carrying Amount		
Carrying amount at 1 July	4,482	4,047
Increases due to:		
Purchases	468	399
Natural Increase	1,069	1,344
New Crops	-	-
Fair Value increase - Livestock & Plantations	1,809	1,047
Decreases attributable to:		
Sales	(1,853)	(2,322)
Deaths	(47)	(33)
Carrying Amount at 30 June	5,927	4,482

NOTE 9 - BIOLOGICAL ASSETS (cont.)

(a) Plants

	2016	2015	2016	2015
	\$'000	\$'000	Qty	Qty
Consumable Assets				
Mature Assets				
Fodder				
Silage - (Bales)	12	24	205	512
Cereal and Legume Silage (Tonnes)	147	98	2,240	1,630
Hay - (Bales)	41	13	817	198
Crops				
Feed Wheat (Tonnes)	23	23	77	77
Feed Barley (Tonnes)	-	11	-	40
Feed Triticale (Tonnes)	-	7	-	25
Feed Mixed Grain (Tonnes)	106	6	330	20
Feed Corn - Winter Crops (Tonnes)	-	49	-	170
Total Consumable Assets	329	231		
Non-Bearer Assets				
Immature Assets				
Softwood Pinus Radiata (Ha)	3,381	2,189	542	542
Total Non-Bearer Assets	3,381	2,189		

NOTE 9 - BIOLOGICAL ASSETS (cont.)

(b) Animals

	2016	2015	2016	2015
	\$'000	\$'000	Qty	Qty
Consumable Assets				
Immature Assets				
Mixed sex calves and weaners	1,008	526	912	617
Mature Assets				
Bullocks	-	-	-	-
Total Consumable Assets	1,008	526	912	617
Bearer Assets				
Immature Assets				
Heifers	298	694	350	730
Mature Assets				
Cows and Bulls	912	842	742	682
Total Bearer Assets	1,209	1,536	1,092	1,412
Output				
Plants (Plantation thinings)	106	664		
Animals	963	680	871	801
Total Output	1,069	1,344		

Fair Value of output was determined at closing market value.

Fair Value measurement hierarchy for biological assets at the end of reporting period.

Biological Asset Type	2016				2015			
	Carrying amount	Fair Value measurement at end of reporting period using:			Carrying amount	Fair Value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Crops and Fodder	329		329		231		231	
Animals	2,218		2,218		2,062		2,062	
Plantations	3,381		3,381		2,189		2,189	
Total of Biological Assets at Fair Value	5,927		5,927		4,482		4,482	

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

(a) Classes of Infrastructure, Property, Plant and Equipment

Asset Class	2016			2015		
	Fair Value \$'000	Accumulated Depreciation \$'000	Carrying Value \$'000	Fair Value \$'000	Accumulated Depreciation \$'000	Carrying Value \$'000
Land	36,147	-	36,147	32,447	-	32,447
Buildings	10,413	-	10,413	12,476	(1,773)	10,703
Water Infrastructure	358,637	(470)	358,167	397,340	(45,809)	351,531
Wastewater Infrastructure	648,793	(3,909)	644,884	674,614	(63,954)	610,660
Plant, Equipment & Other	22,860	(16,262)	6,598	20,754	(14,966)	5,788
Motor Vehicles	7,300	(2,706)	4,594	7,310	(2,795)	4,515
	1,084,150	(23,347)	1,060,803	1,144,941	(129,297)	1,015,644
Assets Under Construction - At Cost			50,670			57,627
Total	1,084,150	(23,347)	1,111,473	1,144,941	(129,297)	1,073,271

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(b) Movements during the reporting period

		2015-16							Closing WDV 30 June 2016 \$'000
		Opening WDV 1 July 2015 \$'000	Additions \$'000	Disposals \$'000	Revaluations \$'000	Transfers Between Categories \$'000	Impairment \$'000	Depreciation \$'000	
Land									
	(i)	32,447	1,424	-	1,690	586	-	-	36,147
Buildings									
		1,869	-	-	-	550	-	-	2,419
		8,834	-	-	(315)	-	-	(525)	7,994
		10,703	-	-	(315)	550	-	(525)	10,413
Water Infrastructure									
		55,039	2,484	-	-	13,671	(90)	-	71,104
		296,492	-	-	2,824	-	-	(12,253)	287,063
	(ii)	351,531	2,484	-	2,824	13,671	(90)	(12,253)	358,167
Wastewater Infrastructure									
		133,522	6,278	-	-	26,412	(255)	-	165,957
		477,138	-	-	22,188	-	-	(20,399)	478,927
	(ii)	610,660	6,278	-	22,188	26,412	(255)	(20,399)	644,884
Plant, Equipment & Other									
		5,788	-	(56)	-	2,318	-	(1,452)	6,598

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)
(b) Movements during the reporting period (cont.)

2015-16									
	Opening WDV 1 July 2015	Additions	Disposals	Revaluations	Transfers Between Categories	Impairment	Depreciation	Closing WDV 30 June 2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Motor Vehicles									
At Fair Value	4,515	-	(891)	-	2,062	(33)	(1,059)	4,594	
Under Construction									
At Cost	57,627	39,704	-	-	(46,661)	-	-	50,670	
Total Infrastructure, Property, Plant & Equipment	(iii) (iv)	1,073,271	49,890	(947)	26,387	(1,062)	(378)	(35,688)	1,111,473

(i) Additions for the land are reserves acquired without consideration. Review of land titles revealed parcels of land not on our Asset Register.

(ii) Additions for Water and Wastewater Infrastructure reflect the Owner Cost Works (gifted assets by developers).

(iii) \$375,000 has been transferred to Intangibles (refer Note 11) in 2015-16.

(iv) Prior year capex of \$687,000 was written off on the Comprehensive Operating Statement in 2015-16.

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(b) Movements during the reporting period (cont.)

		2014-15							
		Opening WDV 1 July 2014	Additions	Disposals	Revaluations	Transfers Between Categories	Impairment	Depreciation	Closing WDV 30 June 2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land									
At Fair Value	(v)	31,302	1,148	(25)	-	22	-	-	32,447
Buildings									
At Fair Value		10,439	-	(310)	1,043	46	-	(515)	10,703
Water Infrastructure									
At Fair Value	(iv)	360,715	1,860	(2,896)	-	3,855	-	(12,003)	351,531
Wastewater Infrastructure									
At Fair Value	(iv)	576,433	4,224	-	-	48,224	(120)	(18,101)	610,660
Plant, Equipment & Other									
At Fair Value		6,784	-	(165)	-	619	-	(1,450)	5,788
Motor Vehicles									
At Fair Value		4,681	-	(913)	-	1,864	(53)	(1,064)	4,515
Under Construction									
At Cost		60,559	51,913	-	-	(54,845)	-	-	57,627
Total Infrastructure, Property, Plant & Equipment	(i)								
	(ii)								
	(iii)	1,050,913	59,145	(4,309)	1,043	(215)	(173)	(33,133)	1,073,271

- (i) \$74,000 has been transferred to Intangibles (refer Note 11).
- (ii) An adjustment on Owner Cost Works for \$95,000 was written off on the Comprehensive Operating Statement in 2014-15.
- (iii) Prior year capex of \$44,000 was written off on the Comprehensive Operating Statement in 2014-15.
- (iv) Additions for Water and Wastewater Infrastructure reflect the Owner Cost Works (gifted assets by developers).
- (v) A movement of greater than 10% was identified through the annual assessment for buildings.

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(c) Fair value measurement hierarchy for assets at end of reporting period

Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying Amount	Fair Value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Land at Fair Value				
Non-Specialised Land	1,378	-	1,378	-
Specialised Land	34,769	-	-	34,769
Total of Land at Fair Value	36,147	-	1,378	34,769
Buildings at Fair Value				
Non-Specialised Buildings	8,351	-	8,351	-
Specialised Buildings	2,062	-	-	2,062
Heritage Assets	-	-	-	-
Total of Buildings at Fair Value	10,413	-	8,351	2,062
Water Infrastructure at Fair Value				
Headworks	52,919	-	-	52,919
Water Transfer	94,040	-	-	94,040
Water Storage	6,960	-	-	6,960
Water Treatment	51,452	-	-	51,452
Water Pump Stations	6,890	-	-	6,890
Water Reticulation	145,790	-	-	145,790
Water Spares	115	-	-	115
Total of Water Infrastructure at Fair Value	358,167	-	-	358,167

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(c) Fair value measurement hierarchy for assets at end of reporting period (cont.)

	Carrying Amount	Fair Value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Wastewater Infrastructure at Fair Value				
Waste Transfer	92,214	-	-	92,214
Waste Storage	933	-	-	933
Waste Treatment	188,772	-	-	188,772
Waste Pump Stations	60,004	-	-	60,004
Waste Reticulation	302,718	-	-	302,718
Waste Spares	244	-	-	244
Total of Wastewater Infrastructure at Fair Value	644,884	-	-	644,884
Plant, Equipment & Vehicles at Fair Value				
Vehicles	4,594	-	4,594	-
Plant & Equipment	6,598	-	-	6,598
Total of Plant, Equipment & Vehicles at Fair Value	11,192	-	4,594	6,598
Total Infrastructure, Property, Plant and Equipment at Fair Value	1,060,803	-	14,323	1,046,480

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)**(c) Fair value measurement hierarchy for assets at end of reporting period (cont.)***Fair value measurement hierarchy for assets as at 30 June 2015*

	Carrying Amount	Fair Value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Land at Fair Value				
Non-Specialised Land	1,085	-	1,085	-
Specialised Land	31,362	-	-	31,362
Total of Land at Fair Value	32,447	-	1,085	31,362
Buildings at Fair Value				
Non-Specialised Buildings	9,646	-	9,646	-
Specialised Buildings	1,057	-	-	1,057
Heritage Assets	-	-	-	-
Total of Buildings at Fair Value	10,703	-	9,646	1,057
Water Infrastructure at Fair Value				
Headworks	55,563	-	-	55,563
Water Transfer	98,979	-	-	98,979
Water Storage	7,560	-	-	7,560
Water Treatment	44,532	-	-	44,532
Water Pump Stations	7,537	-	-	7,537
Water Reticulation	137,238	-	-	137,238
Water Spares	120	-	-	120
Total of Water Infrastructure at Fair Value	351,529	-	-	351,529
Wastewater Infrastructure at Fair Value				
Waste Transfer	82,453	-	-	82,453
Waste Storage	410	-	-	410
Waste Treatment	194,742	-	-	194,742
Waste Pump Stations	59,192	-	-	59,192
Waste Reticulation	273,617	-	-	273,617
Waste Spares	247	-	-	247
Total of Wastewater Infrastructure at Fair Value	610,661	-	-	610,661

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(c) Fair value measurement hierarchy for assets at end of reporting period (cont.)

	Carrying Amount	Fair Value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Plant, Equipment & Vehicles at Fair Value				
Vehicles	4,515	-	4,515	-
Plant & Equipment	5,788	-	-	5,788
Total of Plant, Equipment & Vehicles at Fair Value	10,303	-	4,515	5,788
Total Infrastructure, Property, Plant and Equipment at Fair Value	1,015,643	-	15,246	1,000,397

The approach to establishing fair value for each asset class using the hierarchy described in note 1.11 are summarised below:

Non-Specialised Land and Buildings

Fair values for non-specialised land and buildings were determined using independent valuations prepared by the Valuer-General of Victoria (VGV) as at 30 June 2016. Comparable sales were analysed and differences in share, size, topography, location and any other relevant factors were taken into account in the valuations. The analysis resulted in establishment of rates per square metre which were applied to the subject assets.

These assets have been classified as Level Two assets in the hierarchy due to the Corporation assessing that fair value can be determined from market sources as there are active markets for these assets and they can be made available for sale immediately.

Specialised Land and Buildings

Fair values for specialised land and buildings were determined using independent valuations as described above for non-specialised land and buildings with an adjustment for the impact of various community service obligations (CSO's) related to these assets. The valuations were determined by the VGV. The CSO adjustment reflects the impact of restrictions associated with use of these assets on the basis that such restrictions also equally apply to other market participants. This adjustment reflects the highest and best use consideration as described in Note 1.12. Adjustment for CSO's is regarded as significant observable inputs and that drives the classification of these assets as Level Three assets in the hierarchy.

Fair value for the majority of the Corporation's specialised buildings is determined as the depreciated replacement cost, this being considered to be the best estimate of fair value. As depreciation charges are considered to be significant unobservable inputs, specialised buildings are classified as Level Three assets in the hierarchy.

Water and Wastewater Infrastructure

Fair values for water and wastewater infrastructure were determined using independent valuations prepared by the Valuer-General of Victoria (VGV) as at 30 June 2016. Fair value for these assets is based on depreciated replacement cost, this being considered as the best estimate of fair value. Replacement cost represents estimated costs to replace the current service capacity of the asset being valued. Depreciated replacement cost is replacement cost less accumulated depreciation charges calculated as described in Note 1. Economic obsolescence has been considered in determining depreciated replacement cost.

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(c) Fair value measurement hierarchy for assets at end of reporting period (cont.)

These assets have been classified as Level Three assets in the hierarchy due to the absence of an active market, this being an unobservable condition that significantly impacts the assessment of fair value.

Plant, Equipment and Other

Fair values for plant, equipment and other related assets were determined on the basis of depreciated replacement cost, this being the preferred method of estimation of fair value when such assets are of a specialised nature.

These assets have been classified as Level Three assets in the hierarchy due to the absence of an active market, this being an unobservable condition that significantly impacts the assessment of fair value.

Motor Vehicles

Fair values for motor vehicles were determined on the basis of depreciated replacement cost, this being considered as the best estimate of fair value.

These assets have been classified as Level Two assets in the hierarchy due to the Corporation assessing that fair value can be determined from market sources as there are active markets for these assets and they can be made available for sale immediately.

(d) Description of significant unobservable inputs to Level 3 valuations

Asset category	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Direct cost per square meter Useful life of specialised buildings
Headworks Water Transfer Water Storage Water Treatment Water Pump Stations Water Reticulation Water Spares Waste Transfer Waste Storage Waste Treatment Waste Pump Stations Waste Reticulation Waste Spares Plant and Equipment	Depreciated replacement cost	Cost per unit Useful life of the infrastructure

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(e) Reconciliation of Level 3 Fair Value

2015-16	Opening balance	Purchases (sales)	Transfers in (out) of Level 3	Gains or losses recognised in Comprehensive Operating Statement	Gains or losses recognised in Asset Revaluation Reserve	Depreciation	Impairment loss	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Special Purpose Land	31,362	586	-	1,424	1,397	-	-	34,769
Specialised Buildings	1,057	550	(i) 1,242	-	(419)	(368)	-	2,062
Water Infrastructure								
Headworks	55,563	199	-	-	(2,222)	(621)	-	52,919
Water Transfer	98,979	110	-	-	(2,733)	(2,316)	-	94,040
Water Storage	7,560	71	-	-	(226)	(445)	-	6,960
Water Treatment	44,532	7,086	-	-	4,235	(4,310)	(90)	51,452
Water Pump Stations	7,537	33	-	-	(270)	(410)	-	6,890
Water Reticulation	137,238	8,663	-	-	4,040	(4,151)	-	145,790
Water Spares	120	(5)	-	-	-	-	-	115
Total of Water Infrastructure at Fair Value	351,529	16,157	-	-	2,824	(12,253)	(90)	358,167

(i) Transfers in for Level 3 on specialised buildings reflect the buildings in special purpose land since these buildings alone do not have an active market.

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(e) Reconciliation of Level 3 Fair Value (cont.)

2015-16	Opening balance	Purchases (sales)	Transfers in (out) of Level 3	Gains or losses recognised in Comprehensive Operating Statement	Gains or losses recognised in Asset Revaluation Reserve	Depreciation	Impairment loss	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Wastewater Infrastructure								
Waste Transfer	82,453	8,246	-	-	3,736	(2,221)	-	92,214
Waste Storage	410	251	-	-	319	(47)	-	933
Waste Treatment	194,742	4,611	-	-	(2,365)	(8,216)	-	188,772
Waste Pump Stations	59,192	1,079	-	-	2,660	(2,672)	(255)	60,004
Waste Reticulation	273,617	18,506	-	-	17,838	(7,243)	-	302,718
Waste Spares	247	(3)	-	-	-	-	-	244
Total of Wastewater Infrastructure at Fair Value	610,661	32,690	-	-	22,188	(20,399)	(255)	644,884
Plant and Equipment	5,787	2,263	-	-	-	(1,452)	-	6,598
Total Level 3 Assets	1,000,397	52,246	1,242	1,424	25,990	(34,472)	(345)	1,046,480

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(e) Reconciliation of Level 3 Fair Value (cont.)

2014-15	Opening balance	Purchases (sales)	Transfers in (out) of Level 3	Gains or losses recognised in Comprehensive Operating Statement	Gains or losses recognised in Asset Revaluation Reserve	Depreciation	Impairment loss	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Special Purpose Land	30,242	1,145	(25)	-	-	-	-	31,362
Specialised Buildings	1,444	-	(310)	-	-	(77)	-	1,057
Water Infrastructure								
Headworks	56,135	31	-	-	-	(603)	-	55,563
Water Transfer	102,510	118	-	-	-	(2,319)	(1,330)	98,979
Water Storage	8,643	7	-	-	-	(453)	(636)	7,560
Water Treatment	46,263	2,506	-	-	-	(4,170)	(67)	44,532
Water Pump Stations	7,032	904	-	-	-	(399)	-	7,537
Water Reticulation	140,018	2,143	-	-	-	(4,059)	(864)	137,238
Water Spares	114	6	-	-	-	-	-	120
Total of Water Infrastructure at Fair Value	360,715	5,715	-	-	-	(12,003)	(2,897)	351,529

NOTE 10 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (cont.)

(e) Reconciliation of Level 3 Fair Value (cont.)

2014-15	Opening balance	Purchases (sales)	Transfers in (out) of Level 3	Gains or losses recognised in Comprehensive Operating Statement	Gains or losses recognised in Asset Revaluation Reserve	Depreciation	Impairment loss	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Wastewater Infrastructure								
Waste Transfer	74,115	10,307	-	-	-	(1,970)	-	82,453
Waste Storage	309	138	-	-	-	(36)	-	410
Waste Treatment	199,727	2,872	-	-	-	(7,857)	-	194,742
Waste Pump Stations	47,163	14,564	-	-	-	(2,415)	(120)	59,192
Waste Reticulation	254,872	24,620	-	-	-	(5,876)	-	273,617
Waste Spares	247	-	-	-	-	-	-	247
Total of Wastewater Infrastructure at Fair Value	576,433	52,501	-	-	-	(18,154)	(120)	610,661
Plant and Equipment	6,783	619	-	-	-	(1,450)	(165)	5,787
Total Level 3 Assets	975,617	59,980	(335)	-	-	(31,685)	(3,182)	1,000,397

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 11 - INTANGIBLE ASSETS

(a) Classes of Intangible Assets

	2016	2015
	\$'000	\$'000
Software at Cost	12,193	11,414
Water Entitlements	4,500	4,500
Accumulated Amortisation	(10,395)	(9,668)
	6,298	6,246
Software Development (Work in Progress)	205	471
Total Intangible Assets	6,503	6,717

(b) Movements during the reporting period

	2016				
	Opening WDV 1 July 2015	Additions	Transfers	Amortisation	Closing WDV 30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Software at Cost	11,414	-	779	-	12,193
Water Entitlements	4,500	-	-	-	4,500
Accumulated Amortisation	(9,668)	-	-	(727)	(10,395)
Software Development	6,246	-	779	(727)	6,298
(Work in Progress)	471	138	(404)	-	205
Total Intangible Assets	6,717	138	375	(727)	6,503

	2015				
	Opening WDV 1 July 2014	Additions	Transfers	Amortisation	Closing WDV 30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Software at Cost	11,318	-	96	-	11,414
Water Entitlements	4,500	-	-	-	4,500
Accumulated Amortisation	(8,987)	-	-	(681)	(9,668)
Software Development	6,831	-	96	(681)	6,246
(Work in Progress)	437	56	(22)	-	471
Total Intangible Assets	7,268	56	74	(681)	6,717

NOTE 12 - PAYABLES

	2016	2015
	\$'000	\$'000
Current		
<i>Statutory Payables</i>		
GST Payable	172	138
Other Government Payables	145	146
	317	284
<i>Contractual Payables</i>		
Trade Creditors	3,886	1,885
Accrued Expenses	7,357	11,149
<i>Other</i>		
Security Deposits	1,405	1,206
Retentions	1,216	1,026
Overpaid Rates and Charges	3,509	2,928
Unclaimed Monies	4	4
Other	-	-
	17,377	18,198
Total Current Payables	17,694	18,482

Total Payables do not include any foreign currency denominated liabilities (2015: Nil).

NOTE 13 - INTEREST BEARING LIABILITIES

	2016	2015
	\$'000	\$'000
Current Secured		
Borrowings - TCV	60,000	57,500
Total Current Interest Bearing Liabilities	60,000	57,500
Non-Current Secured		
Borrowings - TCV	220,000	220,000
Total Non-Current Interest Bearing Liabilities	220,000	220,000
Total Interest Bearing Liabilities	280,000	277,500
Term to Maturity		
0-1 Year	60,000	57,500
1-4 Years	90,000	90,000
4-8 Years	90,000	100,000
8 Years and over	40,000	30,000
	280,000	277,500
Credit Standby Arrangements		
Total facilities - TCV	5,000	4,000
Used at balance date	-	-
Unused at balance date	5,000	4,000
Bank Loan Facilities		
Total facilities	5,000	27,000
Used at balance date	(2,500)	(27,000)
Unused at balance date	2,500	-
Fair Value		
Non-Traded Financial Liabilities	-	-
Borrowing - TCV	298,978	291,973

The fair values of borrowings are based on cash flows discounted using borrowing rates varying from 2.36% to 7.13% (2015: 2.16% to 7.13%).

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 *Borrowing and Investment Powers Act*.

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

NOTE 14 - EMPLOYEE BENEFITS

	2016	2015
	\$'000	\$'000
Current Provisions		
Employee Benefits	350	334
Annual Leave		
Unconditional and expected to settle within 12 months	2,099	1,906
Unconditional and expected to settle after 12 months	310	291
Long Service Leave		
Unconditional and expected to settle within 12 months	396	396
Unconditional and expected to settle after 12 months	2,900	2,901
On-costs		
Unconditional and expected to settle within 12 months	377	354
Unconditional and expected to settle after 12 months	576	573
Total Current Provisions	7,008	6,754
Non-Current Provisions		
Employee Benefits	958	867
On-costs	175	159
Total Non-Current Provisions Employee Benefits	1,134	1,026
Total Provisions	8,142	7,780
Employee numbers at end of financial year	259	254
The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:		
Weighted average increase in employee costs	4.13%	4.44%
Weighted average discount rates	1.59 - 2.15%	1.93 - 3.14%
Weighted average settlement period	13 years	13 years

NOTE 15 - PROVISIONS

Dutson Downs Rehabilitation Provisions

The Corporation operates a prescribed waste treatment and storage facility at its Dutson Downs property. Historically, the 350ha site was established in order to dispose of prescribed wastes using landfill technology. The facility is approved by the Environment Protection Authority (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 ceased operating. The Corporation recognised through the establishment of a provision, the liability for the rehabilitation of the Bioremediation Pond. The provision is reviewed 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 with works to be completed in accordance with the Rehabilitation Action Plan.

(ii) Landfill Site Rehabilitation

The Corporation operates an EPA licensed landfill for the disposal of inorganic waste. This provision recognises the final restoration cost to close and restore the land fill site. Based upon current utilisation management has estimated the land fill site has one year of remaining life (2015:2). This provision is reviewed annually to ensure it adequately covers the rehabilitation costs and satisfies any current environmental regulations prevailing at the end of reporting period.

	2016	2015
	\$'000	\$'000
Current		
Bioremediation Pond Rehabilitation	403	100
Landfill Site Rehabilitation	257	30
Total Current Provisions	660	130
Non-Current		
Bioremediation Pond Rehabilitation	-	323
Landfill Site Rehabilitation	-	241
Total Non-Current Other Provisions	-	564
Total Other Provisions	660	694

Movements in Provisions

	Bioremediation Pond	Landfill Site	Total
	\$'000	\$'000	\$'000
Opening balance at 1 July	423	271	694
Utilised during reporting period	(20)	(14)	(34)
Closing balance at 30 June	403	257	660

NOTE 16 - CONTRIBUTED CAPITAL

	2016	2015
	\$'000	\$'000
Opening balance at 1 July	255,971	254,822
Capital contributions (i)	-	1,149
Closing balance at 30 June	255,971	255,971

(i) Capital contributions received in 2014-15 represent land.

NOTE 17 - RESERVES

	2016	2015
	\$'000	\$'000
Asset Revaluation Reserve		
- Land (net of tax)	16,532	15,349
- Buildings (net of tax)	2,204	2,425
- Infrastructure (net of tax)	164,812	147,303
Total Reserves	183,548	165,077

Movements in Reserves

	2016	2015
	\$'000	\$'000
Asset Revaluation Reserve		
Opening balance at 1 July	165,077	164,346
Revaluation increment/(decrement) on Non-Current Assets, net of tax	18,471	731
Closing balance at 30 June	183,548	165,077

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

NOTE 18 - ACCUMULATED FUNDS

	2016	2015
	\$'000	\$'000
Opening balance at 1 July	310,547	310,214
Net Result for the period	9,083	333
Closing balance at 30 June	319,630	310,547

NOTE 19 - FUTURE EXPENDITURE COMMITMENTS

	2016	2015
	\$'000	\$'000
Non-Cancellable Operating Lease Commitments		
<i>Operating Leases for access to roads and infrastructure</i>		
- within one year	34	30
- later than one year but not later than five years	43	41
- later than five years	9	16
Total Operating Lease Commitments	86	87
Capital Expenditure Commitments		
<i>Infrastructure, Property, Plant and Equipment</i>		
- within one year	2,741	7,139
- later than one year but not later than five years	-	-
- later than five years	-	-
Total Capital Commitments	2,741	7,139
Other Commitments		
<i>Environmental contribution</i>		
- within one year	4,660	4,660
- later than one year but not later than five years	15,022	-
- later than five years	-	-
Total Environmental Contribution Commitment	19,682	4,660

The Corporation is required to make an annual contribution of \$4.66M per year until 30 June 2018 and \$5.181M per year until 30 June 2020. This is as per the Environmental Contributions Order 2012 to 2020.

At 30 June 2016, the Corporation did not have any outstanding commitments for the purchase of biological assets or intangible assets.

NOTE 20 - CONTINGENT ASSETS AND LIABILITIES

At balance date the Corporation was aware of the following contingent assets and contingent liabilities which are not recorded or disclosed in these accounts.

Contingent Assets

EPA has published a new reformed system, including the new calculations to advise current licence holders with a financial assurance obligation.

Now that the reformed system is in place, EPA will be conducting a review of all existing licences. This will be done according to a planned program, where the highest risk sites will be reviewed first. It is expected that the implementation process will take some time to complete. While the Corporation is encouraged to review the effect of the guidelines, there is no requirement to act until EPA initiates a review at Corporation's site.

The Corporation's initial review has indicated that the current bond of \$1M will be increased to approx. \$3M.

Contingent Liabilities

None.

NOTE 21 - SUPERANNUATION

The Corporation makes the majority of its employer superannuation contributions in respect of its employees to the Vision Superannuation Fund (The Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the Corporation and the Corporation's legal or constructive obligation is limited to these contributions.

Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/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 (for the year ended 30 June 2016, this was 9.5 per cent required under Superannuation Guarantee Legislation (for 2014-15, this was 9.5 per cent)). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to the employees are represented by their share of net assets of the Fund.

The Superannuation Guarantee contribution rate is legislated to progressively increase to 12 per cent by 2025. The Superannuation Guarantee rate will remain at 9.5 per cent for seven years, increasing to 10 per cent from 1 July 2021, and eventually to 12 per cent from 1 July 2025.

Defined Benefit

As provided under Paragraph 34 of AASB 119, the Corporation does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Corporation in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfall identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119 because of the pooled nature of Fund's defined benefit category.

Funding arrangements

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.

The Fund's latest actuarial investigation was held as at 30 June 2016 and while the Fund Actuary is yet to finalise their review and report, it has been determined that the Vested Benefit Indexed (VBI) of the defined benefit category of which the Corporation is a contributing employer was 102 per cent.

The Australian Prudential Regulation Authority (APRA) has introduced a prudential standard (SPS 160 - Defined Benefit Matters) to determine the funding requirements of a defined benefit (DB) arrangement. Under this standard:

- The VBI is the measure to determine whether there is an unfunded liability; and
- any unfunded liability that arises must be paid within three years.

NOTE 21 - SUPERANNUATION (cont.)

Under SPS 160, the VBI is to be used as the primary funding indicator. Because the VBI was above 100 per cent, the actuarial investigation determined the defined benefit category was in a satisfactory financial position under SPS 160. As a result, the Fund Actuary determined that no change was necessary to the defined benefit category's funding arrangements from prior years.

The Fund's employer funding arrangements comprise of three components as follows:

1. Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls - which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments - which are additional contributions to cover the increase in liability arising from retrenchments.

The Corporation is also required to make additional contributions to cover the contribution tax payable on the components 2 and 3 referred to above. Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

Employer contributions

Regular contributions

On the basis of the results of the most recent interim investigation conducted by the Fund's actuary as at 30 June 2016, the Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee, on the advice of the Fund's Actuary. For the year ended 30 June 2016, this rate was 9.5 per cent of members' salaries (9.5 per cent in 2014-15). This rate will increase in line with the Superannuation Guarantee increases. In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

Funding Calls

The fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100 per cent at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occurs, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where APRA may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97 per cent. In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Corporation) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

NOTE 21 - SUPERANNUATION (cont.)

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period; and
- the pensioner liabilities (including any potential pensioner liabilities arising from deferred members) which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993. The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated. Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Differences between calculations

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), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in the Corporations 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.

Retrenchment increments

During 2015-16, the Corporation was not required to make payments to the Fund in respect of retrenchment increments. The Corporation's liability to the Fund as at 30 June 2016, for retrenchment increments, accrued interest and tax is Nil.

The 2015 interim actuarial investigation surplus amounts

The Fund's actuarial investigation as at 30 June 2015 identified the following in the defined benefit category of which the Corporation is a contributing employer:

- A VBI surplus of \$130.8 million; and
- a total service liability surplus of \$239 million.

The VBI surplus means that the market value of the Fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 21 - SUPERANNUATION (cont.)

Accrued benefits

The Fund's liability for accrued benefits was determined in the 2015 interim actuarial investigation pursuant to the requirements of AAS 25 as follows:

	30 June 2015	30 June 2014
	\$M	\$M
Net Market Value of Assets	2,379.2	2,354.9
Accrued Benefits (per accounting standard)	2,083.1	2,061.9
Difference between Assets and Accrued Benefits	296.1	293.0
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)		2,277.8
The financial assumptions used to calculate the Accrued Benefits for the defined benefit category were:		
- Net Investment Return	7.00% p.a.	7.50% p.a.
- Salary Inflation	4.25% p.a.	4.25% p.a.
- Price Inflation	2.50% p.a.	2.75% p.a.

The next full investigation will be as at 30 June 2017.

NOTE 21 - SUPERANNUATION (cont.)

Super Contributions

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

	Type of Scheme	Contribution Rate	2016	2015
			\$'000	\$'000
Vision Super - Defined Benefits	Defined Benefits	9.50 - 15.25%	211	245
Vision Super - Super Saver	Accumulation	9.50%	1,054	1,104
Equip Super Fund	Accumulation	9.50%	70	54
Rest Superannuation	Accumulation	9.50%	33	29
VicSuper	Accumulation	9.50%	72	68
Superwrap	Accumulation	9.50%	28	22
Unisuper	Accumulation	9.50%	15	15
Australian Super	Accumulation	9.50%	120	108
Hostplus Superannuation	Accumulation	9.50%	20	21
CBUS Superannuation	Accumulation	9.50%	62	50
Colonial First State	Accumulation	9.50%	52	36
Asgard	Accumulation	9.50%	21	20
MLC Super	Accumulation	9.50%	14	13
Mercer Super Trust	Accumulation	9.50%	14	22
AMP Flexible Super	Accumulation	9.50%	44	33
Hesta	Accumulation	9.50%	38	33
EISS Super	Accumulation	9.50%	16	16
ESS Super	Accumulation	9.50%	14	13
IOOF	Accumulation	9.50%	14	13
Wealth Personal Super	Accumulation	9.50%	14	13
BT Super	Accumulation	9.50%	8	12
First State Super	Accumulation	9.50%	12	11
Other Retail Superannuation Funds	Accumulation	9.50%	65	70
Self-Managed Superannuation Funds	Accumulation	9.50%	63	67
Total			2,074	2,088

As at the reporting date, there were no outstanding contributions payable to the above funds (2015: Nil).

NOTE 22 - RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES

(a) Responsible persons

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

The Hon. Lisa Neville MP - Minister for Environment, Climate Change and Water	1 July 2015 - 22 May 2016
The Hon. Lisa Neville MP - Minister for Water	23 May 2016 - 30 June 2016

Board members	
Therese Ryan (Chair)	1 October 2015 - 30 June 2016
Greg Hade (Deputy Chair)	1 October 2015 - 30 June 2016
Jane Oakley	1 October 2015 - 30 June 2016
Margaret Supplitt	1 October 2015 - 30 June 2016
Jo Benvenuti	1 October 2015 - 30 June 2016
Sarah Cumming	1 July 2015 - 30 June 2016
Malcolm Eccles	1 July 2015 - 30 June 2016
David Mawer (Managing Director)	1 July 2015 - 30 June 2016

Retiring members	
Richard McDowell (Chair)	1 July 2015 - 30 September 2015
Ormond Pearson (Deputy Chair)	1 July 2015 - 30 September 2015
William (Peter) Day	1 July 2015 - 30 September 2015
Leonie Hemingway	1 July 2015 - 30 September 2015
Bernadette Hannagan	1 July 2015 - 30 September 2015

Remuneration of responsible persons

Remuneration paid to the Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

	2016	2015
	\$'000	\$'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).	470	465

NOTE 22 - RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES (cont.)**(a) Responsible persons (cont.)**

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

Income Band (\$'s)	Total Remuneration	
	2016	2015
	No.	No.
Up to 9,999	4	-
10,000 - 19,999	5	-
20,000 - 29,999	2	6
30,000 - 39,999	1	-
40,000 - 49,999	-	1
280,000 - 289,999	-	-
290,000 - 299,999	1	1
Total Numbers	13	8

Retirement benefits of responsible persons

There were no loans in existence by the Corporation to responsible persons or related parties at the date of this report (2015: \$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 (2015: \$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.

Sarah Cumming is a Senior Manager at Latrobe City Council. Ms Cumming advised of this potential conflict at all meetings. During 2015-16, Gippsland Water made statutory payments to this organisation of \$143,201.

Jane Oakley is a Senior Manager at Baw Baw Shire Council. Ms Oakley advised of this potential conflict at all meetings. During the period 1 October 2015 to 30 June 2016, Gippsland Water made statutory payments to this organisation of \$34,753.

Ormond Pearson is the Chair of Latrobe Health Services. During the period 1 July 2015 to 30 September 2015, Gippsland Water made statutory payments to this organisation of \$8,386.

Peter Day holds a directorship of SAI Global. During the period 1 July 2015 to 30 September 2015, Gippsland Water made statutory payments to this organisation of \$16,853.

NOTE 22 - RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES (cont.)

(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.

Income Band (\$'s)	Total Remuneration		Base Remuneration	
	2016	2015	2016	2015
	No.	No.	No.	No.
150,000 - 159,999	-	-	-	-
160,000 - 169,999	-	-	-	-
170,000 - 179,999	-	-	1	2
180,000 - 189,999	1	2	1	1
190,000 - 199,999	1	1	-	1
200,000 - 209,999	-	-	2	1
210,000 - 219,999	2	2	-	-
Total Number of Executives (i)	4	5	4	5
Total Annualised Employee Equivalent (AEE)	4	5	4	4
Total remuneration for the reporting period of Executive Officers included above amounted to (\$'000):	811	979	769	926

(i) Due to a restructure in late 2015, the number of Executives was reduced by one.

(c) Other Personnel (Contractors with Significant Management Responsibilities)

During the year the Corporation had no other personnel, by way of contractors, charged with significant management responsibilities.

NOTE 23 - RECONCILIATION OF NET RESULT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2016 \$'000	2015 \$'000
Net Result	18	9,083	333
<i>Add/(Less) Non-Cash Flows in Operating Activities</i>			
Loss on Sale and Impairment of Property, Plant and Equipment	3(b) (c)	315	3,374
Depreciation and Amortisation	3(c)	36,416	33,814
Developer Contributions	3(a)	(8,762)	(6,084)
Provision for Impaired Receivables		11	35
Plantations Revenue non-cash		(1,192)	50
Other Revenue non-cash		(1,424)	-
Income Tax Expense/ (Benefit)		2,721	1,422
Net Cash provided by Operating Activities before change in Assets and Liabilities		37,168	32,943
<i>Changes in Operating Assets and Liabilities</i>			
(Increase)/Decrease in Trade Receivables		(1,057)	(2,684)
(Increase)/Decrease in Other Current Assets		(811)	(159)
(Increase)/Decrease in Inventory and Livestock		(435)	(752)
(Increase)/Decrease in Deferred Tax Liabilities/ Assets		7,916	1,733
(Decrease)/Increase in Payables		4,267	1,814
(Decrease)/Increase in Provisions		(35)	(240)
(Decrease)/Increase in Employee Benefits		363	320
Net Cash Flows From Operating Activities		47,376	32,973

CENTRAL GIPPSLAND REGION WATER CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT 2015-16

NOTE 24 - DIVIDENDS

No dividend has been provided for the current financial year. The process to determine if a dividend is payable is outlined in Note 1.27. The Board does not believe that it will be required to pay a dividend based on the 2015-16 result. No dividend was paid on the 2014-15 result.

NOTE 25 - EVENTS OCCURRING AFTER BALANCE DATE

The management is not aware of any significant events occurring after balance date.

NOTE 26 - REMUNERATION OF AUDITORS

	2016	2015
	\$'000	\$'000
Victorian Auditor-General's Office	65	60
Audit of financial statements		
Total remuneration for Auditors	65	60

NOTE 27 - EX-GRATIA PAYMENTS

	2016	2015
	\$'000	\$'000
The Corporation incurred the following Ex-gratia Expenses:		
Trade Receivables written-off	433	238
Property damage payments	31	9
Other	11	0
Total Ex-gratia Expenses	475	247

Trade Receivables written-off

Trade Receivables written-off is where the Corporation has made a commercial decision to no longer pursue customers who have a debt with Gippsland Water. This will generally be after having exhausted all avenues of debt collection, where it is no longer commercially viable to pursue and is subject to sign-off at General Manager level. Amounts are typically less than \$1,000 (2015: \$1,000).

Additionally there has been a major customer debt written-off during the year amounting to \$177,000 due to a voluntary administration and subsequent liquidation (2015: Nil). These have been included in administration expenses in the comprehensive operating statement.

Property damage payments

Represents a contribution to owners who have experienced property damage due to unforeseen events such as sewerage spill. Property damage payments in 2015-16 included two claims both associated with sewer and water overflows (\$16,700 and \$6,500) with the remainder all being less than \$5,000 each (2015: \$5,000). This has been included in administration expenses in the comprehensive operating statement.

Other

Other represents a termination arrangement with employees who have left the Corporation. In 2015-16, there was one such instance (2015: Nil). This has been included in employee benefits in the comprehensive operating statement.

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 Financial Reporting Directions, Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2016 and the financial position of the Corporation as at 30 June 2016.

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

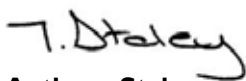
At the time of signing we authorise the attached financial statements for issue.



Therese Ryan
Chair
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 26 August 2016

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Central Gippsland Region Water Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of Central Gippsland Region Water Corporation which comprises operating statement, 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.

The Board Members' Responsibility for the Financial Report

The board members of 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, I and my staff and delegates have 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 Central Gippsland Region Water Corporation as at 30 June 2016 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*.

MELBOURNE
29 August 2016


for Dr Peter Frost
Acting Auditor-General

PART 9

DISCLOSURE INDEX

The annual report of the corporation is prepared in accordance with all relevant Victorian legislation. This index facilitates identification of the corporation's compliance with statutory disclosure requirements.

MINISTERIAL DIRECTIONS

Report of Operations

Charter and purpose

FRD 22G	Manner of establishment and the relevant ministers	4
FRD 22G	Objectives, functions, powers and duties	4
FRD 22G	Nature and range of services provided	4

Management and structure

FRD 22G	Organisational structure	51
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Financial and other information

FRD 8D	Budget portfolio outcomes	N/A
FRD 8D	Operational and budgetary objectives and performance against objectives SD 4.2(k)	56-63
FRD 10A	Disclosure index	138
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Accountable officers' attestation

In accordance with the *Financial Management Act 1994*, I am pleased to attest that the Central Gippsland Region Water Corporation's 2015-16 Annual Report is compliant with all statutory reporting requirements.



Therese Ryan

Chair

Central Gippsland Region Water Corporation



David Mawer

Managing Director

Central Gippsland Region Water Corporation

Dated 26 August 2016

PART 9

GLOSSARY

BAU	Business as usual
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 Scheme
DELWP	Department of Environment, Land, Water and Planning
DRP	Drought Response Plan
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
ESC	Essential Services Commission
FRD	Financial Reporting Direction – a financial reporting direction issued by the Department of Treasury and Finance, on behalf of the Minister for Finance under the <i>Financial Management Act 1994</i> .
GWF	Gippsland Water Factory
ISO	International Standards Organisation
Kilolitres (kL)	1,000 litres
LTIFR	Lost Time Injury Frequency Rate
Megalitres (ML)	1 million litres
M	Million
MRD	Ministerial Reporting Direction – a Ministerial reporting direction issued by the Department of Treasury and Finance under the <i>Financial Management Act 1994</i> .
Ocean outfall	A pipeline that carries effluent to the ocean where it is dispersed and diluted. Gippsland Water's two ocean outfalls are strictly monitored in accordance with EPA regulations to ensure water quality.
Regional Outfall System (ROS)	The ROS pipeline transports approximately 50% of central Gippsland's wastewater to the 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.
SEPP (WoV)	State Environment Protection Policy (Waters of Victoria)
Statement of Obligations (SoO)	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
SDWA	<i>Safe Drinking Water Act 2003</i>
SDWR	<i>Safe Drinking Water Regulations 2015</i>

URG	The Utility Relief Grant Scheme helps eligible customers who are unable to pay their water account due to a temporary financial crisis.
WGCMA	West Gippsland Catchment Management Authority
WSAA	Water Services Association of Australia
WSDS	Water Supply Demand Strategy
WSO	Water Security Outlook
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant

PART 9

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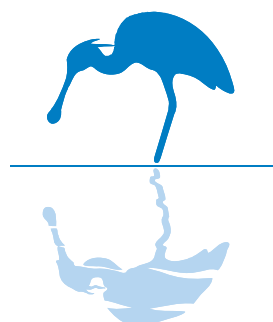
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