

# 2017/18 ANNUAL REPORT



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**We cover areas of two traditional landowner groups:**



A map of the state of Victoria, Australia, shown in green. The Melbourne metropolitan area and surrounding regions are highlighted in blue. The word "Victoria" is written in white text across the center of the map.

We take pride in partnering  
with the community in providing  
quality water and waste services  
so we can enjoy a healthy  
and sustainable Gippsland  
for generations to come.

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## Message from the Chair and Managing Director

We are pleased to present Gippsland Water's Annual Report for 2017-18 in accordance with the *Financial Management Act 1994* (Vic).

This year has been another busy year of change for our organisation with the launch of our new vision and values, placing a greater emphasis on partnering with our communities in the delivery of sustainable outcomes. Supporting our direction are our strategic priorities. Built to reflect employee and customer feedback, our priorities deliver on the commitments made in response to Water for Victoria and the Letter of Expectations. They will deliver the outcomes our customers told us were important to them.

Our new strategic direction is exciting and highlights the important role we play in our community – extending beyond our core business of providing water and wastewater services.

We are committed to communicating and engaging effectively and transparently with our customers and the local community. We undertook significant community consultation on major projects in Sale and Drouin. We consulted with the Sale community and Wellington Shire Council for landscape plans surrounding the \$11.4 million outfall sewer pump station to be built near the Port of Sale. With Drouin experiencing rapid growth, we committed to a \$32 million project to upgrade the wastewater treatment plant, holding information sessions in the town which proved positive, with those in attendance understanding

the project's importance to the growing community.

These projects among others and the proposed prices to deliver these form our plan for the next five years. Developed following extensive consultation with our customers, our Price Submission for 2018-2023 was submitted in September 2017 for approval by the Essential Services Commission (ESC). New tariffs took effect from 1 July 2018.

We are always planning for the future and are committed to supporting the region through economic transition. We have joined the Gippsland Growing Regional Opportunities for Work (GROW) program to leverage our procurement spend to support social and economic benefits locally. Working with the Latrobe Valley Authority, this collaborative effort connects us to social enterprises, indigenous business and the broader supply chain to maximise positive economic and social impacts for our community. We are encouraged by how well this initiative has been embraced by other local organisations and businesses, and look forward to seeing the benefits for our community.

Our focus on innovation and culture has seen us work over the last 18 months towards implementing an enhanced customer relationship management system. The new system will improve customer

choice, access and flexibility. It will deliver a significantly improved experience through digital communication channels, meaning more accessible and modern self-service options – on any device, any time.

As a provider of an essential service, we have an important role to play in responding to the needs of our local community, particularly the most vulnerable. The Latrobe Valley has the highest per capita rate of family violence in Victoria. Our new family violence policies provide a range of support mechanisms including tailored financial assistance, confidentiality, referral to support agencies, and affordable payment arrangements. This extends to our employees, too. We're not counsellors, but we can support our people and our community if they need it.

As our region transitions, we continue to see an increase in the number of customers identified as financially vulnerable – from 680 to more than 1,100 customers this financial year. Through ongoing training, our Customer Contact Centre has increased capability in early identification of customers who might be experiencing financial difficulty. We have introduced a range of programs to help our customers keep on top of their bills and continue to work with cross-sector organisations to assist customers beyond water and wastewater bills.





**Sarah Cumming**  
Managing Director



**Therese Ryan**  
Board Chair

We continue to work collaboratively with neighbouring water corporations to identify and realise efficiencies across each business. We are actively involved in a number of regional forums. The Integrated Water Management forum is one we view as a powerful opportunity to collaborate with local governments to support Water for Victoria. Resilience of community infrastructure is one of the main areas we will be working on in future. This ensures our community can continue to enjoy open spaces and recreation facilities during times of drought.

We recognise and support Aboriginal cultural values and economic inclusion. As a partner of Gippsland Environmental Agencies, we signed a milestone regional agreement with the Gunaikurnai Land and Waters Corporation (GLaWAC) and the Gunaikurnai Traditional Owners Land Management Board. The partnership agreement is a huge step forward for our organisation

on our journey towards enabling Aboriginal wellbeing and economic development through water, in line with Water for Victoria. The partnership agreement aims to support the establishment of a GLaWAC presence in the Latrobe Valley, coordinate employment and training opportunities within Gippsland for Aboriginal people, and review procurement and tendering processes to promote inclusion and training of Gunaikurnai people.

We are committed to making the most out of the water resources available in our region. As some of our major customers retire their assets and release capacity back into our water systems, we have identified surplus water and offered this for water trading in the region. We have also recognised opportunities to support potential new industries to set up in Gippsland where we can provide reliable, clean and safe water and wastewater services. Water is a precious resource enabling health, economic

development and quality of life – we want access to water to benefit our community.

A reminder of the crucial role we play in providing this essential service came in July 2017 when our maintenance crews carried out emergency repair works on the Boola Tunnel. Routine inspections found a leak coming from this vital pipeline which is part of the Tyers River Conduit. The conduit is the main transfer pipeline from Moondarra Reservoir which is the primary raw water source for the local paper and power industry as well as the towns of Morwell, Traralgon, Churchill, Yinnar and Boolarra.

We continue to future-proof our fundamental service of providing water to our customers, with work on stage two of the Moe to Warragul interconnect well underway. This \$15 million project will reduce the likelihood of water restrictions in Warragul and Drouin. It will also allow up to eight million litres of water per day to be transferred between



## Message from the Chair and Managing Director continued

the two previously unconnected water grids. Securing water supplies is essential for this region as it experiences rapid residential growth, which is predicted to increase at an annual rate of 2.3 per cent to reach 60,452 people by 2026 (Baw Baw Shire: <http://www.bawbawshire.vic.gov.au/About-Council/Our-Shire/Population>).

Our operating model is heavily affected by the nexus between water and energy. As a provider of significant bulk systems supporting critical electricity and gas infrastructure, as well as supporting other major industries in the region, our energy consumption and associated costs are significant. In response to rising energy prices, we are investing in renewable energy projects that will offset our costs and minimise impacts on our customers, as well as reduce our carbon footprint. We are also expanding our focus on efficiency

and innovation to ensure that we minimise our energy consumption and associated costs.

While we celebrate our significant achievements in 2017-18, we look forward to an exciting 2018-19. We take with us two new general managers and two new board members along the journey to bring our vision and strategic plan to fruition.

The successes this year were achieved because of the contribution of our hard working and dedicated employees. With sincere gratitude, we thank our Board of Directors, our employees, contractors and stakeholders for their continued support and efforts over the last 12 months. Our commitment to deliver on our priorities will strengthen us for the future.



**Sarah Cumming**  
Managing Director



**Therese Ryan**  
Board Chair



We are the Central Gippsland  
Region Water Corporation,  
and trade as Gippsland Water

# PART I

## Year in Review

### About us

We are a regional water corporation in Victoria established under the *Water Act 1989* (Vic) and constituted on 21 December 1994. The Hon. Lisa Neville MP, Minister for Water, was the responsible minister from 1 July 2017 to 30 June 2018.

With 286 operational, engineering, financial, environmental and administrative employees, we are a major local employer for the region serving a population base of 147,000 people.

We deliver water to 69,788 customers and wastewater services to 62,469 customers in 43 towns. Our customers include major industries, some of which are of state and national significance.

Our service area spans from Drouin in the west, to Loch Sport in the east, from Briagolong in the north, to Mirboo North in the south. This covers approximately 5,000 square kilometres in the municipalities of the Baw Baw Shire, Latrobe City, South Gippsland Shire, and Wellington Shire.

The way water is treated depends on where it is sourced. We take water from 13 different sources including aquifers, rivers, creeks and reservoirs. Our largest storage is Moondarra Reservoir, south of Erica, with a capacity of 30,458ML. We also take water from storages managed by Southern Rural Water (Blue Rock Dam and Lake Glenmaggie) and Melbourne Water (Tarago Reservoir).

As part of our agribusiness operations, we manage 12 farming sites producing a combination of beef, crops and plantation timber. Our largest farm, at Dutson Downs, is located 25 kilometres south-east of Sale and spans 8,341 hectares.

This is also where we operate our Soil and Organic Recycling Facility (SORF). The SORF transforms more than 200,000 tonnes of waste each year into valuable, nutrient rich compost. We supplied approximately 60,000 tonnes of Revive™ Recycled Compost to dairy, beef and horticultural farms across Gippsland in 2017-18.

**We own and maintain a \$1 billion infrastructure network which includes:**



of water mains,  
**65** treated  
water storages and  
**48** pump stations



of sewer mains  
and **199**  
sewer pump  
stations



water treatment  
plants



wastewater  
treatment plants  
including the  
Gippsland Water  
Factory



ocean outfalls  
(McGaurans Beach  
and Delray Beach)



# Our vision and values

The Victorian Government's Water for Victoria plan sets expectations for a healthy environment, a prosperous economy with growing agricultural production, and thriving communities. Our vision, values, strategy and new structure provide the means by which we can, for and on behalf of the Gippsland community, deliver on Water for Victoria.

We take pride in partnering with the community in providing quality water and waste services so we can enjoy a healthy and sustainable Gippsland for generations to come.

## Our values



### **SAFETY AND WELLBEING** **'Go home safe'**

The safety and wellbeing of our employees and community is our priority. Always.



### **ACCOUNTABILITY** **'Make it happen'**

We each take ownership and deliver on what we say.



### **CUSTOMER FOCUSED** **'Customer first'**

Customers are at the heart of everything we do.



### **COLLABORATION** **'Working together'**

We work in partnership with our colleagues, customers, and stakeholders.



### **INNOVATION** **'Clever solutions'**

We challenge our thinking, learn and embrace change.



### **INTEGRITY AND RESPECT** **'Treat others as we wish to be treated'**

We are transparent, honest, inclusive, and treat people fairly.



## Overview of financials

Summary of financial results	2017-18	2016-17	2015-16	2014-15	2013-14
	\$'M	\$'M	\$'M	\$'M	\$'M
Service charges	78.8	75.9	74.1	71.2	70.7
Volumetric charges	39.3	38.5	38.1	35.9	35.8
Developer contributions	12.3	7.0	10.7	9.4	6.5
Other revenue	5.5	12.5	19.2	13.3	17.0
<b>Total revenue</b>	<b>135.9</b>	<b>133.9</b>	<b>142.2</b>	<b>129.8</b>	<b>130.0</b>
Operations, maintenance and administration	76.4	73.9	74.2	74.3	73.5
Depreciation expenses	39.7	39.9	36.4	33.8	32.2
Environmental contribution	4.6	4.7	4.7	4.7	4.7
Finance expenses	14.0	14.3	15.1	15.3	14.6
<b>Total expenditure</b>	<b>134.7</b>	<b>132.8</b>	<b>130.4</b>	<b>128.1</b>	<b>125.0</b>
<b>Net result before tax</b>	<b>1.2</b>	<b>1.1</b>	<b>11.8</b>	<b>1.7</b>	<b>4.9</b>
Current assets	32.3	34.9	33.5	32.3	27.0
Non-current assets	1,186.9	1,176.2	1,179.5	1,143.7	1,125.7
<b>Total assets</b>	<b>1,219.2</b>	<b>1,211.1</b>	<b>1,213.0</b>	<b>1,176.1</b>	<b>1,152.7</b>
Current liabilities	100.5	78.3	85.4	82.9	78.4
Non-current liabilities	351.9	374.3	368.5	361.6	344.9
<b>Total liabilities</b>	<b>452.4</b>	<b>452.6</b>	<b>453.8</b>	<b>444.5</b>	<b>423.3</b>
<b>Net cash flow from operations</b>	<b>41.4</b>	<b>32.9</b>	<b>47.4</b>	<b>33.0</b>	<b>41.2</b>
<b>Payments for capital works</b>	<b>50.4</b>	<b>30.5</b>	<b>52.3</b>	<b>58.9</b>	<b>53.7</b>

## Financial indicators

Key Performance Indicator	2017-18 Result	2016-17 Result	2015-16 Result	2014-15 Result	2013-14 Result
<b>Cash interest cover (times)</b>	3.98	3.33	4.17	3.21	3.92
<b>Gearing ratio</b>	23.21%	23.12%	23.08%	23.60%	21.73%
<b>Internal financing ratio</b>	82.08%	109.99%	92.99%	55.95%	76.68%
<b>Current ratio</b>	0.34	0.47	0.41	0.41	0.36
<b>Return on assets</b>	1.25%	1.26%	2.24%	1.45%	1.68%
<b>Return on equity</b>	0.11%	0.10%	1.22%	0.05%	0.45%
<b>Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) margin</b>	40.33%	41.21%	44.43%	40.02%	39.53%

## Discussion of key results for the financial year

In 2017-18, we didn't achieve our overall budgeted financial objectives. Our net result before tax was a profit of \$1.2 million, compared to a budgeted profit of \$6.0 million. This lower than expected profit is the result of a number of key issues described below.

Total revenue increased by \$2.3 million compared to our Corporate Plan budget, with material movements in the following revenue components:

- An increase in service charges of \$0.9 million, due in particular to increases from non-residential and major customers.
- An increase in volumetric charges of \$0.6 million, due in particular to increases from non-residential customers.
- An increase in developer contributions of \$2.5 million, due to extensive developer activity in the west of our region.
- A decrease in other revenue of \$1.7 million, primarily due to significant reductions in revenue from our Agribusiness activities during the year. This included a delay in harvesting a significant plantation due to a downturn in local sawmilling activity, and poor rainfall which limited cattle farming opportunities during the year.

Total expenditure increased by \$7.1 million compared to our Corporate Plan budget, with material movements in the following expenditure components:

- An increase in operations, maintenance and administration expenses of \$1.1 million due mainly to the write-off of capital works in progress and the write-down of plantation assets.

- An increase in depreciation expenses of \$1.2 million as capital works in progress were recognised as fixed assets for the first time.
- An increase in the net loss on the disposal of assets during the year of \$5.6 million, due to the decommissioning of infrastructure assets during the period.
- A decrease in finance expenses of \$0.8 million, due to lower borrowings than forecast.

Our net result before tax (\$1.2 million profit) contrasts with a previous year profit of \$1.1 million. In comparison with the previous year, total revenue increased by \$2.0 million with material movements in the following revenue components:

- An increase in service charges of \$2.9 million.
- An increase in volumetric charges of \$0.8 million.
- An increase in developer contributions of \$5.3 million, due to increased developer activity, and the construction of a refundable asset for a major customer.
- A decrease in other revenue of \$7.0 million, due to a significant reduction in Agribusiness revenues noted above, and decommissioned asset write-offs (treated as a negative revenue in the presentation of our accounts).

Total expenditure increased by \$1.9 million compared to the previous year with material movements in the following expenditure components:

- An increase in operations, maintenance and administration expenses of \$2.4 million.
- A reduction in depreciation expenses of \$0.2 million.
- A reduction in finance expenses of \$0.3 million.

Embed a safety, health and environmental improvement culture that drives a significant reduction in injuries towards zero and has a positive impact on public health and the environment

# PART 2

## Safety, Health and Environment



### Safety

#### Board Safety, Health and Environment (SHE) Committee

Our Board SHE Committee provides reports and recommendations to our Board on a range of strategic matters relating to occupational health and safety, and environmental management.

The Board SHE Committee is passionate about the safety of our people and believes in a team-based consultative approach to occupational health and safety. The committee's objectives 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 Board SHE Committee met four times in the calendar year. Its members for 2017-18 were:**

- Malcolm Eccles (Chair) (from October 2012).
- Therese Ryan (from October 2015).
- Margaret Supplitt (from December 2015).
- Christopher Badger (from October 2017).

#### Case Study

**Level of employee safety engagement on the rise**



**Our Safety Culture Survey revealed an engagement score of 72 per cent, placing us within a 'sustainable' safety culture level.**

This puts us in a very strong position to meet our target of >80 per cent in the next three years. Our safety culture is just eight points short of being considered best practice. Actions from the survey results have been built into workgroup and performance planning processes. Eighty-one per cent of employees completed the survey – another great indicator of safety engagement across our organisation.

## Occupational Health and Safety management measures

Measure	KPI	2017-18	2016-17	2015-16	2014-15
Incidents	No. of safety reports (excl. contractors)	575	465	374	316
	No. of safety reports (incl. contractors)	647	515	480	401
	Rate per 100 FTE (excl. contractors)	204	182	145	123
Claims	No. of standard claims	4	4	13	6
	FTE	258.66	255.97	257.68	252.23
	Rate per 100 FTE	1.55	1.56	5.05	2.38
	No. of lost time claims	3	4	11	3
	Rate per 100 FTE	1.16	1.56	4.27	1.19
	No. of claims exceeding 13 weeks	0	1	1	0
	Rate per 100 FTE	0	0.39	0.39	-
Fatalities	Fatality claims	0	0	0	0
Claim cost	Average cost per standard claim	\$11,107.75	\$14,436.00	\$27,845.85	\$13,678.83

We developed and launched a new OHS Strategy during this period, with the first strategic activity being a Safety Culture Survey. We are pleased with the result, indicating that we have a 'sustainable' safety culture and continue to work on a team, departmental and organisational level to implement initiatives to build on the safety culture and push it into the 'best practice' space.

We have continued to focus on supporting and enhancing our safety reporting culture and the early identification of safety hazards throughout the reporting period.

The total number of incidents include those that are classified as 'leading indicators' such as near misses and hazard reports. We are focusing on an open and transparent safety culture at all levels, fostered by the Board SHE Committee and leadership team. We have seen an increased number of reports as a result of this.

Our increased education and awareness activities throughout the year have contributed to a rise in the number of reports. During the period, we have conducted training and education, awareness and ergonomic assessments as preventative and reactive measures to minimise injuries. We have continued to enjoy good support at all levels, from the SHE Committee to our Executive Leadership Team.

The Lost Time Injuries (LTIs) reported for the 2017-18 period are a combination of preventable, non-preventable and non-specific injuries.

### Case Study

#### Andrew builds a new career



**Andrew McNabb was working from Warragul as a Multi-Skilled Operator fixing water mains when he tore a hole in a disc in his lower spine, damaging a sciatic nerve.**

After surgery and recovery, Andrew was actively involved in his return-to-work planning along with Field Services team leaders and our Return to Work Coordinator. He took on alternate duties to gain new skills. Although surgery was successful and he made a very good recovery, Andrew was unable to return to his role as a Multi-Skilled Operator. Consultation across the business identified a vacancy for a permanent full-time Customer Contact Officer and Andrew was redeployed to our Customer Contact Centre in September 2017. Andrew is now a key member of the team and his field knowledge continues to benefit our customers. This outcome has bridged the gap between our Field Services team and Contact Centre team – a great outcome for Andrew and his family, our customers, and our whole business.

## Health

### Water quality reporting

We are committed to providing safe drinking water to all our customers. We have a water quality risk management system in place, which includes a risk-based compliance sampling and testing program. This is undertaken to comply with the Safe Drinking Water Regulations (SDWR) 2015 under section 56 of the *Safe Drinking Water Act 2003* (Vic).

These samples are collected weekly to follow our SDWR 2015 risk management obligations. Sample analysis is independently undertaken and all test results are available to our customers on request.

Water sampling in all 35 towns that we serve showed that we delivered safe drinking water throughout 2017-18. We were successfully audited against the SDWR 2015 requirements for the reporting period.

When unplanned events occur that may impact water quality, extra risk-based sampling and testing is carried out. We do this to assess and manage risks, then put appropriate controls in place to ensure we provide safe drinking water at all times.

Detailed water quality reporting is available in the Key Performance Indicator table (see Part 6 under 'Corporate Key Performance' on page 56).

### We have made further improvements around water quality during 2017-18. These include:

- Upgrading the secondary disinfection systems to maintain water quality safety.
- Upgrading process controls for improved water treatment plant operation during weather and water quality events.
- Installing activated carbon dosing at the Heyfield and Maffra water treatment plants to improve taste and odour.
- Implementing a Water Information Management System. This has enabled external data migration, and transition to a digital system. It has improved understanding of and access to field, water treatment plant, process and compliance data.
- Implementing the 'OK Alone' lone operator phone application dedicated to improve employee safety. The app enables our people who are working remotely or in isolation to efficiently notify the organisation that they are safe.

- Introducing the 'Five Cs for Protecting Water Quality' initiative for unplanned water main breaks. Our teams refer to the five Cs to ensure: Clean pipes – check before installing; Clearance – stop contaminated water running into pipes; Chlorination – flush after repair; Cleanliness – clean tools and separate from contamination; and Clothing – wear appropriate clothing.
- Delivering air scouring works to maintain water supply. Air scouring is a process that cleans the pipes using a pressurised air water mix.

## Case Study

### Partnering with the Licola community



### We continue to support the township of Licola after helping design and implement a better water supply system for the town which was ravaged by fires, mudslides and floods in 2007.

We have worked with the Licola Wilderness Village for 10 years providing in-kind assistance in monitoring and maintaining their water treatment facility, as the majority of visitors are from the Latrobe Valley. Although the Lions Club owns Licola Wilderness Village which is a private water scheme and is responsible for the town's water supply, our Water Quality team has assisted them with upgrading the chlorine dosing system to ensure it is working well and disinfecting as it should. This ensures safe drinking water is provided to all who visit and stay at the Wilderness Village. We also attend twice a year to undertake basic maintenance of the drinking water disinfection system.

## Residential daily drinking water consumption

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

Month	L/person/day 2017-18	L/person/day 2016-17	L/person/day 2015-16
July	194	187	175
August	184	160	156
September	174	196	198
October	133	138	147
November	187	184	193
December	163	162	175
January	227	220	252
February	218	223	211
March	252	226	238
April	215	212	226
May	248	262	237
June	182	166	174
<b>TOTAL</b>	<b>2,377</b>	<b>2,336</b>	<b>2,382</b>

Note: This data is based on a population served estimate for 2017. Monthly potable demand is based on billing which runs in four-month cycles by region.

## Total residential bill

Year	AVERAGE CONSUMPTION		200KL CONSUMPTION	
	Total bill	Customer bill	Total bill	Customer bill
2017-18	\$1,325.82	\$1,289.82	\$1,390.70	\$1,354.70
2016-17	\$1,298.24	\$1,262.24	\$1,361.77	\$1,325.77



## Annual water consumption

SUPPLY SYSTEM	Residential		Non-residential		Major industry	Metered hydrant	Non-revenue <sup>7</sup>	Total supplied	Five-year average annual demand	Consumption variation
	Billed connections <sup>4</sup>	Billed volume <sup>6</sup> (ML)	Billed connections <sup>4</sup>	Billed volume <sup>6</sup> (ML)	Billed volume <sup>5</sup> (ML)	Volume	Billed volume <sup>5</sup> (ML)	Volume	Volume	Volume
Briagolong	369	56.4	24	3.6	0.0	0.0	30.2	90.2	70.7	28%
Coongulla-Glenmaggie	465	33.8	9	5.7	0.0	0.0	10.1	49.6	44.0	13%
Erica Rawson	312	37.9	46	15.6	0.0	0.0	4.2	57.7	70.3	-18%
Heyfield	901	155.3	107	77.5	0.0	2.9	11.3	247.0	234.6	5%
Maffra-Stratford	3,237	574.9	316	96.8	318.1	7.6	135.6	1,133.0	1,097.2	3%
Mirboo North	765	114.9	88	31.5	0.0	0.5	33.3	180.1	188.3	-4%
Moe-Newborough <sup>1</sup>	11,397	1,703.1	878	341.6	1,579.0	13.4	312.9	3,950.0	3,663.5	8%
Moondarra <sup>2</sup>	25,823	4,437.7	2,466	862.5	29,131.5	0.8	1,602.4	36,034.8	45,804.3	-21%
Neerim South-Noojee	717	134.5	66	27.9	0.0	0.0	23.6	186.0	187.4	-1%
Sale-Wurruk	7,232	1,175.4	875	306.0	195.3	3.1	172.4	1,852.3	1,792.0	3%
Seaspray	357	21.7	11	4.5	0.0	0.2	3.6	29.9	29.2	2%
Warragul-Drouin <sup>3</sup>	14,197	2,166.2	1,221	436.9	249.3	14.3	618.1	3,484.9	3,140.7	11%
Willow Grove	179	29.8	11	1.5	0.0	0.2	8.2	39.7	41.8	-5%
Total	65,951	10,641.7	6,118	2,211.5	31,473.2	42.9	2,965.9	47,335.2	56,364.1	-16%

(1) Supplies Moe, Newborough, Trafalgar, Yarragon, Darnum North, Yallourn North and Thorpdale (carting).

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

(3) Supplies Buln Buln, Drouin, Nilma, Darnum South, Rokeby and Warragul.

(4) Number of assessments includes both connected and non-connected customers.

(5) Includes untreated water supplied to major customers from the Moondarra system.

(6) Treated water only.

(7) Includes raw water losses in the Moondarra system.

## Annual water consumption continued

## Non-revenue water summary

Non-revenue water (ML) total  
**2177.3**

Infrastructure Leakage Index (ILI)  
**1.27**

Real water losses (kL/connection/day)  
**0.081**

Real water losses (kL/km/day)  
**3.3**

Note: This data is 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).

## Total groundwater

Raw water taken (ML)	2017-18	2016-17	2015-16	2014-15
BRIAGOLONG	96	79	63	73
SALE	1,921	1,846	1,850	1,910
DUTSON	69	62	47	44
<b>Total</b>	<b>2,086</b>	<b>1,988</b>	<b>1,961</b>	<b>2,027</b>





## Alternative water sources

We don't use alternative water sources for potable water. Alternative sources are used for other purposes as described below.

Town/system	Annual total (ML)	Use
DROUIN	<b>106.8</b>	Agriculture and recreation
HEYFIELD	<b>77.3</b>	Agriculture
MAFFRA	<b>156.1</b>	Agriculture
MARYVALE	<b>68.2</b>	Industry
MIRBOO NORTH	<b>68.3</b>	Recreation
	<b>40.3</b>	Agriculture
MORWELL	<b>586.3</b>	Wetlands irrigation
SALE	<b>974.5</b>	Agriculture
SEASPRAY	<b>12.1</b>	Agriculture
STRATFORD	<b>168.6</b>	Agriculture
WILLOW GROVE	<b>14.0</b>	Agriculture
<b>Total</b>	<b>2,272.5</b>	

## Major customer consumption

As required under the *Water Act 1989* (Vic), the number of our customers who consume more than 100ML per annum are shown below:

Equal to or greater than	Volumetric range – ML per year	No. of customers
	Equal to or greater than 100ML and less than 200ML	
	Equal to or greater than 200ML and less than 300ML	
	Equal to or greater than 300ML and less than 400ML	
	Equal to or greater than 400ML and less than 500ML	
	Equal to or greater than 500ML and less than 750ML	
	Equal to or greater than 750ML and less than 1,000ML	
	Greater than 1,000ML	
	<b>TOTAL NO. OF CUSTOMERS</b>	

## Major customers and their participation in water efficiency programs

The *Water Act 1989* (Vic) 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 our major customers who consume more than 100ML per annum:

Customer	Participation in water efficiency programs
<b>AGL Loy Yang Pty Ltd (Traralgon)</b>	<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"> <li>• Increasing the cycles of concentration of the cooling towers.</li> <li>• Putting tighter controls of cooling tower cycles in place.</li> <li>• Improving plant maintenance and operation to reduce demineralised water consumption and reduce excess waste generation.</li> <li>• Diverting wastewater for fire service pond make-up water.</li> </ul>
<b>Australian Paper Pty Ltd (Maryvale)</b>	<p>Australian Paper continues to focus on water consumption through the setting of strategic annual objectives (water/tonne production) and area budgets (ML/day) with progress communicated via monthly reports. Continuous improvement projects have focused on the accuracy of the site water balance, increasing awareness of water consumption and improving the internal recycling of water.</p>
<b>ENGIE Australia (Hazelwood)</b>	<p>On 31 March 2017, ENGIE ceased coal mining and power generation operations. As such, raw water usage has significantly reduced across the site, particularly with the Hazelwood Cooling Pond not requiring additional water to replace evaporative losses and to maintain water quality in the pondage discharges to local streams within that prescribed by the EPA. Potable water usage has also significantly reduced and water usage continues to be monitored and reported internally. ENGIE will be assessing its ongoing water needs as required for the ongoing Hazelwood Rehabilitation Project.</p>
<b>EnergyAustralia Yallourn Pty Ltd</b>	<p>Programs that EnergyAustralia has completed in 2017-18 consist of:</p> <ul style="list-style-type: none"> <li>• Initiating a monitoring and testing program for intake valves from the Yallourn basins. A repair was undertaken on the level sensor, and redirection was undertaken on the overflow outage pit.</li> <li>• Replacing wall toilet units with dual flush systems across the power station. This program will be completed by 2020.</li> <li>• Repairing and lining replacements undertaken on water mains located at Eastern Road Gatehouse, W3 Transformer, Stage 2 Water Treatment Plant and opposite W Administration Building.</li> <li>• Completing sprinkler testing in line with AS1851 2012 reduced testing regime of deluge and water fire response systems.</li> <li>• Upgrading deluge valves across the site to an air-operated solenoid system. This will be an ongoing program.</li> </ul>

## Major customers and their participation in water efficiency programs continued

2

Safety, Health and Environment

Customer	Participation in water efficiency programs
<b>Fulham Correctional Centre (Fulham)</b>	As of 30 June 2018, Fulham Correctional Centre was unable to provide comment regarding its water conservation initiatives.
<b>Lion – Dairy and Drinks, Lion Pty Ltd (Morwell)</b>	<p>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. The Morwell site is implementing an alternative to a previous hydration process which increased water usage. A new concentration process commencing in October 2018 will generate a five per cent reduction in water usage. Lion Morwell is actively investigating further optimisation of cleaning processes to reduce this water usage. It is noted that future water usage may increase slightly due to greater use of water for cleaning rather than chemicals to achieve a better cost and environmental outcome.</p>
<b>Murray Goulburn Co-operative Co. Limited (Maffra)</b>	<p>Murray Goulburn's main focus in 2017-18 has been on business exposure to energy pricing and also optimising plant run times to ensure milk available has been utilised efficiently and converted into a high quality finished product. Murray Goulburn have increased the amount of lagged steam valves, flanges and pipework throughout its boilerhouse and recently within the factory. The subsequent benefits of this is actually to drive two outcomes:</p> <ul style="list-style-type: none"> <li>• Reduce the amount of gas being consumed to produce steam, minimising heat losses and developing energy metrics of gigajoule/tonne of steam.</li> <li>• Reduce volume of water being consumed by the boilers. Over time, it is anticipated that the pumps and softening dosages used can be resized to a smaller, more suitable equipment and concentration as the current equipment has been sized to account for the common losses of steam.</li> </ul> <p>Murray Goulburn also moved its dryer production to a five-day week after the new year. The basis of this was to get full utilisation of the dryers, ensuring sufficient condensate is returned to the boilers from the evaporators. This is generally the time of year when it is least efficient due to the reduced volume of condensate returned to the boilerhouse. Murray Goulburn also utilise cow water within the boilerhouse so that town water isn't solely consumed for use within the boilers. Cow water is the water that evaporates off the milk solids when the milk is passed through an evaporator.</p> <p>The additional benefits of moving to a five-day week is that all processing plant is washed prior to use rather than running the plant seven days a week inefficiently, which still requires the same number of wash cycles for quality purposes per run.</p>
<b>Pureharvest (Drouin)</b>	As of 30 June 2018, Pureharvest was unable to provide comment regarding its water conservation initiatives.

## Environment

We are committed to demonstrating leadership and empowering our people to responsibly manage the environmental impacts of our operations. This is for the benefit of our customers and the wider Gippsland community. Our Environment and Climate Change Policy is available on our website at <https://www.gippswater.com.au/residential/what-we-do/environmental-management>.

### Biodiversity and natural asset management

As a manager of key areas of land of high conservation significance, we continue to work on projects that help protect and improve Victoria's biodiversity. This aligns with the objectives of *Biodiversity 2037* delivering work in partnership with relevant local agencies and contractors.

In 2017-18, we were awarded three state government grants to protect threatened species. These projects focussed on practical outcomes at our Dutson Downs property, including deer proof fencing for the existing New Holland Mouse habitat corridor; establishment of a population of the nationally endangered Metallic Sun-orchid, and propagation of Wellington Mintbush to increase numbers in the wild. We delivered these projects in partnership with DELWP, the Royal Botanical Gardens and the Australian Native Orchid Society.

We completed population monitoring of the state and nationally threatened New Holland Mouse and the Green and Golden Bell Frog. Both species are thriving on our site.

We continue to manage more than 600 hectares of land (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 or land management plans. All sites were assessed as compliant with requirements by DELWP during the reporting period. The DELWP Credit Register safeguards all past and future impacts of constructing and operating our infrastructure, ensuring no net loss of biodiversity will be caused. We assessed two additional offset sites during 2017-18 and will add these to our offset bank next year.

A remnant strand of threatened Strzelecki gum trees have been fenced and the area surrounding it will be revegetated to secure the population at Neerim South.

We identified habitat suitable for threatened invertebrates at a number of our sites. Funding applications have been submitted for 2018-19 to conduct further studies.

### West Gippsland Regional Catchment Management Strategy and West Gippsland Waterway Strategy

We continue to work in partnership with the West Gippsland Catchment Management Authority (WGCMA) and DELWP to deliver positive outcomes to both the community and environment. We participated in joint WGCMA and Southern Rural Water forums, advising on environmental water from Blue Rock Dam and Lake Glenmaggie, as well as the Macalister Irrigation District Sustainability Group. The group reviewed the DELWP-driven Land and Water Management Plan for the area, now flagged to incorporate the whole of Lake Wellington's catchments. The West Gippsland Regional Catchment Management Strategy (2013-2019) and West Gippsland Waterway Strategy (2014-2022) drive actions within the region to protect drinking water sources for our customers.

On-ground activities that align with objectives of these strategies completed in 2017-18 include reed and willow removal from rivers in our region and re-establishing riparian vegetation along Hazel Creek. During the development of our climate change strategy, we identified opportunities to align carbon plantings with waterways within the region to achieve simultaneous benefits such as securing carbon and improving waterway health.

### State Environment Protection Policy (Waters of Victoria)

The State Environment Protection Policy (Waters of Victoria) provides guidance and opportunities for us to work collaboratively with other agencies. This allows us to implement strategies to maintain and improve water quality for our customers, and ensure the treated wastewater we release has no adverse environmental impacts.

We regularly conduct water quality monitoring upstream and downstream of our treated wastewater discharge points. This ensures the health of rivers and creeks is not adversely affected. Additionally, we complete ecological monitoring in the rivers where we discharge at Drouin, Warragul, Neerim South, Willow Grove, Rawson, Moe, and Morwell. This year, we did not find any negative impacts.





## State Environment Protection Policy (Water of Victoria) continued

In many instances, this water represents a significant proportion of flow in the receiving waterways for much of the year.

## Our water resources – Urban Water Strategy and drought preparedness

Drought response actions, such as water restrictions, were not required this year, despite below average rainfall – especially in the eastern part of our region. All of the towns we serve remained on Permanent Water Saving Rules for the year. While our water resources have been reliable this year, we continue to work towards better drought preparedness.

Our 2017 Urban Water Strategy, which includes the drought preparedness plan, looks at the availability of water over the next 50 years and how this might be impacted by things like climate change. This is compared with our forecast of the amount of water we need to supply our customers. Our Urban Water Strategy was developed using the Guidelines for Assessing the Impact of Climate Change on Water Supplies in Victoria (DELWP).

We have numerous water supply systems and many of these are not connected. As a result, we compare long term supply and demand for each system to identify any shortfalls with meeting customers' needs. Our Urban Water Strategy identified that the Tarago system which supplies Warragul and Drouin will need significant action in the next five years. We have an agreement with Melbourne's retail water corporations that provides a share of the Tarago Reservoir. We regularly buy water from the Melbourne-managed Tarago system to meet demand in Warragul and Drouin, especially in summer. Purchasing this water has prevented the need for water restrictions in these towns in recent years. We expect the demand for buying water to increase as Warragul and Drouin will continue to grow.

We are committed to reviewing all options, including water trading, in line with the state government's Water for Victoria plan. The plan commits to a state water grid oversight function within government, and a trial of improving the south central Victorian water market. Water trading is a more permanent and certain arrangement than annual water purchases. We have taken steps to secure our water supply to Warragul and Drouin customers by extending

long-term agreements to purchase water from the Melbourne storage system, as well as constructing the interconnection pipeline between the Moe and Warragul water supply systems. We made significant progress on construction of the pipeline this year and expect it to be in operation this summer. The pipeline provides a range of benefits to our customers and should reduce the need to purchase water. The pipeline on its own won't meet the long term needs of Warragul and Drouin, but it will form a useful part of our water network.

The state government's Water for Victoria plan has a strong emphasis on the role of water beyond supplying drinking water and taking away sewage. Water plays a key role in supporting community health and wellbeing and we are committed to improving the liveability of Gippsland through water. We need water to keep playing fields green as well as to maintain public spaces and gardens for recreation and enjoyment. To do so, there may be other sources of water we can use, like recycled water or stormwater. Using these alternative sources can have other benefits too. For example, using stormwater or recycled sewage can help prevent pollutants from reaching local rivers.

We are looking forward to continuing to participate in the Integrated Water Management forums. These forums will allow us to work closely with local councils to better plan and protect significant community parks and sporting grounds from drought. Local councils manage stormwater in Gippsland and waterways are managed by the West and East Gippsland Catchment Management authorities. By working closely with these agencies, we will see better outcomes.

Community focus groups and online surveys on our Urban Water Strategy identified that there is strong support for us to work with local councils for priority parks, gardens and sporting grounds to be exempt from water restrictions in a future drought. Alternative water supplies for some of these facilities may be appropriate and provide even better drought resilience.

The closure of Hazelwood Power Station last year has given us a surplus of water in the Latrobe system. The state government is currently working on the Latrobe Valley Regional Rehabilitation Strategy, a large project to determine the most sustainable long term rehabilitation plan for the coal mines. The majority owner, ENGIE, recommended that the mines ultimately be converted to lakes. To do so, the volume of water required is significant. We have been working closely

## Our water resources – Urban Water Strategy and drought preparedness continued

with government and other stakeholders as our Latrobe system water resources may play a role in implementing the mine pit lakes – subject to further assessment on viability.

We have also been working closely with the state government on various regional water resource projects outlined in the Water for Victoria water plan. These include reviews of the Central and Gippsland Sustainable Water strategies as well as the state's first long term water resource assessment. The assessment will investigate how river flows have changed compared to historic records as a result of factors such as climate change. It will then look to see whether these changes have impacted more heavily on any particular need, such as agriculture or the environment. Depending on the outcome, water entitlements may need adjusting to restore a fair balance.

We released our Annual Water Outlook on 1 December 2017 which provides a further update on Urban Water Strategy actions, Integrated Water Management and drought preparedness. It also provides our summer water supply forecast.

## Aboriginal engagement

Establishing and fostering partnerships with Aboriginal communities throughout Gippsland is an important priority for us. Over the past 12 months, we have continued to develop, understand and respect aboriginal cultural heritage and the importance of land and water to the Traditional Owners. The key highlights for this year have been:

- Identification and management of cultural heritage on numerous pipeline and pump station projects during the year. Management activities have included:
  - Preparation of six cultural heritage management plans.
  - Completion of two artefact salvages to prevent harm to artefacts.
  - Five cultural heritage inductions for staff and contractors.
  - Repatriation of artefacts back to country after completion of construction.

We have also worked with our Aboriginal partners to highlight the cultural significance of the region and its history to the wider community, through joint media events.

- Gippsland Environmental Agencies (GEA) have partnered with Gunaikurnai Land and Water Aboriginal Corporation (GLaWAC) to establish a regional partnership and framework to work together towards shared objectives and outcomes (refer to Appendix or view the GEA Partnership Agreement at <https://www.gippswater.com.au/residential/about-us/governance/corporate-documents/annual-reports>). We commit to an annual planning cycle and an individual partner action plan, with regular review and open communication back to the group bi-monthly to ensure that our actions are working towards the partnership objectives.

We have also established an employee working group to develop and implement our Aboriginal engagement strategy and action plan over the next year.



## Aboriginal engagement continued

### Number of sponsorships of Aboriginal people

We are committed to providing training and employment opportunities for local Aboriginal people. With assistance from local government, we have continued to employ two Aboriginal trainees through our two-year Aboriginal traineeship program. The program provides paid on-the-job experience for our trainees and supports them to complete a vocational qualification.

### Cross-cultural training for our employees

A Cultural Awareness program was delivered by Gunai elder Aunty Doris Paton to all our employees. The program provided a historical context around Aboriginal Australians within our region and raised awareness of their culture. It also aimed to create a respectful, understanding and welcoming workplace where Aboriginal employees can thrive.

## Case Study

### Artefact find adds to Aboriginal storyline



**Traditional Owners working on a project to move a section of our Regional Outfall System (ROS) identified an area adjacent to the Princes Highway in Flynn as a place of Aboriginal significance.**

Field assessments conducted during early project planning as part of highway duplication works uncovered 49 artefacts. To avoid damaging any remaining artefacts in the area, a three-day salvage took place with a further 33 flaked stone tools retrieved. GLaWAC cultural heritage site representative Steve Hood and archaeologist Jo Wilson sieved for artefacts, recording site history. Layers of earth were removed with shovels 10cm at a time from four one metre by one metre pits, resulting in the recovery of fragment stone tools, indicating the passage of Aboriginal people through the area in generations past. The flaked stone tools have been photographed and documented, and will be returned to the earth close to the recovery site and near a local scar tree. The find is part of our Cultural Heritage and Management Plan required under the *Aboriginal Heritage Act 2006* (Vic) which is a component of the early project planning.

Be a leading customer focussed organisation  
that is valued and trusted by our community

# PART 3

## Our Customers



### Community consultation and engagement

Our strong focus on community engagement continued in 2017-18, contributing to our vision for a healthy and sustainable Gippsland. We want our passion for water to create a ripple effect resulting in healthy people, healthy communities, and a healthy environment. We have developed a communications and engagement strategy which builds on our strengths and identifies areas for growth to further help us fulfil this vision (refer to Appendix or view the strategy at <https://www.gippswater.com.au/residential/about-us/governance/corporate-documents/annual-reports>).

We consulted with the Sale community on a major project to be delivered in the next five years. We held two community workshops in July 2017 where we presented and discussed potential landscape designs for a larger sewer outfall pump station to be built near the Port of Sale. The designs were well received, and our landscape architect was able to refine his design based on community feedback. We then posted a factsheet about the project on our website, which included the proposed landscape design, and emailed the link to our stakeholders. The link has been viewed over 2,000 times and the fact sheet downloaded over 200 times.

In partnership with the Victorian Fisheries Authority (VFA), we opened up a section of our land to anglers for barramundi fishing at Hazelwood Pondage in February 2018. This was an opportunity to support economic growth and tourism in the region. We recognise that our assets have significant recreational value and are pleased to share them with the community. The VFA funded the site upgrades through the Victorian Government's Target One Million plan which aims to grow participation in recreational fishing to one million anglers.

We commenced early community engagement on the upgrade to the Drouin Wastewater Treatment Plant. Residents near the plant and community groups were invited to attend community sessions in September 2017 to discuss the plant upgrade and ask questions. Those in attendance were positive about the upgrade, understanding its importance to the growing Drouin community. They were grateful for the chance to ask questions about road access during construction and noise levels once the plant is in operation.

We submitted our 2018-2023 Price Submission to the ESC in September 2017 following extensive consultation with our customers. We received feedback from the pop-up shops we held throughout the region in July and via our dedicated website <https://plan.gippswater.com.au>. Our Price Submission outlines our capital projects and proposed prices to deliver these for the next five years. The ESC approved our Price Submission in June 2018, with price changes now set to remain at the Consumer Price Index (CPI) or less for the next five years. This means a decade of price changes at or below CPI. The new prices took effect on 1 July 2018.

Our customer satisfaction survey revealed 83 per cent of customers are satisfied with our services – an increase of five per cent from last year. Ninety-six per cent of customers were satisfied with the reliability of their wastewater services and 87 per cent were satisfied with the quality of their tap water. The survey also showed the consumption of bottled water has decreased throughout Gippsland, assisted by our 'Be Smart, Choose Tap' campaign. We will use these survey results to look at ways to further improve in the future.

Our efforts to be where our customers saw us attend the Valley Smash Cricket Match, AFL Women's and AFL Community League matches in Moe. We attended the inaugural Kurnai Sustainability Festival chatting with students about the environmental



## Community consultation and engagement continued

benefits of choosing tap water. We also attended three Farms to Families market. The markets, hosted by Food Bank Victoria, provide people experiencing hardship fresh produce including vegetables, fruit and dairy products.

We held an inaugural Pink Stumps Day 20/20 cricket match against our contractor Broadspectrum to raise money for the McGrath Foundation in February 2018. With great support, we raised \$9,138 – a remarkable result given the original target was \$700. Tracey Bevan from the McGrath Foundation was impressed with the donation and sent a short thank you video which we shared on social media, reaching more than 1,300 people.

We sponsored many community events and initiatives in 2017-18 having committed \$30,000 yearly towards projects that support the wellbeing of Gippsland. We provided financial sponsorship to Warragul Warriors Swimming Club and Trafalgar High School. Our 'Be Smart Choose Tap' water bottles were very popular. We provided hundreds of water bottles as sponsorship for different organisations including Reclink Community Football – Latrobe Valley League, Gippsland Ranges Roller Derby, Relationships Victoria, Warragul and District Junior Football League and Latrobe Community Health Service's Australia Day Heart Walk. We look forward to developing a fresh approach to sponsorship in 2018-19 with a new community support process currently being developed.

Our portable water fountains are free for local school, sports and community groups to use, and these have been present at more than 50 events. Some of these included Oktoberfest, Mirboo North Arty Gras, as well as many school athletics and swimming carnivals.

Our Mobile Water Trailer provided free drinking water at 12 events including Sale Music Festival, Queens Baton Relay in Warragul, AFL Womens and Community League matches in Moe, Drouin Ficifolia Festival, Traralgon Carols By Candlelight, Christmas in the Boo at Mirboo North, Sale Show, Sale Baptist Church Community Fun Day, AGL Loy Yang Annual Children's Christmas Picnic, and the Valley Smash Cricket Match.

Our social media presence grew rapidly this year. Our Facebook page reached a milestone 2,000 likes. We used the channel to provide customers with a closer look at what our organisation does. The page featured employee profiles, updates on work taking place, ideas to get healthy and promotion of local events.

Social media also played a key role in increasing wastewater awareness. We reached out to our

community for assistance with an unidentified substance found at the Neerim South Wastewater Treatment Plant. We also took this as an opportunity to remind customers that the only items you should flush down the toilet are pee, poo and paper – all other waste goes in the bin. The post reached 7,349 people and was shared 38 times.

A light hearted social media post, listing some of the odd things people flush down the drain that can damage equipment and be costly to fix, reached 5,397 people and was shared 17 times.

## Community education

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

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

Free to schools and community groups within our service area, the program incorporates a number of activities including tailored visits to schools, tours of our treatment plants and water storages, as well as demonstrations and presentations from our employees.

The primary school 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, our secondary school program supports the geography curriculum, including Water in the World and Water Sanitation.

A total of 1,926 students from kinder to third year tertiary students from 30 schools, universities and educational institutions participated in our education program during the financial year. We conducted 70 school visits and hosted 17 excursions to our 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.

Nine schools visited the Gippsland Water Factory and Vortex Centre with a total of 141 students ranging from kindergarten to third year university.





## Community education continued

We participated in local education events including the Maffra Show education day and the Wellington Rural Schools Cluster Health day.

The National Water Week poster competition attracted a large number of entries from young students across central Gippsland. St Mary's Primary School Maffra took out the school prize.

Thirty-four schools in our service area saved 29.6 million litres of water by acting on leaks, faulty appliances and inefficient practices, as a result of participating in the Victorian Government's Schools Water Efficiency Program.

Our water saving message flows through to our residential customers. We used the warmer months of 2017-18 to encourage customers to use their water wisely, promoting the Victorian Government's voluntary water efficiency program, Target Your Water Use. While we haven't had water restrictions in place for the period, we continue to remind our customers about Permanent Water Saving Rules. Permanent Water Saving Rules are simple things we can all do at home to make sure we're not wasting water.

Community education plays a vital role in promoting the value that we deliver for our customers, stakeholders, and the community. Community and industry groups such as Dalkeith Heights, Warragul Probus, Australia China Cultural Exchange, Cleanaway and Melbourne City Council toured a number of sites throughout the year. The Soil and Organic Recycling Facility once again attracted many visitors, indicating a continued interest in our work to develop compost from organic waste.

## Local government initiatives

We recognise that we have an important role to play in reducing soft drink consumption throughout Gippsland. In Latrobe City, 18.6 per cent of residents consume soft drink daily – this is significantly higher than the state average of 12.4 per cent ([VicHealth Indicators Survey 2011 – Latrobe LGA profile](https://www.vichealth.vic.gov.au/media-and-resources/publications/vichealth-indicators-survey-lga-profiles) or visit <https://www.vichealth.vic.gov.au/media-and-resources/publications/vichealth-indicators-survey-lga-profiles>). We have partnered with local health organisations on two projects aimed at increasing access to tap water and reducing consumption of sugary drinks.

We began work on a new permanent water fountain strategy looking at key areas where new permanent fountains can be installed. We also sourced a new permanent water fountain supplier taking into account feedback provided by customers, Latrobe City, Baw

Shire and Wellington Shire councils.

Working with the West Gippsland Healthcare Group and Baw Baw Shire Council, we installed seven permanent water fountains throughout the Drouin, Warragul, Yarragon and Trafalgar CBDs. We also partnered with the Latrobe Health Assembly to encourage local businesses in Latrobe City to make tap water available to the public at no cost. This program, originally known as Water Works, was an initiative developed by the Gippsland Community Leadership Program.

## Customer Consultative Committee

Our Customer Consultative Committee has served as a conduit to our community for decades. Meeting in person at least three times per year, the committee gave us valuable feedback on projects, programs and priorities.

After the committee members' terms expired in August 2017, we took the opportunity to review how we communicate and receive feedback from our customers. The recent Price Submission process gave us the chance to review our engagement with customers and weigh up the effectiveness of customer consultative committees.

Online customer engagement through our Price Submission and Urban Water Strategy was very successful in capturing a wide range of views more representative of our customer base and this format enabled the capture of much meaningful data.

Many customers involved in both of these engagement activities indicated a desire to continue the conversation with us, with a strong preference towards online engagement. The preference for online engagement is supported by recent figures showing 83 percent of Victorians use the internet daily, most of them via their mobile (Sensis).

To maintain the momentum created during the Price Submission process, we are in the process of establishing a Customer Feedback Register. This innovative, online register will give more customers the chance to get involved and work with us on projects and initiatives. The register will support a range of other engagement activities already taking place or planned to ensure feedback from all sectors of our customer base.

This 'new version' of the Customer Consultative Committee still meets our reporting and engagement





## Customer Consultative Committee continued

obligations. We thank our Customer Consultative Committee members for their significant contribution and hope they will continue to be involved through our online forum.

## Customer focussed initiatives

As we strive to be a leading customer focussed organisation that is valued and trusted by our community, this year we conducted our first Market Responsiveness Index to help us understand the effectiveness of our customer centric behaviours. The results and subsequent actions from this initiative will also assist our future thinking.

We continued to focus on first point resolution. For the period, 92 per cent of customer calls were resolved at first point.

The number of customers who entered our hardship program rose significantly this year – from around 680 to 1,228. Our Contact Centre team continues to improve their skills in the early identification of customers who are experiencing financial difficulty through ongoing hardship training. We have also initiated a cross-sector approach to assist financially vulnerable people. We are currently working with other utilities and organisations to provide customers with further assistance. We expect this to be in place by the end of 2018.

In December 2017, we introduced a Customer Incentive Payment Scheme for those most vulnerable within our community. This incentive offers to match every fifth consecutive payment made by the customer. This scheme is designed to influence customer behaviour by establishing regular payment habits. In 2017-18, we supported 162 customers through this scheme.

We also supported customers through the Victorian Government's Community Rebate Program. Through this program, eligible customers can receive up to \$750 worth of plumbing works for free.

We have supported Sustainability Victoria on the Latrobe Valley Home Energy Upgrade program with a view to reduce utility costs for low income households. Through this program, eligible customers may receive up to \$4,500 worth of efficiency improvements to their home at no cost to the household. We refer customers to the program for additional support beyond their water bills.

## Case Study

### Helping more customers in hardship



#### The number of customers who entered our hardship program rose significantly this year.

One customer who joined the program had been in our collections cycle for more than three years, owing approximately \$2,900. The property's water supply had been restricted three times due to non-payment. After our Customer Contact Centre reached out, the customer agreed to enter our Customer Incentive Payment Scheme. Since then, the customer has not missed a weekly payment for 20 weeks! It's a great outcome and the customer is now actively engaging with us to get on top of paying their bills.

## Social sustainability

This year, we built stronger networks and streamlined referral pathways with community support organisations. We are also driving a cross-sector approach to hardship in Gippsland by engaging with banks, other organisations and utilities.

We continue to support those affected by family violence. This year, we introduced internal and customer facing family violence policies, and provided training in this area for our employees.

We joined with local charities and health service providers to volunteer at the Morwell Farms to Families pop-up markets. The markets are a Food Bank Victoria initiative designed to increase access to healthy produce for people experiencing financial hardship or isolation. The markets support hundreds of vulnerable families by providing fresh produce.



## Social sustainability continued

They provide an opportunity for us to engage with customers about our hardship initiatives.

### Complaints management policy and framework

This year, we embedded a new complaints management framework after a business-wide review of complaint management processes. We revised our complaints policy with input from workgroups across our organisation and the Energy and Water Ombudsman Victoria (EWOV).

We can now better analyse complaint data to identify trends and implement solutions, providing better outcomes for our customers.

### Energy and Water Ombudsman Victoria

During 2017-18, EWOV handled 28 referrals on behalf of our customers. Twenty of these referrals were handled as enquiries requiring no further action. All investigations were resolved.

## Key initiative and project

### Customer information system replacement

We are currently upgrading our customer information system to put the customer at the centre of our operations. The project roadmap sets out a journey to improve the customer experience when dealing with us. Our system will deliver greater customer choice, access and flexibility when interacting with us. This will be achieved through innovative and engaging new technology as well as self-service options. It will reduce manual and paper-based processes, and provide a single view of a customer, giving us information on a customer's interaction with us – past and present. In turn, it will enhance the way we share customer information and processes within our organisation. We expect the new system to be in place in October 2018. Customers will see online improvements in 2019.

## Case Study

### Frozen water meters



**In July 2017, 200 of our water meters burst after unusually cold overnight temperatures – some as low as -6.6 degrees celsius!**

On really frosty mornings, the water inside a water meter may freeze, interrupting customers' water supply and causing damage to the meter such as cracks and leaks. We worked quickly to replace the burst meters and restore services to affected customers. In the following months, we noticed that more than 2,500 meters were not reading correctly and needed replacing – likely as a result of damage caused by the extreme frost. A number of Victorian water corporations experienced similar weather conditions and meter damage. We are now consulting with them and looking at ways we can minimise the damage to water meters should we experience another cold and frosty winter.

## Community service obligations

Value of community service obligation provided	2017-18 \$	2016-17 \$	2015-16 \$	2014-15 \$	2013-14 \$
<b>Provision of concessions to pensioners</b>	5,611,795	5,398,273	5,168,386	4,988,032	4,799,341
<b>Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme</b>	272,594	279,443	274,263	273,523	268,530
<b>Utility Relief Grant Scheme* payments</b>	163,446	116,752	92,391	89,048	139,129
<b>Water concession on life support machines – Haemodialysis</b>	1,285	1,607	1,928	2,921	2,571

\*The Utility Relief Grant Scheme is administered and managed by the Department of Health and Human Services and is accessed via direct application to the department by eligible concession cardholders.

## Right people, right jobs, and right enabling culture

# PART 4

## Our People



### Equal Employment Opportunity

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

Our employee induction program and regular Equal Opportunity training highlights the policies and procedures around discrimination, bullying, harassment and violence and provides information, support and process guidance for employees who feel harassed or bullied at work.

There were no Equal Employment Opportunity complaints for the reporting period.

### Community inclusiveness

Our recruitment policies ensure a fair, open and transparent opportunity for all potential employees. Our organisation includes people from a variety of backgrounds, identities, and beliefs, and we believe this diversity is an asset to our organisation.

We have supported a number of career initiatives, including our annual vacation employment program, where this year we provided nine tertiary students with 12 weeks of paid work experience in their chosen field. In addition, we hosted several work experience students from local secondary schools.

We support employees who have carer responsibilities by offering flexible work arrangements, including part-time employment, flexible working hours and 48/52 annual leave options.

During the reporting period, all of our employees attended family violence awareness training, and have the ability to access paid family violence leave in order to provide additional support for people experiencing family violence.

### Case Study

#### Peer Connect Program here to help



#### Our new, industry-leading Peer Connect Program gives employees easier access to support services.

The initiative involved the recruitment of 14 Peer Connect officers from across our organisation to take on the role as a contact, support and referral service. All officers received training in equal opportunity, workplace bullying, family violence, drugs and alcohol, diversity and inclusion, and mental health. The officers can help other employees make a call to our Employee Assistance Program for counselling or advice, as well as read through our policies and grievance solution procedures. Best of all, they keep it completely confidential. The initiative is designed to complement existing employee wellbeing and diversity and inclusion programs.

## Employment and development opportunities for young people

We provide a range of opportunities for young people including:

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

These programs allow young people to acquire and expand their work experience, creating positive and lasting skills development and competencies.

These programs have enabled one industry placement student and nine vacation students to obtain temporary casual employment with us during the 2017-18 period.

## Diversity and Inclusion Strategy and Action Plan

We aim to create a high performing, inclusive learning and working environment that values diversity and promotes equality and inclusion. We strive to support our employees to achieve their full potential, free from prejudice, bias and discrimination.

Our focus is on creating an inclusive culture where our efforts are dedicated to raising awareness, removing barriers, and enabling change by implementing initiatives and actions through the development and delivery of a targeted Diversity and Inclusion Strategy (refer to Appendix or view the strategy at <https://www.gippswater.com.au/residential/about-us/governance/corporate-documents/annual-reports>).

We have set targets for achievement by 2020 with endorsement from the Board. This period saw the implementation of initiatives and actions in our 'grow and build' stage. Positive progress has been made in raising awareness of the many facets of inclusivity.

We celebrated NAIDOC Week for the first time. We hosted a flag raising ceremony and purchased a piece of artwork by local aboriginal artist Ronald Edwards. We were also nominated for a Wurreeker Award in recognition of our creation of opportunities and commitment to engage with Aboriginal employment and traineeships.

## Case Study

### From trainee to Young Operator of the Year award











**Our Water Treatment Technician Mae Jobson has been recognised by the water industry and her peers after receiving the prestigious Water Industry Operators Association of Australia (WIOA) 2017 Young Operator of the Year award.**

Mae has been with us for three years and initially commenced as a trainee.

## Diversity and inclusion strategy and action plan continued

The following table outlines the targets and progress to date.

Diversity and inclusion data set		% Target	% Actual progress 2017-18	% Actual progress 2016-17	% Actual progress 2015-16
	<b>Women in senior leadership –</b> (Managing Director and general managers)	40	13	40	20
	<b>Women in senior leadership –</b> (Board, Managing Director and general managers)	40	31	55	50
	<b>Identified disability</b>	5.80	12.28	Data not available	Data not available
	<b>Aboriginal and Torres Strait Islander (ATSI)</b>	1.30	1	1.4	0.35
	<b>Language Other Than English (LOTE)</b>	9.70	6.14	2.4	2.5
	<b>Caring responsibilities</b>	35	62.28	Data not available	Data not available
	<b>LGBTI</b>	7	2.61	Data not available	Data not available
	<b>Workforce flexibility</b>	25	16.78	13.5	10.1



## Disability Action Plan

Under the *Disability Act 2006* (Vic), we are required to prepare a disability action plan and report on its implementation in our annual report. We are in the process of redeveloping our disability action plan to have a strong framework to improve access, equity and inclusion for all people with a disability.

As part of our Diversity and Inclusion Strategy, we have worked with our employees to raise their awareness of access and inclusion issues, and we will continue to build our capability in this space.

Some of our achievements to date include:

- The delivery of unconscious bias training to all of our people leaders.
- Surveying our employees to identify how we can best support those who have a disability or illness.
- The commencement of upskilling our people leaders in regards to their disability confidence through engagement with a local disability employment service provider.
- Providing services and training to support people suffering from a mental illness, including mental health first aid training, our Employee Assistance Program and our Peer Connect Program.

## Gender and cultural diversity

A total of 97 women were employed during the reporting period, representing 34 per cent of the full-time equivalent workforce. Women worked across all levels of our organisation including board, executive, senior management, team leadership, engineering, scientific, technical and administrative roles.

During 2017-18, 40 per cent of position appointments were women.

We continue to encourage women to participate in leadership, networking and development opportunities, including supporting five female employees to be ambassadors for the STEM (Science, Technology, Engineering, Mathematics) Sisters program, which aims to increase awareness amongst young women about employment opportunities that exist now and into the future in STEM areas.

## Case Study

### Careers for young women stem from new program





**Five of our female employees are helping increase young women's awareness of the opportunities in science, technology, engineering and maths (STEM).**

The STEM Sisters program is a Baw Baw Latrobe Local Learning and Employment Network initiative, and allows young women across Gippsland to make better informed choices about studying STEM-related subjects at secondary school and in higher education. Our STEM Sister ambassadors are among other women working in STEM roles in eight local industries, who will support teachers in the classroom, and volunteer their time to promote STEM careers to secondary students. The program will also help students to gain work experience with partner companies and organisations to get a feel of what STEM industries are really like. In May 2018, we hosted a STEM Sisters day for 17 local secondary school students who visited the Warragul Wastewater Treatment Plant and the Gippsland Water Factory as part of the program.

## Comparative workforce data

The following table outlines the targets and progress to date.



30 June 2018							
GENDER	ALL EMPLOYEES		ONGOING			FIXED TERM AND CASUAL	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Women	97	75.66	57	31	73.85	9	1.82
Men	189	183.00	183	0	183.00	6	0.00
Self-described	0	0	0	0	0	0	0
Prefer not to respond	0	0	0	0	0	0	0

		2017-18	2016-17	2015-16
	Executive employees (including Managing Director)	8	6	5
	Female	1	2	1
	% Female	13	33	20
	Male	7	4	4
	% Male	87	67	80
	Senior managers	14	16	18
	Female	3	3	2
	% Female	21	19	11
	Male	11	13	16
	% Male	79	81	89

## Comparative workforce data continued

4

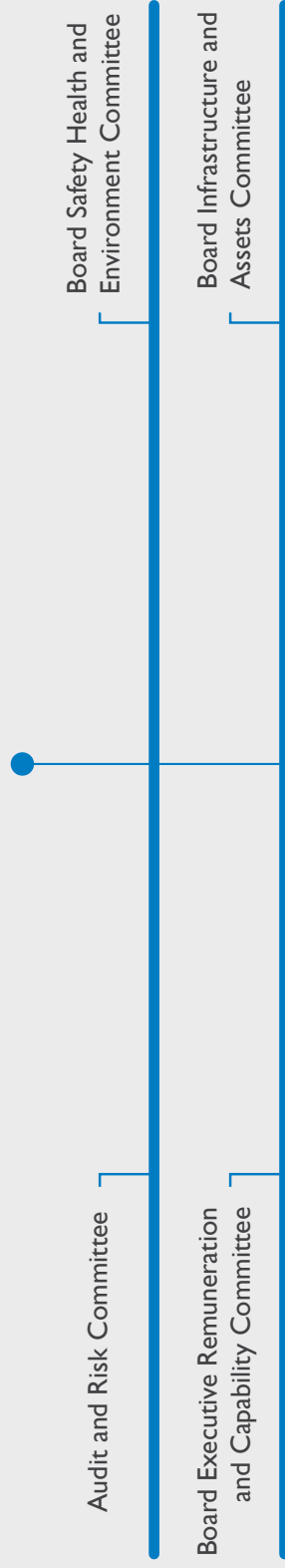
Our People

	2017-18	2016-17	2015-16
Full-time	240	234	239
Part-time	31	26	28
Casual/fixed term	15	21	11
<b>Total employees</b>	<b>286</b>	<b>281</b>	<b>278</b>
FTE <sup>^</sup>	258.66	255.97	258.52
Executive	2	3	8
Assets	33	59	59
Commercial Business	27		
Finance and Governance	25	32	23
People and Culture	9		
Customer Service and Communications	51	48	51
Business Transformation	26	139	137
Operations	113		
<b>Total employees</b>	<b>286</b>	<b>281</b>	<b>278</b>
 Female	97	90	84
% Female	34	32	30
 Male	189	191	194
% Male	66	68	70

<sup>^</sup>FTE is inclusive of casual hours worked in the last full pay period in June. Note: Organisational structure changed during 2017-18.

# Organisational structure as at 30 June 2018

**Board**  
Therese Ryan, Chair



<b>General Manager Assets (Acting)</b> Nicolas Moss	<ul style="list-style-type: none"> <li>• Asset Planning</li> <li>• Asset Management</li> <li>• Asset Delivery</li> <li>• Infrastructure Planning</li> </ul>	<b>General Manager Business Transformation</b> Angelo Saridis	<ul style="list-style-type: none"> <li>• Innovation and Technology</li> <li>• Water Resources Planning</li> </ul>	<b>General Manager Operations</b> Peter Skeels	<ul style="list-style-type: none"> <li>• Field Operations</li> <li>• Gippsland Water Factory</li> <li>• Major Systems</li> <li>• Wastewater Treatment and Environment</li> <li>• Water Treatment, Quality and Catchments</li> </ul>	<b>General Manager Finance and Governance</b> Tony Staley	<ul style="list-style-type: none"> <li>• Financial Services</li> <li>• Governance</li> </ul>	<b>General Manager People and Culture</b> Michael Crane	<ul style="list-style-type: none"> <li>• Occupational Health and Safety</li> <li>• Organisational Development</li> </ul>	<b>General Manager Customer and Community</b> Paul Clark	<ul style="list-style-type: none"> <li>• Communications and Engagement</li> <li>• Customer Assistance</li> <li>• Property Services</li> </ul>	<b>Executive Manager Commercial Business (Acting)</b> Simon Aquilina	<ul style="list-style-type: none"> <li>• Agribusiness</li> <li>• Soil and Organic Recycling Facility</li> </ul>
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## Profile of the Board

### Therese Ryan (Chair)

LLB, GAICD

Appointed October 2015

Current term expires  
September 2019

Therese 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 and VicForests. She is also an independent member of the Audit Committee of the City of Melbourne. She was previously a director of Yarra Valley Water and MFB, and in her last executive role, was Vice President and General Counsel of General Motors International Operations, based in Shanghai.

### Greg Hade (Deputy Chair)

B.Bus, CPA, GAICD

Appointed October 2015

Current term expires  
September 2019

Greg has significant 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) for Loy Yang Power. Greg has a Bachelor of Business, is a Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors.

### Sarah Cumming (Managing Director)

B.A., LLB (Hons),  
EMBA, GAICD

Sarah commenced as Managing Director of Gippsland Water on 5 April 2017.

Sarah has extensive experience in successfully leading transformational change and implementing large scale technology solutions across multiple tiers of government. Her expertise is in governance, strategic leadership, business transformation and creating enabling cultures to deliver process improvements.

In addition to her previous role of General Manager Corporate Services at Latrobe City Council, Sarah's experience covers a range of senior management positions at the Australian Securities and Investment Commission (ASIC), and commenced her career as a litigation lawyer with a national law firm.

Sarah lives in Gippsland and has a very strong connection to the Gippsland community.

Sarah has a Bachelor of Arts (ANU), Bachelor of Law (Honours) (ANU), and a Master of Business Administration (Executive) (Mt Eliza/Melbourne Business School). She is also a graduate of the Australian Institute of Company Directors.

## Profile of the Board continued

### Jo Benvenuti

Dip. Secondary Teaching, Grad.  
Dip. Public Policy

Appointed October 2015  
Current term expires  
September 2021

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 and RSPCA Victoria. She was previously Chair of the Consumers' Federation of Australia. Jo has a Higher Diploma of Teaching Secondary and a Graduate Diploma in Public Policy.

### Christopher Badger

B.Eng. CPIEA, GAPD (LBS  
UK), LC&OR (Stanford USA),  
FAICD and GAICD

Appointed October 2017  
Current term expires  
September 2021

Christopher is a private management consultant, mentor and coach who was until recently an Associate Director of Madison Cross Advisory Consultants where he lead the utilities/energy business. He has extensive board and senior executive experience in the electricity, gas, water and waste industries.

Christopher is Director of the Gippsland Waste and Resource Recovery Group, the Australasian Corrosion Association, and Stormwater Industry Association of Australia. He is an independent member of Wellington Shire Council's Audit and Risk Committee. He was a former Director with Murray Irrigation Ltd and Trafalgar and Districts Bendigo Community Bank.

Christopher has a Bachelor of Electrical and Mechanical Engineering Degree, and is a Graduate and Fellow of the Australian Institute of Company Directors. He also has postgraduate leadership and business training from Stanford University Business School (USA), Warwick University Business School (UK), and the London Business School (UK).

### Malcolm Eccles

MSc, CEng, MIET, MAICD,  
FCMI

Appointed October 2011  
Current term expires  
September 2021

Malcolm is the Chief Executive Officer and Managing Director of the Basslink Group and has been in the role since 2007. 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. Malcolm was appointed to the ICPC Board in 2007.

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.



## Profile of the Board continued

### Jane Oakley

Dip. Comp. Systems, GCARLP,  
GAICD

Appointed October 2015  
Current term expires  
September 2019

Jane is the former Executive Manager Community, Information and Advocacy at Baw Baw Shire and was previously the Regional Director of 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 2019

Margaret has a Bachelor of Engineering (Civil) and is a MIEAust and a Senior Project Manager at Crossco Consulting Pty. 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 Marking Inc., company secretarial roles and community committees.

Margaret currently lives in East Gippsland and works throughout greater Gippsland.

### Rod Touzel

M Admin, B.Eng (Elec), Dip.  
Elec. Eng, Dip. MechEng,  
FIEAust, CPEng

Appointed October 2017  
Current term expires  
September 2021

Rod is a Principal of Advisian Pty Ltd and he has had extensive experience in the power industry in Australia and internationally covering the planning, development, operation and regulation of transmission, distribution and generation assets. He has also been a strategic advisor to the New South Wales Government in relation to its electricity industry privatisation and to the Victorian Government in the development of its renewable energy and bushfire mitigation initiatives. In the water industry, Rod led a 10-year energy partnership for WorleyParsons with Sydney Water Corporation which included the development and implementation of energy efficiency strategies in the corporation's operations.

Rod's experience in the Gippsland region has included roles in the development and support to all the Latrobe Valley generation assets and a 12-year period as a council member of the former Central Gippsland Institute of TAFE.

## Director attendance at Board and Committee meetings

Director	Board Meeting		SHE Committee		Audit and Risk Committee		Executive Remuneration and Capability Committee		Infrastructure and Assets Committee	
	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance
<b>Therese Ryan</b>	8	7	4	4	0	3	3	3	0	1
<b>Greg Hade</b>	8	7	0	4	4	4	2	3	3	3
<b>Christopher Badger</b>	6	6	3	3	0	0	1	1	0	0
<b>Jo Benvenuti</b>	8	8	0	0	4	3	0	1	3	2
<b>Sarah Cumming</b>	8	8	4	4	4	4	3	3	3	3
<b>Malcolm Eccles</b>	8	7	4	4	1	1	0	2	3	2
<b>Jane Oakley</b>	8	8	0	0	4	4	3	3	0	0
<b>Margaret Supplitt</b>	8	8	4	4	0	2	0	2	3	3
<b>Rod Touzel</b>	6	6	0	0	3	3	1	2	0	0



## Profile of the Executive Leadership Team

### Sarah Cumming, Managing Director

B.A., LLB (Hons),  
EMBA, GAICD

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

### Simon Aquilina, Acting Executive Manager Commercial Business

B.App. Sci. (Major Chem.),  
Post Grad.Cert.  
Environmental Eng.,  
Cert. Lab.Tech.

Simon is responsible for leading the commercial and operational management of our Agribusiness and Soil and Organic Recycling Facility business streams to achieve the required safety, financial, business, and environmental outcomes, whilst enhancing the customer experiences and meeting their product expectations. Simon has a broad background with experience in both the private and public sector, which has focussed on product quality, operational efficiency, economic viability and customer satisfaction. His experiences range from the power industry, laboratory, chemical manufacture, and for the past 11 years in the water industry.

### Paul Clark, General Manager Customer and Community

Grad. Cert.  
Dispute Resolution  
Currently completing Masters  
of Business Leadership

Paul is responsible for corporate communications, customer service, major customers, stakeholder relations 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 of 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.

## Profile of the Executive Team continued

### Michael Crane, General Manager People and Culture

#### B.Bus (Human Resources and Marketing)

A leader in the human resource sector, Michael is known for his ability to transform cultures, drive accountability and inspire performance. With expertise in human resource management, safety, organisational development and risk, his experience spans leadership roles in tertiary education, oil and gas, local government and employment services sectors.

Michael has significant experience in delivering transformational change in complex organisations and has a passion for uniting others towards delivering innovative solutions to enhance the employee experience. Furthermore, Michael has proven ability to develop and implement value driven strategy through partnering at the highest level of organisations. Michael has a keen passion for developing leadership capability, talent management and enabling high performing cultures.

### Nic Moss, Acting General Manager Assets

#### B.Eng (with Honours) (Mechanical)

Nic is responsible for strategic asset management, planning, and major capital projects that result in sustainable asset operation, performance, replacement, and augmentation. Nic has experience in both the private and public sector. He has significant exposure in operations and maintenance, asset management, production, and major capital projects. Nic has over 15 years' experience in the water industry.

Nic is passionate for creating a culture where people achieve great outcomes that are strongly focused on safety, efficiency, innovation, positive customer experiences, and a sustainable future. Nic has a Bachelor of Engineering (with Honours) (Mechanical) from Monash University.

### Angelo Saridis, General Manager Business Transformation

#### B.Bus (Marketing)

Angelo is committed to creating environments in organisations where business improvement and innovation thrives. He brings extensive experience in contemporary business intelligence frameworks and analytics that support evidence-based decision making in complicated operating environments.

Angelo has held executive management roles in both government and non-government sectors including public transport, state and local government and management consulting. He has also driven significant sector-wide reform programs to deliver improved performance through collaboration and innovation in the areas of procurement and economic development. He holds a Bachelor of Business and is also trained in Agile, Lean and Six Sigma.

Angelo is passionate about Gippsland and is excited about contributing to the ongoing liveability of the region as part of the Executive Leadership Team.

## Profile of the Executive Leadership Team continued

### Peter Skeels, General Manager Operations

B.Bus  
(Acct. and Economics), FCPA

Peter is responsible for the management and leadership of our drinking water and wastewater treatment facilities, bulk water storage and supply, bulk wastewater treatment and disposal, urban drinking water distribution and urban sewer collection networks.

Peter has over 36 years' experience in the energy and water 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 Finance and Governance

B.Bus (Acct.), Grad. Dip AG,  
FCPA, ACSA, GAICD

Tony is responsible for our governance and financial services teams. 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

Our Audit and Risk Committee supports the Board in its oversight responsibilities of:

- Financial reporting.
- Risk management.
- Maintenance of sound systems of internal control.
- Assurance activities including internal and external audits.
- The organisation's performance with regard to legislative and regulatory compliance.

During the 2017-18 financial year, the Audit and Risk Committee met four times.

### Greg Hade – Chair

From November 2015

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

Appointed Chair in  
November 2017

Attended four of four  
meetings eligible to attend  
during the reporting year

### Geoff Harry – Independent Chair

July 2014 – November 2017  
Appointed Chair  
September 2015

Attended two of two  
meetings eligible to attend  
during the reporting year

Geoff is a Chartered Accountant and a graduate member of the 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 in Victoria, City of Melbourne, City of Greater Geelong (Chairman), City of Monash (Chairperson), Regional Kitchens Group and Orygen. Geoff is also Chairperson of a large body corporate holiday resort in Queensland.



## Audit and Risk Committee continued

### Neil Greenaway – Independent Member

July 2015 – September 2017

Attended one of one meeting eligible to attend during the reporting year

Neil is currently a consultant to the not-for-profit and public sector. He is a Fellow of Chartered Accountants A&NZ, Fellow of CPA Australia, Fellow of Governance Institute of Australia, Fellow of Chartered Institute of Secretaries and Administrators, and a Fellow of the AICD. He is also honorary fellow of the Royal Australian College of General Practitioners.





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.

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Our People

## Audit and Risk Committee members

			
<b>JO BENVENUTI</b>	<b>JANE OAKLEY</b>	<b>ROD TOUZEL</b>	<b>MALCOLM ECCLES</b>
FROM November 2015	FROM November 2015	FROM November 2017	FROM November 2012 until November 2017

## Executive Remuneration and Capability Committee

Our Executive Remuneration and Capability Committee is responsible for the implementation of the Executive Remuneration Policy and ensuring its compliance with the Government Sector Remuneration Panel guidelines. The committee also takes a strong focus on executive performance and ensuring our organisational development objectives are delivered.





The committee met three times in 2017-18. Its members for 2017-18 were:

				
<b>JANE OAKLEY</b>	<b>THERESE RYAN</b>	<b>CHRISTOPHER BADGER</b>	<b>ROD TOUZEL</b>	<b>GREG HADE</b>
Chair effective from June 2017	FROM October 2015	FROM October 2017	FROM October 2017	FROM October 2015 to September 2017

## Infrastructure and Assets Committee

The Infrastructure and Assets Committee assist the Board to govern the long term management of our assets and the planning and delivery of capital investment.

The committee was formed by the Board on 27 October 2017 and met three times. Its committee members for 2017-18 were:

			
<b>MARGARET SUPPLITT</b>	<b>GREG HADE</b>	<b>JO BENVENUTI</b>	<b>MALCOLM ECCLES</b>
Chair effective from October 2017	FROM October 2017	FROM October 2017	FROM October 2017

Develop external relationships that enhance our reputation for the benefit of Gippsland Water and our customers

## PART 5

### External Relations



We continue to form relationships with a range of stakeholders including other government agencies, local councils and developers to attract new business to Gippsland. We have been involved in regional discussions with the Victorian Planning Authority, Regional Development Victoria, and Latrobe Valley Authority. We participate in the Gippsland Regional Executive Forum, the Committee for Gippsland, and the Unblocking Infrastructure Barriers group. Through our participation in each of these forums we encourage innovation, partnerships and growth, and advocate for projects and priorities that are in the best interests of the region.

We have also strongly committed to the Gippsland Growing Regional Opportunities for Work (GROW) social procurement initiative as a founding member, as well as in a leadership capacity with our Managing Director on the Gippsland GROW Steering Committee. We see this as a vehicle for us to support social outcomes in our community with a focus on supporting local employment outcomes through social procurement practices.

### Local Jobs First – Victorian Industry Participation Policy (VIPP)

We are required to report on our implementation of the Local Jobs First – Victorian Industry Participation Policy (VIPP). The policy was developed by the Victorian Government to ensure that local suppliers get a fair opportunity to compete for government work where state or federal funding has been utilised for the project. This applies to all projects valued at \$1 million or over.

We are proud to support growth and sustainability in our region. Through VIPP alone, we have been able to reinvest around \$8.93 million in local content during the 2017-18 reporting year.

During the reporting period, three contracts were awarded under VIPP, totalling \$9.32 million.

#### These projects are:

Number	Type	Description	Status	To-date actual	Estimated total final	Expected end date
<b>GW441</b>	Capital	York Street Sale water main renewal	Practical completion achieved	<b>\$1.7M</b>	<b>\$2.41M</b>	23 May 2018
<b>GW446</b>	Capital	Warragul-Moe water supply Stage 2 (pipeline from Darnum-Warragul)	In progress	<b>\$3.6M</b>	<b>\$4.0M</b>	17 August 2018
<b>GW452</b>	Capital	Construction of pipeline for Saline Wastewater Outfall Pipeline replacement Stage 3	Practical completion achieved	<b>\$2.87M</b>	<b>\$2.97M</b>	May 2018

Requirement	GW441	GW446	GW452
The following information provides details for contracts commenced and/or completed to which Local Jobs First – VIPP applied in the reporting period:			
The number and total value of contracts commenced and/or completed in the reporting period to which a VIPP Plan or Local Industry Development Plan (LIDP) was required.	\$2,415,947.27	\$4,000,000.00	\$2,908,789.33
	Total: \$9,324,736.60		
The number and percentage of 'local content' committed under contracts that commenced in the reporting period where a VIPP Plan or LIDP was not required (due to nil to limited contestability) split by: <ul style="list-style-type: none"> <li>those that are local by nature; and</li> <li>those that are international by nature.</li> </ul>	<b>N/A.</b> All contracts above the VIPP threshold were contestable.		
The number of small and medium sized businesses engaged as either the principal contractor or as part of the supply chain.	62	19	13
The number and percentage of 'local content' committed under contracts that commenced and/or completed in the reporting period to which a VIPP Plan or LIDP was required, split by: <ul style="list-style-type: none"> <li>metropolitan;</li> <li>regional; and</li> <li>statewide.</li> </ul>	<b>Metropolitan – Nil</b> <b>Regional – 99.81%</b> <b>Statewide – Nil</b>	<b>Metropolitan – Nil</b> <b>Regional – 93.75%</b> <b>Statewide – Nil</b>	<b>Metropolitan – Nil</b> <b>Regional – 99.72%</b> <b>Statewide – Nil</b>
For contracts commenced, a statement of total VIPP Plan or LIDP commitments (local content, employment and engagement of apprentices/trainees) committed as a result of these contracts.	8 Jobs retained	8 Jobs retained 1 Trainee retained	10 Jobs retained 2 Trainees retained
For contracts completed, a statement of total VIPP Plan or LIDP outcomes (local content, employment and engagement of apprentices/trainees) achieved as a result of these contracts.	1 Trainee retained	Not yet completed	2 Apprentices retained
For contracts, commencing from 1 September 2016, the number of contracts where the minimum formal weighting was applied for local content in the tender evaluation of the VIPP Plan or LIDP.	<b>All.</b> Local content carries a 10% weighting in the Gippsland Water standard set of assessment criteria.		

### Reporting on grants provided and design contracts

The total number of conversations with the Industry Capability Network that correspond with the registration and issue of an Interaction Reference Number.

**N/A.**  
No grants were provided.



## Consultant services

In 2017-18, there were 15 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2017-18 in relation to these consultancies was \$944,168.96 (excl. GST). In 2017-18, there were 21 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2017-18 in relation to these consultancies was \$66,542.44 (excl. GST). Details of individual consultancies (valued at \$10,000 or greater) are noted in the table below.

Consultant	Purpose of consultancy	Start date	End date	Total approved	Expenditure 2017-18	Future expenditure
						(\$ thousand)
Collab IT Systems Pty Ltd	Consulting and implementation services	1/11/2017	30/06/2018	180.6	180.6	-
CH2M Hill Australia Pty Ltd	Gippsland Water Factory process engineering advice	1/10/2017	30/06/2018	178.4	178.4	-
Broadspectrum	Asset planning consulting	1/07/2017	30/06/2018	145.7	145.7	-
Insync Surveys Pty Ltd	Customer Satisfaction Survey	1/07/2017	31/03/2018	94.1	94.1	-
Smec Australia Pty Ltd	Various surveying consultancy services	1/07/2017	30/06/2018	82.8	82.8	-
GHD Pty Ltd	Gippsland Water Factory well installation and groundwater assessment	1/07/2017	30/06/2018	62.4	62.4	-
Mott Macdonald Australia Pty Ltd	Asset management plans	1/07/2017	30/06/2018	54.2	54.2	-
Corrinne Armour	Development and delivery of Fearless Leadership Program	1/12/2017	31/12/2017	31.2	31.2	-
Market Culture Strategies Pty Limited	MRI assessment and leadership workshop	1/01/2018	30/06/2018	26.0	26.0	-
Fish & Nankivell Ogilvie Watson Pty Ltd	Conduct a Board review	1/04/2018	30/04/2018	22.2	22.2	-
Innovative Physiotherapy Services Pty Ltd	Task analysis development – physical and cognitive	1/11/2017	30/06/2018	18.2	18.2	-
UXC Consulting Pty Ltd	Victorian Protective Data Security Framework Remediation	1/07/2017	31/03/2018	16.6	16.6	-
D'Accord (Vic) Pty Ltd	Annual management fee and fees for Employee Assistance Program counselling	1/07/2017	30/06/2018	10.9	10.9	-
Mercer Australia Pty Ltd	Provision of work value and remuneration advice for various roles	1/03/2018	30/06/2018	10.8	10.8	-
Whitehead & Associates Environmental Consultants Pty Ltd	Peer review of land capability assessment in conjunction with Baw Baw Shire	1/04/2018	30/06/2018	10.0	10.0	-

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

- Provision of expert analysis and advice; and/or
- Development of a written report or other intellectual output.

## Information and Communication Technology expenditure

	(\$ million)			
	BAU ICT expenditure	Non BAU ICT expenditure Total = A + B	Operational expenditure A	Capital expenditure B
2017-18	8.4	1.2	0.0	1.2
2016-17	9.3	0.3	0.0	0.3
2015-16	8.4	2.7	0	2.7



## Disclosure of major contracts

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

## Competitive Neutrality Policy Victoria

We continue to implement and apply the principle of 'competitive neutrality' in our business undertakings. This enables fair competition between local government and private sector businesses. We ensure that any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised.

## Government advertising expenditure

Our government campaign expenditure for the period did not exceed \$100,000.

## Freedom of Information Act 1982 (Cth)

As a government agency under the terms of the *Freedom of Information Act 1982* (Vic), we are required to comply with procedures that have been prescribed under which members of the public may gain access to information we hold. 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* (Vic):

- 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 us.
- Details of any major external reviews carried out on us.
- Details of major research and development activities undertaken by us.
- 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 us to develop community awareness of us and our services.

- Details of assessment and measures undertaken to improve the occupational health and safety of our employees.
- A general statement on industrial relations within our organisation and details of lost time through industrial accidents and disputes.
- A list of major committees sponsored by us, the purposes of each committee and the extent to which the purposes have been achieved.

In the 2017-18 reporting period, we received two requests for information under the *Freedom of Information Act 1982* (Vic). All requests were from the general public.

- Two decisions were made within an extended statutory 30-45 day time period.

## FOI requests

Requests for information under the *Freedom of Information Act 1982* (Vic) should be made in writing to:

### Authorised FOI Officer

**Lynley Keene**  
**Manager Governance**  
**Gippsland Water**

PO Box 348 Traralgon VIC 3844

Phone: 1800 050 500

Email: [foi@gippswater.com.au](mailto:foi@gippswater.com.au)

To submit a request, 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 2018 is \$28.90.

## Statement of availability of other information

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

The Part II Information Statement includes information about our 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* (Vic).

## Categories of documents

We create a large number of documents and records in the course of our work. We use an electronic records management system to manage correspondence and documents. Online systems manage our financial, human resource and other operational activities as well as plans relating to our water supply, waterways, drainage and sewerage responsibilities. Historical archives on our activities are available through the Public Record Office Victoria. More information is available under 'Part II Information Statement' on our website at <https://www.gippswater.com.au/residential/about-us/governance/freedom-information>.

## Protected Disclosures Act 2012 (Vic)

The *Protected Disclosures Act 2012* (Vic) 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.

We do not tolerate improper conduct by employees, nor reprisals against those who come forward to disclose such conduct. We are committed to ensuring transparency and accountability in our administrative and management practices and support 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 our attention by an investigative body, we 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. We are a public body for the purposes of the Act and a public officer can be an employee (including temporary/contract employees), 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 us or our board members, officers or employees by contacting the Independent Broad-Based Anti-Corruption Commission Victoria using the contact details provided below. Please note that we are not able to receive protected disclosures.

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

Our procedures can be accessed at <https://www.gippswater.com.au/residential/about-us/governance/policies-and-procedures/protected-disclosure-policy>.

## Contact

### Gippsland Water Protected Disclosure Coordinator

**Lynley Keene**  
Manager Governance  
Gippsland Water

Address: PO Box 348 Traralgon VIC 3844  
Phone: 1800 050 500

### Independent Broad-based Anti-corruption Commission Victoria (IBAC)

Address: Level 1, North Tower, 459 Collins Street, Melbourne VIC 3001

Mail: IBAC, GPO Box 24234 Melbourne VIC 3000

Website: <https://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.

## Protected Disclosure Act 2012 (Vic) continued

Pursuant to section 57A of the *Independent Broad-based Anti-corruption Commission Act 2011* (the IBAC Act), the relevant principal officer of a public sector body must notify IBAC of any matter they suspect on reasonable grounds involves corrupt conduct.

In order for conduct to be corrupt conduct, it must also be the case that the conduct would constitute a relevant offence which means an indictable offence against any Act, or the common law offences of attempt to pervert the course of justice, bribery of a public official, perverting the course of justice and misconduct in public office.

The Directions set out the types of matters that must be notified, and the form, content and method of notification. The Directions also set out what IBAC does once a section 57 notification is received.

In the period 2017-18, we did not notify IBAC of any disclosures.

## Conflict of interest

Managing conflicts of interest is an important aspect of our 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.

We have 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.

## Public Administration Act 2004 (Vic)

The *Public Administration Act 2004* (Vic) lists principles that must be observed by public sector organisations and its employees. All of our 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 employee performance plans.

We are committed to applying merit and equity principles when appointing employees. 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: <https://vpssc.vic.gov.au/resources/codes-of-conduct>.

## Building Act 1993 (Vic)

We comply with the *Building Act 1993* (Vic), the Building Regulations 2006 (now referred to as Building Regulations 2018) and associated statutory requirements and amendments.

We obtain an Occupancy Permit for new facilities or for upgrades to existing facilities endorsed by a Municipal Building Surveyor or a Registered Building Surveyor Practitioner.

We require that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by us and that their work and services comply with current building standards. All such consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the *Building Act 1993*, Building Regulations 2018 and the National Construction Code.

In relation to existing buildings, our Building Maintenance Contractor is responsible for mandatory testing of emergency and exit lighting in accordance with relevant standards, monthly, quarterly and bi-annual inspection and preventive maintenance routine of mechanical services and monthly and annual fire service audits. These inspections then inform the works program which is delivered annually through existing maintenance contracts.

During 2017-18, 103 formal Essential Safety Measures audits were carried out under the Building Regulations 2006.

## Financial Management Act 2004 (Vic)

Information relevant to the headings listed in Financial Reporting Direction (FRD) 22H is held at our Traralgon office and is available on request, subject to the *Freedom of Information Act 1982* (Vic).

## Overseas travel

Water Treatment technicians Stephanie Badger and Mae Jobson travelled to New Zealand from 4-12 May 2018 to attend the Water Industry Operations Group (WIOG) New Zealand Conference and Water Industry Operators Association of Australia (WIOA) tour to Palmerston North.

The event was a technical study tour for water and wastewater operational employees to their New Zealand counterparts. We have supported this tour on a number of occasions which has brought innovations and process improvements back to us which have since been implemented.

The trip involved four days of visiting New Zealand water utilities and getting exposure to technologies, process and systems in use, and culminated with a visit to the New Zealand equivalent of the Bendigo WIOA conference in Queenstown, New Zealand. The conference consisted of trade exhibitions and technical presentations.

The technical program covered various aspects of the industry. Presentations covered various issues, including:

- Management of dams and storages.
- Water treatment.
- Water and wastewater reticulation.
- Wastewater collection and treatment.
- Use of reclaimed water or biosolids.
- Consultation and public education.
- Development and application of new technologies.
- New infrastructure projects relating to water and wastewater.
- Project management.
- Asset management.
- Training and safety issues.
- Sharing of operator experiences.

Achieve a risk-based asset management strategy that delivers affordable outcomes for the community

## PART 6

### Optimal Asset Management



## Key initiatives and projects

<b>Drouin</b>  <b>Wastewater Treatment Plant upgrade</b>	<p>Drouin's population is rapidly growing and this means we need to expand the capacity of the existing wastewater treatment plant to meet the town's needs. Our business case to complete a \$32 million upgrade was approved by the Department of Treasury and Finance (DTF) and DELWP in September 2017. The upgrade includes a new mechanical treatment plant that will be constructed on the existing site near the lagoon system. The new plant will treat wastewater to a higher quality – which will reduce odour for nearby residents, and protect the ecology of local waterways and Westernport Bay. Producing high quality treated wastewater could also allow us to recycle more wastewater for irrigation. Completion of the detailed design phase of the project is due in 2018 and construction is expected to be completed in 2021-22.</p>
<b>Maffra</b>  <b>McAdam Street storage tank</b>	<p>We installed a new liner, improved drainage and new pipes at the 7.9ML Maffra water storage facility – a key piece of infrastructure that supplies water to 3,000 customers in Maffra, Stratford and Boisdale. We successfully completed this critical project by the end of December 2017 in time for the peak summer period.</p>
<b>Sale</b>  <b>Outfall Sewer Pump Station</b>	<p>To cater for the growth of Sale, Wurruk and Fulham, we are planning to build a new outfall sewer pump station near the Port of Sale by 2021. During 2017-18, we worked closely with Wellington Shire Council, the community of Sale, and a landscape architect to create a façade for the new pump station. We consulted with the community on design options for planting and screening solutions that will complement the amenity of the area. The new pump station will cater for future population growth by providing more capacity to cope with peak flows during wet weather events, and reduce the likelihood of odour. The new pump station will be built on Foster Street in Sale – opposite the police station.</p>

## Key initiatives and projects continued

<b>Sale</b>  <b>York Street water main replacement</b>	<p>As part of a \$2.8 million project, we replaced the 100-year-old water mains at York Street in Sale. The first stage of the project, which involved replacing mains between Fitzroy and Raglan streets, was completed in February 2018. We completed the second stage, replacing mains between Foster and Macarthur streets, in May 2018. We installed the new water mains on either side of the road, improving water quality and reducing the potential for burst water mains along the busy thoroughfare.</p>
<b>Warragul-Moe</b>  <b>Water supply interconnect Stage 2</b>	<p>Commissioning of this \$5 million project Stage 2 began in June 2018. Works included building a new pump station and installing a major pipeline under the railway and highway at Darnum. To avoid damaging sensitive areas including waterways and areas of Aboriginal cultural heritage, we employed horizontal drilling in two other locations along the pipeline. This technique protects threatened native flora and fauna such as large Strzelecki gum trees, giant Gippsland earthworms and Warragul burrowing crayfish. The interconnect is on track to be operational by 2019.</p>
<b>Water and sewer main upgrades</b>	<p>We constantly monitor and maintain our network of water and sewer pipes, pump stations and water storage facilities. A comprehensive monitoring program is in place for both water and sewer reticulation systems. During 2017-18, we constructed approximately nine kilometres of water reticulation mains and replaced approximately eight kilometres of sewer reticulation mains at various locations across the service area.</p>



## Future initiatives and projects

6

Optimal Asset Management

<b>Coongulla to Heyfield</b>  <b>Interconnect</b>	<p>Water for the township of Coongulla is currently sourced from Lake Glenmaggie. The water is pumped from Lake Glenmaggie and treated at the Coongulla Water Treatment Plant. Treating water from Lake Glenmaggie can have challenges – it can be impacted by bushfires upstream and by recreational activities like boating and water-skiing. To better manage these ongoing costs and challenges associated with Coongulla's water supply, we are looking to build a new pipeline from the Heyfield Water Treatment Plant to Coongulla. We have engaged a design consultant to produce a detailed design for costing and approval. From this, we will determine whether the project will proceed.</p>
<b>Mirboo North</b>  <b>Water main replacement</b>	<p>We are reviewing options to replace the 72-year-old water main which runs along and under the Strzelecki Highway at Mirboo North. To plan the project, environmental assessments, field surveys and investigation work in the area between Little Morwell River and Grande Ridge Rail Trail began in early 2018. Replacing the water main was flagged as a key project for delivery in our Price Submission to the ESC.</p>
<b>Warragul</b>  <b>Water supply western ring main upgrade</b>	<p>Water to supply Warragul comes from the water treatment plant on the northern side of the town via a main pipeline, which also runs through the central business area. Failures on the main in the past have caused significant disruption to water supplies particularly in the CBD. Due to the growth of the town on the western side (between Warragul and Drouin) and also high growth in Drouin, planning has begun to construct a new western ring water main around Warragul. This will service the growing demand in both Warragul and Drouin, and provide an alternative supply to service both towns. We are currently working with land owners in the area to secure an alignment, with completion of the project expected by 2022-23.</p>

## Corporate Key Performance Indicators

We continue 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 2017-18 reporting period, we reported against 33 indicators that measure performance for water, wastewater, customer service, safety, and employee availability.

These indicators are directly linked to our 2013-18 Water Plan and are aligned with the service standards reported to the ESC bi-annually and annually.



KPI No	Key Performance Indicator	Unit of measure	2017-18 Target	2017-18 Actual <sup>1</sup>	2016-17	2015-16	2014-15	2013-14
<b>WATER</b>								
<b>1</b>	Unplanned water supply interruptions	Per 100km	19.5	16.92	15.37	18.26	19.65	19.99
<b>2</b>	Average time taken to attend bursts and leaks (priority 1)	Minutes	35	27.69	27.15	26.48	29.34	33.82
<b>3</b>	Average time taken to attend bursts and leaks (priority 2)	Minutes	138	42.68	60.30	56.72	52.76	90.74
<b>4</b>	Average time taken to attend bursts and leaks (priority 3)	Minutes	2,000	1,157.95	1,166.79	1,067.52	989.33	1,449.34
<b>5</b>	Unplanned water supply interruptions restored within 5 hours	Per cent	98%	98.62%	98.78%	98.97%	98.54%	98.80%
<b>6</b>	Planned water supply interruptions restored within 5 hours	Per cent	90%	97.58%	98.52%	97.93%	98.66%	96.14%
<b>7</b>	Average unplanned customer minutes off water supply	Minutes	10.8	7.99	8.63	8.51	11.79	7.72
<b>8</b>	Average planned customer minutes off water supply	Minutes	12	12.22 <sup>3</sup>	11.15	12.90	33.17	18.41
<b>9</b>	Average frequency of unplanned water supply interruptions	Number	0.12	0.09	0.10	0.11	0.130	0.104
<b>10</b>	Average frequency of planned water supply interruptions	Number	0.08	0.07	0.08	0.08	0.17	0.11
<b>11</b>	Average duration of unplanned water supply interruptions	Minutes	90	85.16	87.37	76.23	88.89	74.44
<b>12</b>	Average duration of planned water supply interruptions	Minutes	150	167.08 <sup>4</sup>	141.98	156.66	191.36	170.88
<b>13</b>	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	Number	0	0	36	0	0	0
<b>14</b>	Unaccounted for water	Per cent	12%	14.0% <sup>5</sup>	14.7%	12.9%	14.6%	16.6%

KPI No	Key Performance Indicator	Unit of measure	2017-18 Target	2017-18 Actual <sup>1</sup>	2016-17	2015-16	2014-15	2013-14
<b>SEWERAGE</b>								
15	Sewerage blockages	Per 100 km	18	17.41	17.09	13.99	14.73	8.76
16	Average time to attend sewer spills and blockages	Minutes	40	20.64	20.42	24.91	27.14	30.63
17	Average time to rectify a sewer blockage	Minutes	95	76.50	72.67	86.20	87.51	93.02
18	Spills contained within 5 hours	Per cent	98%	100%	100%	98.46%	100%	100%
19	Customers receiving more than 3 sewer blockages in the year	Number	0	0	0	0	0	0
<b>CUSTOMER SERVICE</b>								
20	Complaints to EWOV	Per 1,000 customers	0.08	0	0.06	0.028	0.059	0.030
21	Telephone calls answered within 30 seconds	Per cent	84%	83.71% <sup>6</sup>	83.76%	88.80%	82.68%	83.06%
<b>ADDITIONAL SERVICE STANDARDS</b>								
22	Population receiving water meeting E.coli standards	Per cent	100%	100%	100%	88.9%	100%	100%
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%
25	Total CO <sub>2</sub> equivalent emissions	Tonne (000s)	70	37.88	37.55	44.87	42.69	37.99
26	Recycled water target	Per cent	10.3%	9.33% <sup>7</sup>	8.46%	8.48%	7.52%	4.99%
27	Bio-solids reuse	Per cent	100%	100%	100%	100%	100%	100%
28	Country Town Water Supply and Sewerage (CTWSS) connections	Number	90	39 <sup>8</sup>	241	864	536	280





KPI No	Key Performance Indicator	Unit of measure	2017-18 Target	2017-18 Actual <sup>1</sup>	2016-17	2015-16	2014-15	2013-14
<b>OUR PEOPLE</b>								
<b>29</b>	No. of significant incidents per month/total number of reports per month	Per cent	< 2% <sup>9</sup>	2%	2%	2%		
<b>30</b>	Lost Time Injury Frequency Rate	Number	≤ 5.4	5	9	15		
<b>31</b>	Average severity index for incidents reported	Number	≤ 4	3	2.96	3.25		
<b>32</b>	No. of reported incidents without injury (near misses) per monthly/total no. of reports per month	Per cent	> 18% <sup>10</sup>	26%	27%	33%		
<b>33</b>	Employee availability	Hours	≤ 34 annually per employee	33.85	32.07	30.70	31.47	29.94

## Key Performance Indicators continued

### Notes to Key Performance Indicators

- (1) **2017-18 Actual** – Unaudited data.
- (2) **Previous years' data** – Audited data.
- (3) **KPI 8** – This KPI is impacted by KPI 12, as it is the multiple of KPI 10 and KPI 12. In the 2018-19 Corporate Plan, the target has been approved by the ESC and amended to 21.9 minutes. This reflects the average for Gippsland Water for the past five years.
- (4) **KPI 12** – This KPI has not been met due to air scouring and the complexity of some of the major shuts. In the 2018-19 Corporate Plan, the target has been approved by the ESC and amended to 168.4 minutes. This reflects the average for Gippsland Water for the past five years.
- (5) **KPI 14** – The target of 12 per cent was not achieved this year. Unaccounted for water can comprise real losses from causes such as leaks (e.g. ageing pipelines), water main breaks, firefighting and mains flushing, as well as apparent losses that arise from metering inaccuracies in customer and bulk system meters.
- (6) **KPI 21** – Our focus on supporting vulnerable customers has significantly increased, having more than doubled Customer Care Program registrations. In addition to the additional coordination and marketing workload accompanying this emphasis, the complexities of facilitating Customer Care Program based calls has seen handling times increase across the year. 2016-17 average talk time was 232 seconds, compared to 298 seconds per call in 2017-18.
- (7) **KPI 26** – Over the 2017-18 financial year, we reused 9.33 per cent of treated water which fell short of the annual KPI target of 10.3 per cent. We are seeing a continuous upward trend in the percentage of recycled water that is being used and supplied. The increases are attributable to greater volumes of water being reused at Dutson Downs, Mirboo North and a number of our third party reuse sites.
- (8) **KPI 28** – Due to the early connection incentives in 2014-15, the project has been continually running ahead of the original forecast value. Overall project connections have been continually ahead of schedule with Country Towns Water Supply and Sewerage scheme connections for the year 2017-18 of 39, below the annual target of 90, however exceeding the overall forecast target by 30 connections. Over and above the original forecast are 64 backlog properties remaining to connect with the Property Connections team.
- (9) **KPI 29** – Target reduced from <5 per cent to <2 per cent with the implementation of the new OHS Strategy in January 2018.
- (10) **KPI 32** – Target reduced to >18 per cent from >25 per cent after implementation of new OHS Strategy in January 2018.



## Corporate water consumption

During 2017-18, our water consumption at the Traralgon head office at 55 Hazelwood Road was estimated at 1,337kL.

	Total full-time equivalent (FTE)	Office space (m <sup>2</sup> )	Water consumption (kL)	kL/FTE	Water consumption by office space (kL/m <sup>2</sup> )
<b>2017-18</b>	220.51	3,335	1,337	6.1	0.40
<b>2016-17</b>	220.02	3,335	3,365*	15.29	1.01
<b>2015-16</b>	221.26	3,335	3,365	15.21	1.01

\*Due to faulty water meters, the water consumption was based on previous year's consumption.



## Energy consumption

Performance indicator	RENEWABLE ENERGY USE (MWH)										
	(a) Total energy use (MWh)	(b) Solar panels	(c) Hydro-electric	(d) Wind power	(e) Biogas	(f) Green-power	(g) Other <sup>1</sup>	(h) Total			
								(h) Renewable energy use (%) ((h)/(a))*100	Renewable energy generated for export (MWh)	Renewable energy use target (%)	
Water treatment and supply	9,431	0	0	0	0	0	1,981	1,981	21	0	21
Sewerage treatment and management	5,167	0	2,133	0	570	0	3,185	5,888	33	0	30
Other (office, workshops, depots, etc.)	1,109	0	0	0	0	0	233	233	21	0	21
Total	25,707	0	2,133	0	570	0	5,398	8,102	29	0	28

### LARGE-SCALE GENERATION CERTIFICATES (LGCs)

Total LGCs created (LGCs)<sup>2</sup> **2,087 LGCs**

Total LGCs sold (LGCs) **0 LGCs**

Total LGCs stockpiled (LGCs) **2,087 LGCs**

Renewable energy generated and not registered for LGCs (MWh)<sup>3</sup> **570.2 MWh**

(1) Other renewable energy sources include proportion of green energy in purchased grid electricity.

(2) Total LGCs created are attributable to the renewable energy use from the Pine Gully hydro – these LGCs were stockpiled.

(3) The Gippsland Water Factory biogas cogeneration facility is not registered for LGCs.

## Greenhouse gas emissions

**2017-18 saw big movements in our efforts to reduce greenhouse gas emissions.**

**Some highlights include:**

- The enacting of the new Statement of Obligations (emissions reduction) for all Victorian water corporations.
- The completion and endorsement of our corporate strategy to tackle climate change: Climate Change – A Pathway of Mitigation and Adaptation to 2050.
- The commencement of planning and delivery of some of the first projects specifically aimed at reducing and offsetting our greenhouse gas emissions.
- The investigation of different land uses for the Dutson Downs facility considering carbon sequestration, and alternate energy projects.

We pledged to reduce our organisation's greenhouse gas emissions by 24 per cent by the year 2025, in line with the new Statement of Obligations (emissions reduction).

In 2018, we purchased our first full-electric passenger vehicle. By 2025 we have committed to achieve a reduction in fuel emissions equivalent to the removal of 14 vehicles from our fleet. This will be achieved by the further purchase of zero emissions electric and other low emissions technology vehicles.

### Case Study

#### Meet Zoe



**We joined the worldwide move towards electric cars with the new Renault Zoe joining our fleet – our first fully electric car.**

Electric cars go a long way to reduce greenhouse emissions. When charged by renewables, they are carbon neutral in their operation. Zoe will also help reduce our operational costs by avoiding the purchase of fossil fuels to power our fleet. We have committed to ensuring at least 10 per cent of our fleet is electric by 2025. This will give an estimated annual CO<sub>2</sub> reduction of 177 tonnes and reduced operational expenditure of close to \$90,000 per year. Please join us in welcoming Zoe, and give her a wave if you see her around the region.

## Greenhouse gas emissions continued

We expect dedicated projects (such as renewable energy installations and electric vehicles) to reduce our emissions as they come online over the coming years. Improving the efficiency of our activities will also play a significant role in delivering our emissions reduction commitments. Total greenhouse gas emissions reduced by 12 per cent from 2017-18.

Transport emissions also decreased by 10 per cent from our baseline emissions through continuing efficiency improvements in our vehicle fleet. Transport emissions are expected to continue on a downward trajectory as more efficient and zero emissions vehicles enter the fleet.

More significant reductions have been achieved by using sophisticated knowledge of our system to deliver innovative improvements in electricity consumption in our wastewater treatment system of 4.21 per cent. These efficiencies and projects have achieved a saving 639 tonnes of CO<sub>2</sub> across the year.

In 2016-17, the Gippsland Water Factory reduced its grid electricity consumption by around 15 per cent through efficiency improvements. We have seen a continuation of this trend in 2017-18 with a further significant reduction of 229MWh over the year. As the Gippsland Water Factory accounts for around 70 per cent of our overall wastewater energy consumption, we are committed to continually decreasing energy use through efficiency and renewable energy projects.

## Case Study

### Moe Wastewater Treatment Plant saving power



**Upgrades to technology at the Moe Wastewater Treatment Plant are helping to achieve our strategic objective of a 15 per cent reduction in carbon emissions by 2022.**

Instead of using five blowers to mix and aerate 12ML of domestic wastewater, one turbo blower installed in September 2017 now does this work. The \$175,000 investment has resulted in energy savings at the plant of approximately nine per cent – from 10,835kWh/week to 9,864kWh/week. That's the equivalent of powering nine, four-person households in one year!

## Greenhouse gas emissions

The net greenhouse gas emissions, expressed as tonnes of CO<sub>2</sub> equivalent (t CO<sub>2</sub> -e), for the whole business and our activities are expressed in the table below.

Performance Indicator	Tonnes CO <sub>2</sub> -e			Variance (%)
	Baseline <sup>1</sup>	2017-18 Target	2017-18 Result	
Water treatment and supply	10,485	10,762	10,098	-6
Sewerage treatment and management <sup>2</sup>	28,081	28,826	24,238	-16
Transport <sup>3</sup>	1,460	1,497	1,346	-10
Other	1,995	2,049	2,199	7
Offsets	0	0	0	-
<b>Total</b>	<b>42,021</b>	<b>43,134</b>	<b>37,881</b>	<b>-12</b>

(1) Baseline emissions calculated from a four-year-average of greenhouse gas emissions to 2016.

(2) A 16 per cent reduction in sewage treatment and management emissions was largely attributable to energy efficient projects in our largest power consuming plants.

(3) A 10 per cent decrease in transport-associated emissions is a continuation of recent trends in the improved efficiency of our vehicle fleet.

## Beneficial reuse of treated wastewater and biosolids

### Sustainable water and biosolids reuse

Our eight lagoon-based wastewater treatment plants allow us to irrigate treated water. We provide this recycled water to a number of local farmers and sporting grounds, supporting local industry, golfers and community sporting groups. One hundred percent of our reclaimed water is invested back into Gippsland.

Working with our partners, we monitor the soil health in line with EPA guidelines to ensure there are no negative impacts. Our five mechanical wastewater plants discharge treated wastewater to the environment. To ensure we are not impacting on the receiving environment, water quality and stream health monitoring is completed routinely.

Across the 2017-18 financial year, we have reused 9.33 per cent (2,273ML) of the total 11,064ML of wastewater viable for reuse purposes. The percentage of reuse has slightly decreased but our overall volume reused has increased by 104ML compared to last year.

Treated wastewater from the Regional Outfall System and Saline Wastewater Outfall Pipeline accounts for approximately 75 percent of wastewater we handle.

The Gippsland Water Factory produces a small amount of treated wastewater that is recycled and reused by Australian Paper. The water is processed through reverse osmosis membranes reducing the salt concentrations, making it viable for reuse. The majority of the wastewater is sent to the Dutson Downs wastewater treatment lagoons and subsequently discharged via the ocean outfall.

As part of a trade waste agreement, we accept saline wastewater from AGL's ash ponds. This product is transported and discharged via a separate ocean outfall. Five kilometres of the Saline Wastewater Outfall Pipeline has been replaced this year as part of stage three to upgrade the pipeline. Two previous five kilometre sections have already been replaced over the last few years, totalling 15km to date. The treated wastewater produced and discharged via the Saline Wastewater Outfall Pipeline and Regional Outfall System do not meet the EPA standards for irrigation water due to high salinity.

We recycle the biosolids from our wastewater treatment plants and turn it into Revive Recycled Compost at the Soil and Organic Recycling Facility, contributing significantly to the state's waste management system. This high quality compost, which is tested and produced to Australian standard (AS4454), is sold and distributed to farmers across Gippsland and Victoria by our partners Gibsons Groundspread.

Over this financial year, we accepted 214,767 tonnes of waste and composted approximately 210,500 tonnes. This means we have recycled and diverted 98 per cent of the waste we accept away from landfill. The remaining two per cent is sent to our licenced asbestos landfill.

## Beneficial reuse summary

Treatment system	Destination of wastewater	Treated water disposed by Gippsland Water (ML)		Volume reused (ML)		Volume discharged (ML)	
		2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
<b>Drouin</b>	Irrigation to pasture or discharge to Shillinglaw Creek	693	767	107	91	586	676
<b>Heyfield</b>	Irrigation to pasture or emergency discharge to Back Creek	77	81	77	81	0	0
<b>Maffra</b>	Irrigation to pasture and sporting / playing field Emergency discharge to Macalister River	156	286	156	286	0	0
<b>Mirboo North</b>	Irrigation to pasture and sporting / playing field or emergency discharge to Little Morwell River	109	54	109	54	0	0
<b>Morwell</b>	Supplement flow to wetlands	586	616	586	616	0	0
<b>Seaspray</b>	Irrigation to pasture	12	19	12	19	0	0
<b>Stratford</b>	Irrigation to pasture	169	157	169	157	0	0
<b>Willow Grove</b>	Irrigation to pasture or emergency discharge to Latrobe River	14	13	14	13	0	0
<b>Neerim South</b>	Discharge to Red Hill Creek	48	47	0	0	48	47
<b>Rawson</b>	Discharge to Coopers Creek	31	28	0	0	31	28
<b>Warragul</b>	Discharge to Hazel Creek	1,550	1,501	0	0	1,550	1,501
<b>Moe</b>	Discharge to Moe River	2,141	1,909	0	0	2,141	1,909
<b>Sale</b>	Irrigation to pasture	974	761	974	761	0	0
<b>Regional Outfall System – urban wastewater</b>	Recycled to Pine Gully (Australian Paper) or discharge to Bass Strait (Delray Beach)	68	3,974	68	90	0	3884

## Beneficial reuse summary continued

		Treated water disposed by Gippsland Water (ML)		Volume reused (ML)		Volume discharged (ML)	
Treatment system	Destination of wastewater	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Total water available for reuse		6,630	10,213	2,273	2,168	4,358	8,045
% reuse of water available for reuse				34.28	21.23	65.73	78.77
Regional Outfall System <sup>1</sup> – industrial wastewater	Industrial wastewater discharged to Bass Strait (Delray Beach)	8,970	6,143	0	0	6,183	6,143
Saline Wastewater Outfall Pipeline <sup>2</sup>	Discharge to Bass Strait (McGaurans Beach)	8,771	9,278	0	0	8,771	9,278
Total saline wastewater		17,741	15,421	0	0	14,954	15,421
Grand total wastewater discharged		24,370	25,634	2,272	2,168	23,746	23,466
% reuse of grand total				9.32	8.46	90.68	91.54

(1) The vast majority of wastewater treated in the Regional Outfall System is unsuitable for irrigation due to its high salt content.

(2) We don't treat wastewater discharged from the Saline Wastewater Outfall Pipeline; 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.



## Environment Protection Authority (EPA) compliance summary

Our wastewater treatment plants operate under an EPA corporate licence in relation to environmental discharges and irrigation. The table below outlines the median water quality limits that each facility must meet. Compared to last financial year, there has been an improvement to the water quality being discharged, reflecting on the treatment from our wastewater facilities. All facilities apart from our Drouin Wastewater Treatment Plant have met the annual water quality compliance limits for the 2017-18 financial year. We are already in the planning stage for the upgrade of our Drouin Wastewater Treatment Plant which will see improvements to the treatment process, discharge quality and will assist with capacity as the Drouin population continues to increase.

Site description	Total parameters compliant with EPA median limits			Total reportable parameters analysed			% parameters compliant with EPA median limits			Overall site compliance with EPA licence median
	2017-18	2016-17	2015-16	2017-18	2016-17	2015-16	2017-18	2016-17	2015-16	
<b>Drouin</b>	78	70	66	84	84	77	93	83	86	Non-compliant
<b>Heyfield</b>	12	12	10	12	12	10	100	100	100	Compliant
<b>Maffra</b>	12	12	11	12	12	11	100	100	100	Compliant
<b>Mirboo North</b>	12	12	9	12	12	9	100	100	100	Compliant
<b>Morwell</b>	83	81	76	84	84	84	99	96	90	Compliant
<b>Seaspray</b>	12	12	12	12	12	12	100	100	100	Compliant
<b>Stratford</b>	12	12	12	12	12	12	100	100	100	Compliant
<b>Willow Grove</b>	12	12	9	12	12	9	100	100	100	Compliant
<b>Neerim South</b>	81	81	83	84	84	84	96	96	99	Compliant
<b>Rawson</b>	82	83	83	84	84	84	98	99	99	Compliant
<b>Warragul</b>	82	84	78	84	84	84	98	100	93	Compliant
<b>Moe</b>	79	82	82	84	84	84	94	98	98	Compliant
<b>Sale</b>	12	12	11	12	12	11	100	100	100	Compliant
<b>Regional Outfall System</b>	93	95	94	96	96	96	98	99	98	Compliant
<b>Saline Wastewater Outfall Pipeline</b>	142	223	300	166	264	300	86	84	100	Compliant

## Bulk water entitlement reporting

6

Optimal Asset Management

Bulk Entitlement	Source of supply	Bulk Entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with Bulk Entitlement clauses
<b>Boolarra<sup>1</sup></b>	Walkleys Creek O'Gradys Creek	145	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> <li>- <i>Environmental Program implemented.</i></li> <li>- <i>Metering Program not required as no diversions are taking place.</i></li> </ul>
<b>Gippsland Water – Blue Rock<sup>2</sup></b>	Tanjil River	20,000	4,395  (3,756)	<ul style="list-style-type: none"> <li>• Location and volume of water taken pursuant to clause 10: <i>None.</i></li> <li>• Implementation of programs under sub-clause 12.3 (Metering): <i>Implemented.</i></li> <li>• The Bulk Entitlement for Blue Rock is extracted from three 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.</li> <li>• Specified Point A – Blue Rock Headworks Outlet (supply to Moondarra Reservoir and Willow Grove WTP): <i>2017-18 total = 1,306ML; three-year rolling avg.: = 2,091ML.</i></li> <li>• Specified Point B – Tanjil River Pump Station: <i>2017-18 total = 2,320ML; three-year rolling avg.: = 2,260ML.</i></li> <li>• Specified Point C – Latrobe River Pump Station: <i>2017-18 total = 130ML; three-year rolling avg.: = 43ML.</i></li> </ul>
<b>Erica-Rawson</b>	Trigger Creek	340	59	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> <li>- <i>Environmental Program implemented.</i></li> <li>- <i>Metering Program implemented.</i></li> </ul>
<b>Mirboo North</b>	Little Morwell River (North Arm)	270	181	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> <li>- <i>Environmental Program implemented.</i></li> <li>- <i>Metering Program implemented.</i></li> </ul>

## Bulk water entitlement reporting continued

Bulk Entitlement	Source of supply	Bulk Entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with Bulk Entitlement clauses
<b>Moe – Narracan Creek</b>	Narracan Creek	3,884	1,718	Approval, amendment and implementation of programs under clauses 8 (Making Allowances), 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> <li>- Making Allowances: Nil.</li> <li>- Environmental Program implemented.</li> <li>- Metering Program implemented.</li> </ul>
<b>Moondarra<sup>3</sup></b>	Tyers River	62,000	41,041 (34,578)	<ul style="list-style-type: none"> <li>• Diversion at Tyers River Pump Station for 2017-18 = 349ML.</li> </ul> Approval, amendment and implementation of programs under clauses 12 (Environmental Program) and 13 (Metering Program): <ul style="list-style-type: none"> <li>- Environmental Program implemented.</li> <li>- Metering Program implemented.</li> </ul>
<b>Noojee<sup>4</sup></b>	Deep Creek / Loch River	73	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> <li>- Environmental Program implemented.</li> <li>- Metering Program implemented.</li> </ul>
<b>Seaspray</b>	Merrimans Creek	133	35	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): <ul style="list-style-type: none"> <li>- Environmental Program implemented.</li> <li>- Metering Program implemented.</li> </ul>
<b>Tarago</b>	Tarago River	4,825	3,756	Approval, amendment and implementation of programs under clauses 11 (Environmental Program) and 13 (Metering Program): <ul style="list-style-type: none"> <li>- Environmental Program implemented.</li> <li>- Metering Program implemented.</li> </ul> <ul style="list-style-type: none"> <li>• Pederson Weir/Westernport Pipeline diversions 2017-18: 3,549ML of 4,070ML entitlement.</li> <li>• Labertouche Creek diversions 2017-18: 0ML of 480ML entitlement.</li> <li>• Tarago Reservoir (Neerim South) diversions 2017-18: 207ML of 275ML entitlement</li> </ul>

## Bulk water entitlement reporting continued

Bulk Entitlement	Source of supply	Bulk Entitlement volume taken (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with Bulk Entitlement clauses
Thomson-Macalister	Thomson River / Macalister River	2,335	1,490	<ul style="list-style-type: none"> <li>Credits granted under clause 11: <i>None</i>.</li> </ul> <p>Approval, amendment and implementation of programs under clause 12 (Metering Program): <i>Implemented</i>.</p> <ul style="list-style-type: none"> <li>Clause 13.1 (b) Extraction at Maffra Weir: 1,178ML. Extraction at Thomson River at Heyfield: 260ML. Extraction at Lake Glenmaggie: 52ML. Extraction at Main Southern Channel: 0ML. Extraction at Cowwarr Weir: 0ML.</li> <li>Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation = 0ML.</li> <li>Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement: <i>1/7/2017 - 31/7/2017: 70% allocation.</i> <i>1/8/2017 - 30/6/2018: 100% allocation.</i></li> </ul>
Thorpdale <sup>5</sup>	Easterbrook Creek	80	0	<p>Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program):</p> <ul style="list-style-type: none"> <li><i>Environmental Program implemented.</i></li> <li><i>Metering no longer required from September 2015 as supply not being used.</i></li> </ul>

(1) Boolarra Bulk Entitlement not currently utilised.

(2) Bulk Entitlement volume calculated as three-year rolling average (figure in brackets is volume for 2017-18).

(3) Bulk Entitlement volume calculated as two-year rolling average (figure in brackets is volume for 2017-18).

(4) Noojee Bulk Entitlement not currently utilised.

(5) Thorpdale Bulk Entitlement not currently utilised.

## General reporting requirements

### Temporary or permanent transfer of authority entitlements

No transfer of authority entitlements in 2017-18.

### Temporary or permanent transfers of licences or entitlements to authority

We have access to 400ML/y in Tarago Reservoir under a Bulk Water Supply Agreement (BWSA) with the Melbourne retailers. This BWSA is used to supplement the Tarago Bulk Entitlement during periods of high demand. The BWSA agreement has been extended to 30 June 2023. We used 92.8ML under the BWSA in 2017-18.

### Amendments to Bulk Entitlements

No amendments to Bulk Entitlements in 2017-18.

### New Bulk Entitlements

No new Bulk Entitlements in 2017-18.

### Failure by authority to comply with provisions of Bulk Entitlements

No failures to comply with bulk entitlements in 2017-18.

### Difficulties experienced in complying with entitlement and remedial actions

None.

Improve financial sustainability through smart business decisions and partnerships that minimise the need for borrowings.

# PART 7

## Financial Sustainability



## Performance Report for the year ended 30 June 2018

### PART I – Financial performance indicators

KPI no.	Key Performance Indicator	2016-17 Result	2017-18 Result	2017-18 Target	Variance to prior year	Notes	Variance to target	Notes
<b>F1</b>	<b>Cash interest cover</b> Net operating cash flows before net interest and tax / net interest payments	3.33	3.98	3.60	19.6%	1a	10.6%	1b
<b>F2 (i)</b>	<b>Gearing ratio</b> Total Debt (including finance leases) / total assets * 100	23.12%	23.21%	23.80%	0.4%		-2.5%	
<b>F3</b>	<b>Internal financing ratio</b> Net operating cash flow less dividends / net capital expenditure * 100	109.99%	82.08%	81.60%	-25.4%	2a	0.6%	
<b>F4</b>	<b>Current ratio</b> Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.47	0.34	0.59	-28.1%	3a	-42.7%	3b
<b>F5 (i)</b>	<b>Return on assets</b> Earnings before net interest and tax / average assets * 100	1.26%	1.25%	1.70%	-0.8%		-26.5%	4a
<b>F6 (i)</b>	<b>Return on equity</b> Net profit after tax / average total equity * 100	0.10%	0.11%	0.50%	10.0%	5a	-78.0%	5b
<b>F7</b>	<b>EBITDA margin</b> Earnings Before Interest, Tax, Depreciation and Amortisation / total revenue * 100	41.21%	40.33%	42.60%	-2.1%		-5.3%	

(i) 2016-17 actual results restated. Refer to Financial Report for further information.



## Performance Report continued

- (1a) Operating cashflows in 2017-18 were higher than those recorded in 2016-17, due mainly to higher operating revenues (\$4.0M) and higher receipts from developers (\$2.6M).
- (1b) Operating cashflows in 2017-18 were higher than budget, due mainly to higher receipts from debtors (\$2.8M) and lower borrowings costs (\$0.9M) than budgeted.
- (2a) Net capital expenditure for the 2017-18 year (\$49.9M) was significantly higher than net capital expenditure for 2016-17 (\$29.9M) leading to a significantly poorer outcome for this indicator.
- (3a) 2017-18 saw a significant increase in total current liabilities compared with 2016-17. Short-term borrowings increased in value by \$23.0M, leading to a poorer outcome for this indicator.
- (3b) In 2017-18, a significant increase in total current liabilities was recorded when compared to budget. Short-term borrowings increased in value by \$43.0M, leading to a poorer outcome for this indicator.
- (4a) 2017-18 saw a significant decrease in earnings before interest and tax compared to budget (\$15.1M compared to \$20.7M) leading to a poorer outcome for this indicator.
- (5a) 2017-18 saw a small increase in operating profit after tax compared with 2016-17 (profit of \$0.8M compared to profit of \$0.7M) leading to a small improvement for this indicator.
- (5b) In 2017-18, net profit after tax was significantly worse than budget (\$0.8M profit compared to a \$4.2M profit) leading to a significantly poorer result, driven primarily by a significant writedown in relation to decommissioned assets that was not planned.





## Performance Report continued

## PART 2 – Water and sewerage service performance indicators

KPI no.	Key Performance Indicator	2016-17 result	2017-18 result	2017-18 target	Variance to prior year	Notes	Variance to target	Notes
<b>WS1</b>	<b>Unplanned water supply interruptions</b> No. of customers receiving more than 5 unplanned interruptions in the year/total number of water (domestic and non-domestic) customers * 100	0.05%	0.00%	0.00%	0.0%		0.0%	
<b>WS2</b>	<b>Interruption time (minutes)</b> Average duration of unplanned water supply interruptions	87.37	85.16	90.00	-2.5%		-5.4%	6a
<b>WS3</b>	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions * 100	98.78%	98.62%	98.00%	-0.2%		0.6%	
<b>SSI</b>	<b>Containment of sewer spills</b> Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers * 100	100.00%	100.00%	98.00%	0.0%		2.0%	
<b>SS2</b>	<b>Sewer spills interruptions</b> No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	99.63%	99.65%	97.06%	0.0%		2.3%	

(6a) The duration of unplanned shut events can vary markedly. In 2017-18, the actual result was an improvement from the target set. The target for future years will remain at 90, as per the recently completed 2018 Water Price Review process.

## Performance Report continued

### PART 3 – Customer responsiveness performance indicators

KPI no.	Key Performance Indicator	2016-17 result	2017-18 result	2017-18 target	Variance to prior year	Notes	Variance to target	Notes
<b>CR1 (i)</b>	<b>Water quality complaints</b> No. of complaints per 1,000 customers	2.40	2.30	4.50	-4.2%		-48.9%	7a
<b>CR2 (i)</b>	<b>Sewerage service quality complaints</b> No. of complaints per 1,000 customers	0.10	0.10	0.10	0.0%		0.0%	
<b>CR3 (i)</b>	<b>Sewerage odour complaints</b> No. of complaints per 1,000 customers	0.50	0.50	0.50	0.0%		0.0%	
<b>CR4 (i)</b>	<b>Billing complaints</b> No. of complaints per 1,000 customers	1.80	1.90	1.70	5.6%	8a	11.8%	8b

(i) 2017-18 Corporate Plan targets modified from 'per 100 customers' to 'per 1,000 customers' above in accordance with MRD01 disclosure requirements.

(7a) Water quality complaints totalled 161 in 2017-18 compared with a target of 300 complaints, leading to an improved outcome. This trend is not unusual as actuals can vary significantly from year to year.

(8a) Total billing complaints increased from 124 in 2016-17 to 136 in 2017-18 leading to a poorer outcome. This trend is not unusual as actuals can vary significantly from year to year.

(8b) Total billing complaints of 136 in 2017-18 compared with a target of 110 complaints, leading to a poorer outcome. This trend is not unusual as actuals can vary significantly from year to year.

## Performance Report continued

### PART 4 – Environmental performance indicators

KPI no.	Key Performance Indicator	2016-17 result	2017-18 result	2017-18 target	Variance to prior year	Notes	Variance to target	Notes
E1	<b>Effluent reuse volume (end use)</b> Percentage recycled	8.46%	9.33%	10.30%	10.3%	9a	-9.4%	9b
E2	<b>Total net CO<sub>2</sub> equivalent</b> Net tonnes CO <sub>2</sub> equivalent	37,548	37,881	70,000	0.9%		-45.9%	10a

- (9a) The reuse percentage volume for 2017-18 represents an increase over the actual percentage volume reuse for 2016-17, continuing the upward trend in the percentage of recycled water that is being used and supplied. The increases in 2017-18 are attributable to greater volumes of water being reused at Dutson Downs, Mirboo North and a number of our third party reuse sites.
- (9b) The actual reuse percentage volume for 2017-18 falls short of the target set for 2017-18. It should be noted that 14,984 ML of wastewater we disposed in 2017-18 contained salts at levels unacceptable for use as a recycled product in fresh-water aquatic or terrestrial applications. This water must therefore be disposed of via ocean outfall only. The reuse volume target will be reviewed in future years in order to continue to encourage us to actively pursue further reuse opportunities.
- (10a) 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 contributed to our emissions being significantly below the 70,000 t KPI limit which was set to be inclusive of emissions generated from composting. In addition, the Gippsland Water Factory has reduced its grid electricity consumption by around 15% in 2016-17 (a favourable variance), and no desludging of lagoons was undertaken this year, also contributing to the reduction in carbon emissions. Targets have been reviewed for future years to ensure we continue to strive for Carbon Emissions Reductions and aligns with the current Carbon Emissions Reduction Pledge.



## CENTRAL GIPPSLAND REGION WATER CORPORATION

### Certificate of Performance Report 2017-18

We certify that the accompanying Performance Report of Central Gippsland Region Water Corporation in respect of the 2017-18 financial year is presented fairly in accordance with the *Financial Management Act 1994* (Vic).

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 2017-18 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.

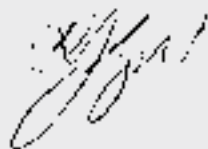
As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



**Therese Ryan**  
Board Chair  
Central Gippsland Region Water Corporation



**Sarah Cumming**  
Managing Director  
Central Gippsland Region Water Corporation



**Kevin Enguell**  
Acting Chief Financial Officer  
Central Gippsland Region Water Corporation

Dated 24 August 2018

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# VAGO ATTESTATION



## Independent Auditor's Report

### To the Board of the Central Gippsland Region Water Corporation

**Opinion** I have audited the accompanying performance report of the Central Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2018, which comprises the:

- financial performance indicators
- water and sewage service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- certification of performance report.

In my opinion, the performance report of the Central Gippsland Region Water Corporation for the year ended 30 June 2018 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

**Basis for Opinion** I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the performance report* section of my report.

My independence is established by the *Constitution Act 1975*. I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.

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

**Board's responsibilities for the performance report** The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994* and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibilities for the audit of the performance report** As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists.

## VAGO ATTESTATION

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether performance report represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
31 August 2018



Paul Martin  
*as delegate for the Auditor-General of Victoria*

CENTRAL GIPPSLAND REGION WATER CORPORATION

# Financial Report for the year ended 30 June 2018

## PART 8

### Financial Performance

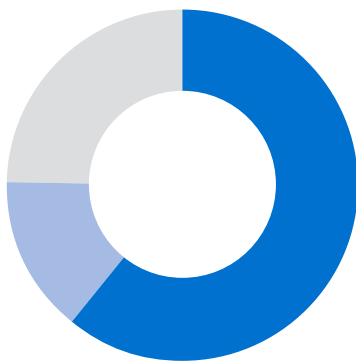
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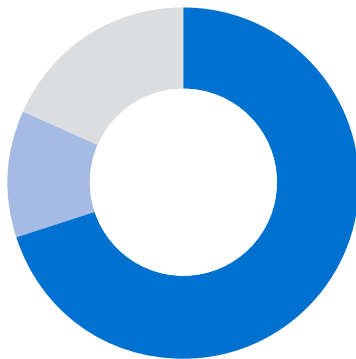
## Financial performance and business indicators as at 30 June 2018

### Water income from service and volumetric charges



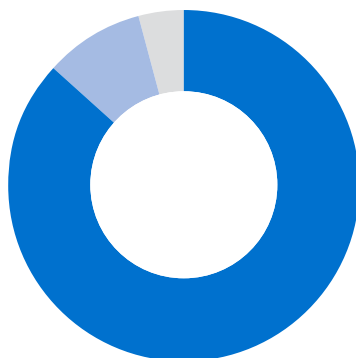
	2018 \$'000
Urban residential	30,974
Urban non-residential	7,362
Major clients	12,506
<b>TOTAL</b>	<b>50,842</b>

### Wastewater income from service and volumetric charges



	2018 \$'000
Urban residential	47,160
Urban non-residential	7,815
Major clients	12,309
<b>TOTAL</b>	<b>67,284</b>

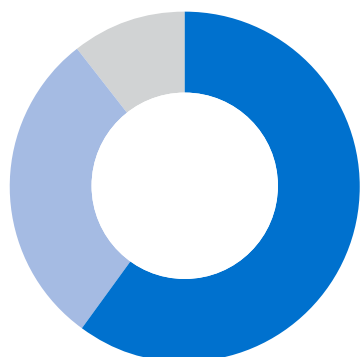
### Total income from all sources



	2018 \$'000
Service and volumetric	118,125
Development contributions	12,312
Interest	106
Other	5,402
<b>TOTAL</b>	<b>135,945</b>

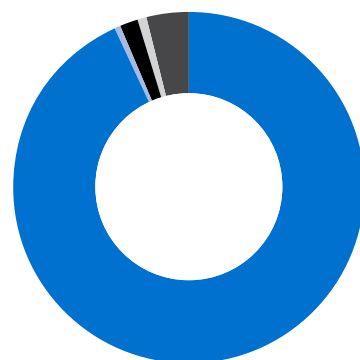
## Financial performance and business indicators continued

### Total expenses



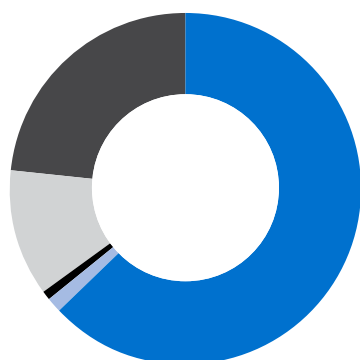
	2018 \$'000
Operations, maintenance and administration	81,015
Depreciation	39,684
Interest	14,040
<b>TOTAL</b>	<b>134,739</b>

### Total assets



	2018 \$'000
Fixed assets	1,135,346
Cash and investments	7,358
Debtors and receivables	22,071
Inventory and biological	8,669
Other	45,744
<b>TOTAL</b>	<b>1,219,188</b>

### Liabilities and equity



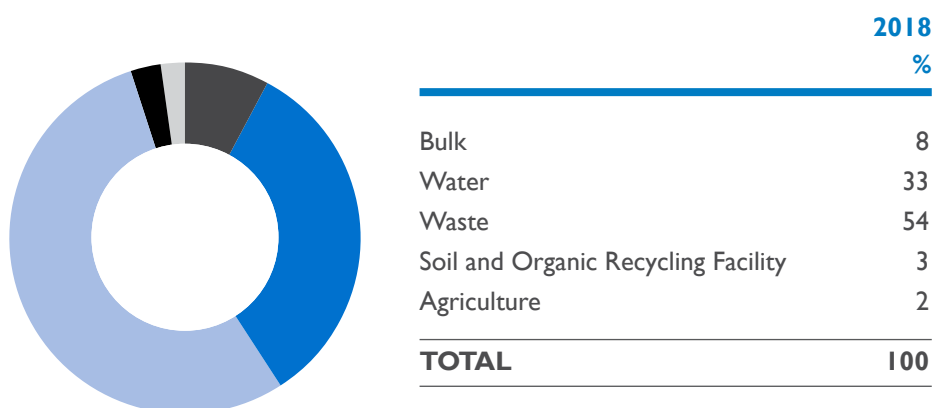
	2018 \$'000
Equity	766,746
Creditors and accruals	18,910
Provisions	9,550
Deferred tax liability	140,982
Borrowings	283,000
<b>TOTAL</b>	<b>1,219,188</b>

## Financial performance and business indicators continued

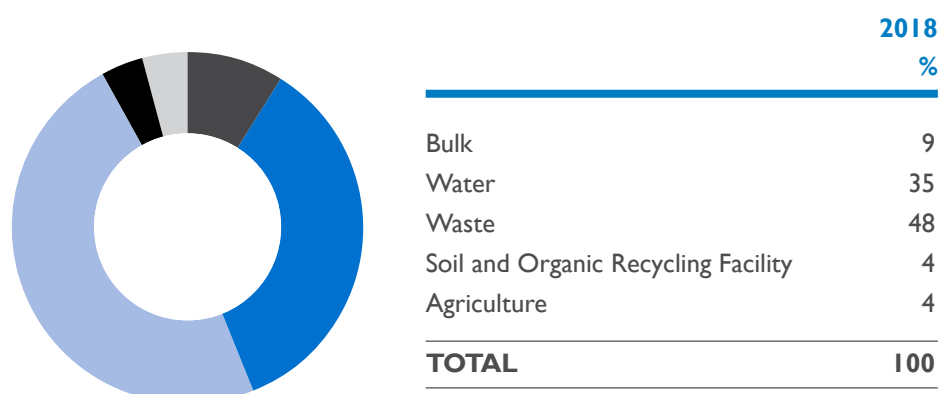
### Business stream revenue

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Financial Performance



### Business stream expenses



# CENTRAL GIPPSLAND REGION WATER CORPORATION

## COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
<b>Revenue from operating activities</b>			
Service charges	2.1.1	78,817	75,965
Volumetric charges	2.1.1	39,308	38,528
Interest income		106	92
Developer contributions	2.1.2	12,312	6,996
Other revenue	2.1.3	9,512	11,014
Net gain / (loss) on disposal of non-current assets	4.1.5	(5,717)	(577)
<b>Total revenue from operating activities</b>		<b>134,338</b>	<b>132,018</b>
<b>Revenue from non-operating activities</b>			
Other revenue	2.2	1,607	1,878
<b>Total revenue from non-operating activities</b>		<b>1,607</b>	<b>1,878</b>
<b>Total revenue</b>		<b>135,945</b>	<b>133,896</b>
<b>Expenses</b>			
Employee benefits	3.1	31,774	31,621
Direct operating	3.3	21,496	19,265
Repairs and maintenance	3.4	15,390	15,417
Administration	3.5	7,640	7,653
Environmental contribution	8.2	4,640	4,660
Depreciation	4.1.1	39,046	39,082
Amortisation	4.3	637	845
Impairment	4.1.3	76	12
Borrowing costs	6.1.2	14,040	14,282
<b>Total expenses</b>		<b>134,739</b>	<b>132,837</b>
<b>Net result before tax</b>		<b>1,206</b>	<b>1,059</b>
Income tax expense	8.1.1	362	335
<b>Net result</b>		<b>844</b>	<b>724</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Change in asset revaluation reserve	9.1.2	10,535	(1,921)
Income tax relating to components of other comprehensive income	9.1.2	(3,160)	576
<b>Total other comprehensive income</b>		<b>7,375</b>	<b>(1,345)</b>
<b>Comprehensive result</b>		<b>8,219</b>	<b>(621)</b>

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

Information for the 2017 comparative year has been restated to reflect the allocation of \$1.8M in depreciation expenses into the 2017 year. Refer Note 4.



# CENTRAL GIPPSLAND REGION WATER CORPORATION

## BALANCE SHEET AS AT 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.2	6,358	11,855
Receivables	5.1	20,643	17,779
Prepayments	5.5	544	627
Inventories	5.3	3,482	2,906
Biological assets	4.2	612	1,223
Other financial assets	5.4	701	521
<b>Total current assets</b>		<b>32,340</b>	<b>34,911</b>
<b>Non-current assets</b>			
Receivables	5.1	1,429	1,615
Other financial assets	5.4	1,000	1,000
Infrastructure, property, plant and equipment	4.1	1,130,015	1,111,029
Biological assets	4.2	4,575	6,161
Intangible assets	4.3	5,331	6,017
Deferred tax asset	8.1.2	44,498	50,387
<b>Total non-current assets</b>		<b>1,186,848</b>	<b>1,176,209</b>
<b>Total assets</b>		<b>1,219,188</b>	<b>1,211,120</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	5.2	18,910	19,913
Interest bearing liabilities	6.1	73,000	50,000
Employee benefits	3.6	8,059	7,793
Provisions	5.6	551	551
<b>Total current liabilities</b>		<b>100,520</b>	<b>78,257</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	6.1	210,000	230,000
Employee benefits	3.6	940	988
Deferred tax liability	8.1.2	140,982	143,348
<b>Total non-current liabilities</b>		<b>351,922</b>	<b>374,336</b>
<b>Total liabilities</b>		<b>452,442</b>	<b>452,593</b>
<b>Net assets</b>		<b>766,746</b>	<b>758,527</b>
<b>Equity</b>			
Contributed capital	9.1.1	255,971	255,971
Asset revaluation reserve	9.1.2	189,577	182,202
Accumulated funds	9.1.3	321,198	320,354
<b>Total equity</b>		<b>766,746</b>	<b>758,527</b>

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

Information for the 2017 comparative year has been restated to reflect the capitalisation of \$40.4M from WIP, and the allocation of \$1.8M in depreciation expenses into the 2017 year. Refer Note 4.



## CENTRAL GIPPSLAND REGION WATER CORPORATION

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Note	Equity at 01/07/2017 \$'000	Total comprehensive income \$'000	Transactions with owners \$'000	Equity at 30/06/2018 \$'000
<b>Contributed capital</b>		255,971	-	-	255,971
Capital appropriations		-	-	-	-
	9.1.1	255,971	-	-	255,971
<b>Accumulated funds</b>		306,921	-	-	306,921
Net result after tax		13,433	844	-	14,277
Other comprehensive income		-	-	-	-
	9.1.3	320,354	844	-	321,198
<b>Asset revaluation reserve</b>		164,616	-	-	164,616
Revaluation increment / (decrement) (Net of tax)		17,586	7,375	-	24,961
Transfers to accumulated funds		-	-	-	-
	9.1.2	182,202	7,375	-	189,577
<b>Total equity</b>		758,527	8,219	-	766,746

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Note	Equity at 01/07/2016 \$'000	Total comprehensive income \$'000	Transactions with owners \$'000	Equity at 30/06/2017 \$'000
<b>Contributed capital</b>		255,971	-	-	255,971
Capital appropriations		-	-	-	-
	9.1.1	255,971	-	-	255,971
<b>Accumulated funds</b>		306,921	-	-	306,921
Net result after tax		12,709	724	-	13,433
Other comprehensive income		-	-	-	-
	9.1.3	319,630	724	-	320,354
<b>Asset revaluation reserve</b>		164,616	-	-	164,616
Revaluation increment / (decrement) (Net of tax)		18,932	(1,345)	-	17,586
Transfers to accumulated funds		-	-	-	-
	9.1.2	183,548	(1,345)	-	182,202
<b>Total equity</b>		759,149	(621)	-	758,527

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.  
Information for the 2017 comparative year has been restated. Refer Note 4.



CENTRAL GIPPSLAND REGION WATER CORPORATION  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service and volumetric charges and other revenue		129,568	125,488
Interest income		106	93
Goods and Services Tax received from ATO		5,381	5,467
Developer contributions fees received		3,427	782
		<b>138,482</b>	<b>131,830</b>
<b>Payments</b>			
Payments to suppliers		(45,995)	(49,537)
Payments to employees		(31,622)	(29,906)
Interest and other costs of finance paid		(13,996)	(14,249)
Goods and Services Tax paid to ATO		(803)	(560)
Environmental contributions		(4,640)	(4,660)
		<b>(97,056)</b>	<b>(98,912)</b>
<b>Net cash flows from operating activities</b>	6.2.1	<b>41,426</b>	<b>32,918</b>
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment		(50,419)	(30,452)
Payments for intangible assets	4.3	(51)	(18)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.5	547	540
<b>Net cash flows from investing activities</b>		<b>(49,923)</b>	<b>(29,929)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new borrowings	6.1	3,000	-
<b>Net cash flows from financing activities</b>		<b>3,000</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>5,497</b>	<b>2,989</b>
Cash and cash equivalents at beginning of year	6.2	11,855	8,866
<b>Cash and cash equivalents at end of year</b>		<b>6,358</b>	<b>11,855</b>

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





## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2018

**Introduction**

The Central Gippsland Region Water Corporation (the Corporation), trading as Gippsland Water, was constituted on 21 December 1994 under the *Water Act 1989* (Vic). The Corporation's Australian Business Number is 75 830 750 413. The Corporation's principal address is 55 Hazelwood Road, Traralgon, Victoria 3844 and its website address is <https://www.gippswater.com.au>.

**Advisors to the Corporation**

The key advisors to the Corporation are:

<b>Lawyers</b>	Russell Kennedy, Herbert Smith Freehills, Meerkinn & Apel Lawyers, Mills Oakley Lawyers
<b>Bankers</b>	Westpac Banking Corporation
<b>Internal Auditors</b>	RSM Australia Pty Ltd
<b>Tax Agents</b>	RSM Australia Pty Ltd
<b>Funding Agency</b>	Treasury Corporation of Victoria (TCV)

**External Auditors to the Corporation**

The External Auditors to the Corporation are the Victorian Auditor-General's Office.

This financial report was approved and authorised for issue by the Board on 24 August 2018.

## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2018

**NOTE 1 ABOUT THIS REPORT****1.1 Contents of the Financial Report**

This 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* (Vic) and applicable Ministerial Directions. The Corporation is a not-for-profit entity for the purpose of preparing the financial report.

**1.2 Basis of accounting**

This financial report has been prepared on the accrual and going concern basis under the historical cost convention, except for the revaluation of financial assets, infrastructure, property, plant and equipment and biological assets. Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

The financial report includes financial statements for the Corporation as an individual reporting entity. This financial report is a general purpose financial report, that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, notes accompanying these statements and a statutory certification for the period ended 30 June 2018.

**1.3 Critical estimates and judgements**

The preparation of financial reports requires management to make judgements, estimates and assumptions which, by definition, at times do not 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;
- 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.

**1.4 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 in a later note.

**1.5 Rounding**

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



## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2018

**NOTE 2 FUNDING DELIVERY OF OUR SERVICES****Introduction**

This section provides additional information about how the Corporation is funded and the accounting policies that are relevant for an understanding of the revenue items recognised in the financial statements.

Gippsland Water supplies fresh drinking water to close to 69,000 customers and wastewater services to more than 62,000 customers across an area of approximately 5,000 square kilometres. Its 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 several major industries in the energy production, pulp and paper and oil and gas sectors. Baw Baw, Latrobe City, South Gippsland and Wellington shires are incorporated in its service area.

The water supply is treated to ensure that water quality meets relevant quality standards. Treatment varies depending on the source of supply. We take water from a range of sources including aquifers, rivers, creeks, and reservoirs. Our largest storage is Moondarra Reservoir, south of Erica, with a capacity of 30,458ML. 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 disposes of more than 25,000 million litres of wastewater each year.

**Note contents**

Section	Description	Page
2.1	Revenue from operating activities	93
2.1.1	Service and volumetric charges	93
2.1.2	Developer contributions	93
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**NOTE 2 FUNDING DELIVERY OF OUR SERVICES continued****2.1 Revenue from operating activities****2.1.1 Service and volumetric charges**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Service charges</b>		
Water charges	20,426	20,154
Rebates on tariffs	(2,253)	(2,222)
Wastewater charges	60,367	57,763
Trade waste charges	277	270
<b>Total service charges</b>	<b>78,817</b>	<b>75,965</b>
<b>Volumetric charges</b>		
Water charges	32,668	32,161
Wastewater charges	6,640	6,367
<b>Total volumetric charges</b>	<b>39,308</b>	<b>38,528</b>

Water and wastewater service charges are recognised as revenue when levied or determined. Volumetric water 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 in respect of meters which have not been read at balance date and accrued as revenue.

**2.1.2 Developer contributions**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Fees paid by developers	1	434
Assets received from developers	9,033	6,562
Assets funded by developers	3,278	-
<b>Total developer contributions</b>	<b>12,312</b>	<b>6,996</b>

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. Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

**2.1.3 Other revenue**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Agriculture pursuits	2,627	4,471
Waste charges (prescribed and non-prescribed)	4,544	4,325
Rechargeable works	689	858
Other fees	1,652	1,360
<b>Total other revenue – operating</b>	<b>9,512</b>	<b>11,014</b>

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.

**NOTE 2 FUNDING DELIVERY OF OUR SERVICES continued****2.2 Revenue from non-operating activities**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Liquidated damages	59	16
External service provision	114	144
Diesel fuel rebate	107	164
Salary sacrifice contributions	488	499
WorkCover refunds received	109	125
Other fees	730	930
<b>Total other revenue – non-operating</b>	<b>1,607</b>	<b>1,878</b>

Revenue from non-operating activities includes a range of miscellaneous revenues such as liquidated damages, salary sacrifice contributions, external service provision, renewable energy certificates sales. Revenue from these activities is recognised in the period in which the service is rendered. Other fees include items such as the recovery of legal costs, insurance costs and rental income.

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.

## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2018

**NOTE 3 THE COST OF DELIVERING SERVICES****Introduction**

This section provides additional information about how the Corporation's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

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**NOTE 3 THE COST OF DELIVERING SERVICES continued****3.1 Employee benefits – Comprehensive Operating Statement**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Salaries and wages, annual leave and long service leave	28,082	27,964
Superannuation expense	2,254	2,238
Other	1,438	1,419
<b>Total employee benefit costs</b>	<b>31,774</b>	<b>31,621</b>

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.

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.

**3.2 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.

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

**3.2.1 Accumulation**

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive 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 2018, this was 9.5% as required under Superannuation Guarantee Legislation).

**3.2.2 Defined benefit**

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

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. 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.

**3.2.3 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.

As at 30 June 2017, a triennial/full actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Gippsland Water is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 6.5% pa.
- Salary information 3.5% pa.
- Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at March 2018 was 106.2%.



**NOTE 3 THE COST OF DELIVERING SERVICES continued**

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the interim 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.

**3.2.4 Employer contributions**

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, the Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2018, this rate was 9.5% of members' salaries (9.5% in 2016-17). This rate will increase in line with any increases in the SG contribution rate.

**3.2.5 The 2018 interim actuarial investigation**

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2018 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2018.

**3.2.6 Super contributions**

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

Fund	Type of scheme	Contribution rate	2018 \$'000	2017 \$'000
Vision Super – Defined Benefits	Defined Benefits	9.50 - 15.25%	202	195
Vision Super – Super Saver	Accumulation	9.50%	1,100	1,099
Other superannuation funds	Accumulation	9.50%	955	863
<b>Total</b>			<b>2,257</b>	<b>2,157</b>

There were no contributions outstanding to the above schemes as at 30 June 2018.

**3.3 Direct operating**

	2018 \$'000	2017 \$'000
Routine sampling	1,235	1,312
Chemicals	3,352	3,176
Energy	3,475	3,306
Other operating costs	12,391	10,553
Fleet	1,043	918
<b>Total direct operating</b>	<b>21,496</b>	<b>19,265</b>

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



**NOTE 3 THE COST OF DELIVERING SERVICES continued****3.4 Repairs and maintenance**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Planned preventative maintenance	1,378	1,134
Planned corrective maintenance	2,317	2,482
Operational maintenance agreements and contractor payments	834	1,317
Major maintenance	3,746	3,604
Land services	942	956
Other maintenance costs	6,173	5,924
<b>Total repairs and maintenance</b>	<b>15,390</b>	<b>15,417</b>

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. The carrying amounts of any inventories held are expensed when the inventories are consumed.

**3.5 Administration**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Administrative maintenance agreements and contractor payments	1,553	1,314
Licence fees	1,049	1,140
Bill printing services	365	359
Other	4,533	4,710
Fleet	140	130
<b>Total administration</b>	<b>7,640</b>	<b>7,653</b>

Administration expenses generally represent the day-to-day running costs incurred in normal operations.

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

**NOTE 3 THE COST OF DELIVERING SERVICES continued****3.6 Employee benefits – Balance Sheet**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Current provisions</b>		
Employee benefits	337	351
<b>Annual leave</b>		
Unconditional and expected to settle within 12 months	2,219	2,149
Unconditional and expected to settle after 12 months	324	314
<b>Long service leave</b>		
Unconditional and expected to settle within 12 months	393	420
Unconditional and expected to settle after 12 months	3,844	3,588
<b>On-costs</b>		
Unconditional and expected to settle within 12 months	346	370
Unconditional and expected to settle after 12 months	596	601
<b>Total current provisions</b>	<b>8,059</b>	<b>7,793</b>
<b>Non-current provisions</b>		
Employee benefits	822	856
On-costs	118	132
<b>Total non-current provisions employee benefits</b>	<b>940</b>	<b>988</b>
<b>Total provisions</b>	<b>8,999</b>	<b>8,781</b>

Reconciliation of movement in on-cost provision

	<b>2018 \$'000</b>
<b>Current provisions</b>	
Annual leave and long service leave	
Opening balance	971
Additional provisions recognised	(29)
<b>Closing balance – current</b>	<b>942</b>
<b>Non-current provisions</b>	
Long service leave	
Opening balance	132
Additional provisions recognised	(14)
<b>Closing balance – non-current</b>	<b>118</b>

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.

**NOTE 3 THE COST OF DELIVERING SERVICES continued****3.6.1 Wages and salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual 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.

**3.6.2 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.

**3.6.3 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, 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.

**3.6.4 Performance payments**

Some of 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.

## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2018

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY****Introduction**

The Corporation controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the Corporation to be utilised for delivery of those outputs.

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**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.1 Infrastructure, property, plant and equipment**

Asset class	2018			2017		
	Fair value \$'000	Accumulated depreciation \$'000	Carrying value \$'000	Fair value \$'000	Accumulated depreciation \$'000	Carrying value \$'000
Land	41,546	-	41,546	36,767	-	36,767
Buildings	12,127	(980)	11,147	12,058	(507)	11,551
Water infrastructure (i)	481,695	(31,243)	450,452	470,267	(15,923)	454,344
Wastewater infrastructure (i)	605,834	(44,896)	560,938	593,990	(24,381)	569,609
Plant, equipment and other	25,469	(18,616)	6,853	24,887	(17,893)	6,994
Motor vehicles	7,849	(3,210)	4,639	7,666	(3,205)	4,461
	<b>1,174,520</b>	<b>(98,945)</b>	<b>1,075,575</b>	<b>1,145,635</b>	<b>(61,909)</b>	<b>1,083,726</b>
Assets under construction – at cost			54,440			27,303
<b>Total</b>	<b>1,174,520</b>	<b>(98,945)</b>	<b>1,130,015</b>	<b>1,145,635</b>	<b>(61,909)</b>	<b>1,111,029</b>

(i) Restatement of 2017 comparative data.

(ii) Information for the 2017 comparative year has been restated to reflect the capitalisation of \$40.4M from work in progress, and the allocation of \$1.8M in depreciation expenses into the 2017 year, rather than disclose these amounts in the 2018 year. This restatement has occurred given a number of completed capital projects were transferred from work in progress during 2018, despite these assets being in use in the prior year.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**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 (2017: \$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.

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 (refer Note 2.1.2).

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 103F Non-Current Physical Assets (FRD 103F).

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% 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%, 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%, no change is made to carrying amounts.

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.

**4.1.1 Depreciation  
Charge for the period**

	2018 \$'000	2017 \$'000
Buildings	474	486
Water infrastructure	15,613	15,544
Wastewater infrastructure	20,750	20,472
Plant, equipment and other	1,474	1,660
Motor vehicles	735	920
<b>Total depreciation</b>	<b>39,046</b>	<b>39,082</b>

Information for the 2017 comparative year has been restated to reflect the allocation of \$1.8M in depreciation expenses into the 2017 year, rather than disclose these amounts in the 2018 year. This restatement has occurred given a number of completed capital projects were transferred from work in progress during 2018, despite these assets being in use in the prior year.

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.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**

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.

**4.1.2 Useful lives**

Depreciation and amortisation periods used for new assets, by asset class, are listed below and are consistent with the prior year unless otherwise stated.

Asset class	Useful life (years)		
	Corporate	Water infrastructure	Wastewater infrastructure
<b>Infrastructure</b>			
Treatment cells and vessels		10 – 80	10 – 80
Control and instrumentation		5 – 10	5 – 10
Ducting and pipework		5 – 80	5 – 80
Electrical		5 – 25	5 – 25
Cathodic protection		20	20
Health and safety equipment		4 – 15	4 – 15
Mechanical plant		5 – 40	5 – 40
Pumps/blowers/fans		4 – 50	3 – 28
Storages		9 – 100	9 – 100
Lab equipment		7	7
Valves		9 – 30	9 – 30
Civil assets		9 – 150	9 – 150
Earth embankments		350	
Bridge and headwall		50	50
<b>Other assets</b>			
Fleet	3 – 15		
IT equipment	1 – 17		
Plant and equipment	2 – 50		
Furniture and fittings	4 – 40		
Buildings	5 – 80		
Radio and telemetry equipment	3 – 50		
<b>Intangibles</b>			
Software	1 – 10		
Water licences	99		
Water entitlements	Indefinite		

The useful lives of revalued assets are based on the remaining life nominated by the Valuer at the time of the revaluation, on an asset by asset basis.

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.1.3 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 financial assets.

	2018 \$'000	2017 \$'000
Impairment of fixed assets	-	-
Impairment of receivables	76	12
<b>Total impairment of assets</b>	<b>76</b>	<b>12</b>



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.1.4 Reconciliation of movements in carrying values**

<b>2017-18</b>		<b>Opening WDV 1 July 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Revaluations</b>	<b>Transfers between categories</b>	<b>Impairment</b>	<b>Depreciation</b>	<b>Closing WDV 30 June 2018</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Land</b>									
At fair value		1,060	-	-	-	65	-	-	1,125
At independent valuation		35,707	-	-	4,714	-	-	-	40,421
<b>Total</b>		<b>36,767</b>	<b>-</b>	<b>-</b>	<b>4,714</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>41,546</b>
<b>Buildings</b>									
At fair value		2,044	-	-	-	70	-	(96)	2,018
At independent valuation		9,507	-	-	-	-	-	(378)	9,129
<b>Total</b>		<b>11,551</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>-</b>	<b>(474)</b>	<b>11,147</b>
<b>Water infrastructure</b>									
At fair value		37,544	2,577	(137)	-	6,020	-	(1,374)	44,630
At independent valuation		416,800	-	(3,051)	5,821	491	-	(14,239)	405,822
<b>Total</b>	<b>(i)(iv) (v)</b>	<b>454,344</b>	<b>2,577</b>	<b>(3,188)</b>	<b>5,821</b>	<b>6,511</b>	<b>-</b>	<b>(15,613)</b>	<b>450,452</b>
<b>Wastewater infrastructure</b>									
At fair value		81,800	6,456	(352)	-	8,438	-	(4,860)	91,482
At independent valuation		487,809	-	(2,463)	-	-	-	(15,890)	469,456
<b>Total</b>	<b>(i)(iv)</b>	<b>569,609</b>	<b>6,456</b>	<b>(2,815)</b>	<b>-</b>	<b>8,438</b>	<b>-</b>	<b>(20,750)</b>	<b>560,938</b>
<b>Plant, equipment and other</b>									
At fair value		6,994	-	(38)	-	1,371	-	(1,474)	6,853
Motor vehicles									
At fair value		4,461	-	(549)	-	1,462	-	(735)	4,639
<b>Assets under construction</b>									
At cost	<b>(ii) (iii)</b>	27,303	45,495	-	-	(18,358)	-	-	54,440
<b>Total infrastructure, property, plant and equipment</b>		<b>1,111,029</b>	<b>54,528</b>	<b>(6,590)</b>	<b>10,535</b>	<b>(441)</b>	<b>-</b>	<b>(39,046)</b>	<b>1,130,015</b>

## NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued

### 4.1.4 Reconciliation of movements in carrying values

- (i) Additions for Water and Wastewater Infrastructure reflect the Owner Cost works (gifted assets by developers).
- (ii) \$66,000 has been transferred from Intangibles (see Note 4.4 in 2017-18).
- (iii) Prior year capex of \$508,000 was written off on the Comprehensive Operating Statement in 2017-18.
- (iv) Gippsland Water has continued to improve its capitalisation and asset decommissioning processes during 2017-18. \$3.7M of Revalued Assets identified in AMIS as expired and \$2.5M of decommissioned/disposed assets in AMIS were retired in the Fixed Asset Register during the year.
- (v) During the year, Gippsland Water identified that water meters had not been included in the 2016 revaluation process. In conjunction with the Valuer-General Victoria, a valuation was conducted. Water meters to the value of \$6.3M were added to the Fixed Asset Register.

Restatement of 2017 comparative data.

1 July 2017 opening balances have been restated to reflect the capitalisation of \$40.4M from work in progress. Refer to Note 4.1.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.1.4 Reconciliation of movements in carrying values**

2016-17	Opening WDV 1 July 2016	Additions	Disposals	Revaluations	Transfers between categories	Impairment	Depreciation	Closing WDV 30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Land</b>								
At fair value	36,147	-	(2)	(438)	1,060	-	-	36,767
At independent valuation								
<b>Buildings</b>								
At fair value	2,419	-	-	-	(268)	-	(107)	2,044
At independent valuation	7,994	-	-	-	1,892	-	(379)	9,507
Total	10,413	-	-	-	1,624	-	(486)	11,551
<b>Water infrastructure</b>								
At fair value	71,104	1,861	(14)	-	(33,990)	-	(1,417)	37,544
At independent valuation	378,790	-	(650)	(1,477)	54,264	-	(14,127)	416,800
Total	449,894	1,861	(664)	(1,477)	20,274	-	(15,544)	454,344
<b>Wastewater infrastructure</b>								
At fair value	165,957	4,702	(1)	-	(84,310)	-	(4,548)	81,800
At independent valuation	387,200	-	(46)	-	116,579	-	(15,924)	487,809
Total	553,157	4,702	(47)	-	32,269	-	(20,472)	569,609
<b>Plant, equipment and other</b>								
At fair value	6,598	-	(43)	(6)	2,105	-	(1,660)	6,994
<b>Motor vehicles</b>								
At fair value	4,594	-	(323)	-	1,110	-	(920)	4,461
<b>Assets under construction</b>								
At cost	50,670	35,486	-	-	(58,853)	-	-	27,303
<b>Total infrastructure, property, plant and equipment</b>	<b>1,111,473</b>	<b>42,049</b>	<b>(1,079)</b>	<b>(1,921)</b>	<b>(411)</b>	<b>-</b>	<b>(39,082)</b>	<b>1,111,029</b>

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued

4.1.4 Reconciliation of movements in carrying values

- (i) Additions for Water and Wastewater infrastructure reflect the Owner Cost works (gifted assets by developers).
- (ii) \$349,000 has been transferred to intangibles in 2016-17.
- (iii) Prior year capex of \$61,367 was written off on the Comprehensive Operating Statement in 2016-17.

Restatement of 2017 comparative data.

1 July 2017 opening balances have been restated to reflect the capitalisation of \$40.4M from work in progress. Refer to Note 4.1.

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.1.5 Net gain / (loss) on disposal of non-current assets**

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

	2018 \$'000	2017 \$'000
Proceeds on sale	547	540
Written down value	(6,264)	(1,117)
<b>Net gain / (loss) on disposal of non-current assets</b>	<b>(5,717)</b>	<b>(577)</b>

**4.2 Biological assets**

The Corporation holds various biological assets that are recognised in its Balance Sheet. These assets are detailed in the table below.

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

**4.2.1 Crops and plantations**

	2018 \$'000	2017 \$'000	2018 Qty	2017 Qty
<b>Consumable assets</b>				
<b>Mature assets</b>				
Fodder				
Silage – (bales)	84	8	1,400	113
Cereal and legume silage – (tonnes)	-	55	-	1,200
Hay – (bales)	9	103	180	780
Crops				
Feed wheat (tonnes)	18	32	60	140
Feed mixed grain (tonnes)	129	107	380	390
<b>Total consumable assets (CAI)</b>	<b>240</b>	<b>305</b>		
<b>Non-bearer assets</b>				
<b>Immature assets (plantation)</b>				
Softwood pinus radiata (ha)	3,203	3,714	542	542
<b>Total non-bearer assets (NCAI)</b>	<b>3,203</b>	<b>3,714</b>		

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.2.2 Livestock**

	2018 \$'000	2017 \$'000	2018 Qty	2017 Qty
<b>Consumable assets</b>				
<b>Immature assets</b>				
Mixed sex calves and weaners	298	578	284	428
<b>Mature assets</b>				
Heifers	71	238	47	150
Bullocks	3	102	2	64
<b>Total consumable assets (CA2)</b>	<b>372</b>	<b>918</b>		
<b>Bearer assets</b>				
<b>Immature assets</b>				
Heifers	359	539	378	431
<b>Mature assets</b>				
Cows and bulls	1,013	1,908	812	960
<b>Total bearer assets (NCA2)</b>	<b>1,372</b>	<b>2,447</b>		
	<b>2018 \$'000</b>	<b>2017 \$'000</b>		
<b>Total current biological assets</b>				
Animals (CA1) and livestock (CA2)	612	1,223		
<b>Total non-current biological assets</b>				
Animals (NCA1) and livestock (NCA2)	4,575	6,161		

**Recognition**

These assets are recognised at fair value in accordance with the requirements of Australian Accounting Standard AASB 141 Agriculture. There were no changes in the basis of valuation during the year.

**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.

Any net increment and decrement in market value in the reporting year is recognised in the Comprehensive Operating Statement. Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2018 and previously at 30 June 2017.

**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 cash flows. 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 2018 and at 30 June 2017.

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.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****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.

**4.2.3 Reconciliation of movement in carrying amounts**

	2018 \$'000	2017 \$'000
<b>Movement in carrying amount</b>		
Carrying amount at 1 July	7,384	5,927
<b>Increases due to:</b>		
Purchases	131	453
Natural increase	352	431
New crops	-	-
Fair value increase – livestock and plantations	-	1,810
<b>Decreases attributable to:</b>		
Sales	(1,912)	(1,170)
Deaths	(49)	(43)
Movement in crops	(65)	(24)
Fair value decrease – livestock and plantations	(654)	-
<b>Carrying amount at 30 June</b>	<b>5,187</b>	<b>7,384</b>

**4.2.4 Cost of biological assets sold**

	2018 \$'000	2017 \$'000
Cost of biological assets sold – plantations	-	-
Cost of biological assets sold – livestock	1,912	1,170
<b>Total cost of biological assets sold</b>	<b>1,912</b>	<b>1,170</b>

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

2018	Opening WDV 1 July 2017 \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Amortisation \$'000	Closing WDV 30 June 2018 \$'000
Software at cost	12,601	-	(116)	74	-	12,559
Water entitlements at cost	4,500	-	-	-	-	4,500
Accumulated amortisation	(11,240)	-	82	-	(637)	(11,795)
Sub-total	5,861	-	(34)	74	(637)	5,264
Software development (work in progress)	156	51	-	(140)	-	67
<b>Total intangible assets</b>	<b>6,017</b>	<b>51</b>	<b>(34)</b>	<b>(66)</b>	<b>(637)</b>	<b>5,331</b>

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.3 Intangible assets**

2017	Opening WDV 1 July 2016 \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Amortisation \$'000	Closing WDV 30 June 2017 \$'000
Software at cost	12,193	-	-	408	-	12,601
Water entitlements at cost	4,500	-	-	-	-	4,500
Accumulated amortisation	(10,395)	-	-	-	(845)	(11,240)
Sub-total	6,298	-	-	408	(845)	5,861
Software development (work in progress)	205	18	-	(66)	-	156
<b>Total intangible assets</b>	<b>6,503</b>	<b>18</b>	<b>-</b>	<b>342</b>	<b>(845)</b>	<b>6,017</b>

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, the value of 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.

Intangible assets with indefinite useful lives (Permanent Water Entitlements)

Intangible assets with indefinite useful lives are recognised at cost and their values 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.

Internally generated intangible assets

An internally generated intangible asset arising from the development phase of an internal project is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation	2018 \$'000	2017 \$'000
Computer software	637	845
<b>Total amortisation</b>	<b>637</b>	<b>845</b>





**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**

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 licences	Water entitlements
Useful life	1 – 10 years	99 years	Indefinite
Method of amortisation	Straight Line	Straight Line	Not amortised or revalued
Type of asset	Internally generated and acquired assets	Acquired assets	Acquired assets
Impairment test	Amortisation and indicators of impairment are reviewed annually	Reviewed annually	Not reviewed

**4.4 Capital commitments**

Capital commitments for future expenditure arise from contracts entered into. These commitments are recorded below at their nominal value and are inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

Capital commitments	2018 \$'000	2017 \$'000
<b>Infrastructure, property, plant and equipment</b>		
– within one year	1,241	4,670
– later than one year but not later than five years	-	-
– later than five years	-	-
<b>Total capital commitments</b>	<b>1,241</b>	<b>4,670</b>

**4.5 Fair value determination**

The Corporation measures certain assets at fair value where required or permitted by Australian Accounting Standards. These assets include non-financial assets such as infrastructure, property, plant and equipment and biological assets.

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 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:

Heirarchy	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.

For the purposes of fair value disclosures, the Corporation has determined classifications of assets on the basis of the nature, characteristics and risks of the asset 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 re-categorises 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 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.5.1 Fair value determination: Non-financial physical assets**

Fair value measurement hierarchy for assets as at 30 June 2018

	Carrying amount	Fair value measurements 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	40,168	-	-	40,168
Total of land at fair value	41,546	-	1,378	40,168
Buildings at fair value				
Non-specialised buildings	8,094	-	8,094	-
Specialised buildings	3,053	-	-	3,053
Total of buildings at fair value	11,147	-	8,094	3,053
Water infrastructure at fair value				
Headworks	105,093	-	-	105,093
Water transfer	76,622	-	-	76,622
Water storage	16,956	-	-	16,956
Water treatment	57,663	-	-	57,663
Water pump stations	3,154	-	-	3,154
Water reticulation	190,964	-	-	190,964
Water spares	-	-	-	-
Total of water infrastructure at fair value	450,452	-	-	450,452
Wastewater infrastructure at fair value				
Waste transfer	74,682	-	-	74,682
Waste storage	11,217	-	-	11,217
Waste treatment	203,788	-	-	203,788
Waste pump stations	58,645	-	-	58,645
Waste reticulation	212,606	-	-	212,606
Waste spares	-	-	-	-
Total of wastewater infrastructure at fair value	560,938	-	-	560,938
Plant, equipment and vehicles at fair value				
Vehicles	4,639	-	4,639	-
Plant and equipment	6,853	-	-	6,853
Total of plant, equipment and vehicles at fair value	11,492	-	4,639	6,853
Total infrastructure, property, plant and equipment at fair value	1,075,575	-	14,111	1,061,464

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.5.1 Fair value determination: Non-financial physical assets**

Fair value measurement hierarchy for assets as at 30 June 2017

	Carrying amount	Fair value measurements at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
<b>Land at fair value</b>				
Non-specialised land	1,378	-	1,378	-
Specialised land	35,389	-	-	35,389
<b>Total of land at fair value</b>	<b>36,767</b>	<b>-</b>	<b>1,378</b>	<b>35,389</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	9,157	-	9,157	-
Specialised buildings	2,394	-	-	2,394
<b>Total of buildings at fair value</b>	<b>11,551</b>	<b>-</b>	<b>9,157</b>	<b>2,394</b>
<b>Water infrastructure at fair value</b>				
Headworks	107,068	-	-	107,068
Water transfer	78,175	-	-	78,175
Water storage	14,641	-	-	14,641
Water treatment	61,978	-	-	61,978
Water pump stations	3,255	-	-	3,255
Water reticulation	189,091	-	-	189,091
Water spares	136	-	-	136
<b>Total of water infrastructure at fair value</b>	<b>454,344</b>	<b>-</b>	<b>-</b>	<b>454,344</b>
<b>Wastewater infrastructure at fair value</b>				
Waste transfer	75,787	-	-	75,787
Waste storage	10,852	-	-	10,852
Waste treatment	212,170	-	-	212,170
Waste pump stations	61,567	-	-	61,567
Waste reticulation	209,010	-	-	209,010
Waste spares	223	-	-	223
<b>Total of wastewater infrastructure at fair value</b>	<b>569,609</b>	<b>-</b>	<b>-</b>	<b>569,609</b>
<b>Plant, equipment and vehicles at fair value</b>				
Vehicles	4,461	-	4,461	-
Plant and equipment	6,994	-	-	6,994
<b>Total of plant, equipment and vehicles at fair value</b>	<b>11,455</b>	<b>-</b>	<b>4,461</b>	<b>6,994</b>
<b>Total infrastructure, property, plant and equipment at fair value</b>	<b>1,083,726</b>	<b>-</b>	<b>14,996</b>	<b>1,068,730</b>

Restatement of 2017 comparative data.

Carrying amounts at 30 June 2017 have been restated to reflect the capitalisation of \$40.4M from work in progress, and the allocation of \$1.8M in depreciation expenses into the 2017 year. Refer to Note 4.1.

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**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 2 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.

A fair value assessment has been conducted at 30 June 2018. This assessment has determined that no change to the fair value of non-specialised buildings has arisen from the 2016 valuation. In relation to non-specialised land however, fair value testing has determined that there is a difference of more than 10% between the carrying value and the annual assessment of fair value for non-specialised land. As such, a management revaluation of non-specialised land has been undertaken.

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 (CSOs) 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. Adjustment for CSOs is regarded as significant unobservable inputs and that drives the classification of these assets as Level 3 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.

A fair value assessment has been conducted at 30 June 2018. This assessment has determined that no change to the fair value of specialised buildings has arisen from the 2016 valuation. In relation to specialised land however, fair value testing has determined that there is a difference of more than 10% between the carrying value and the annual assessment of fair value for specialised land. As such, a management revaluation of specialised land has been undertaken.

Water and Wastewater Infrastructure

Fair values for water and wastewater infrastructure were determined using independent valuations prepared by the 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. Economic obsolescence has been considered in determining depreciated replacement cost.

These assets have been classified as Level 3 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.

A fair value assessment has been conducted at 30 June 2018. This assessment has determined that no change to the fair value has arisen from the 2016 valuation.

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 3 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.

A fair value assessment has been conducted at 30 June 2018. This assessment has determined that no change to the fair value has arisen from the 2016 valuation.

Motor Vehicles

Fair values for motor vehicles can be determined from market sources as there are active markets for these assets and they can be made available for sale immediately. These assets have been classified as Level 2 assets in the hierarchy by the Corporation.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Reconciliation of Level 3 fair value**

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

2017-18	Opening balance 1 July 2017	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 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Special purpose land</b>	<b>35,389</b>	<b>65</b>	-	-	<b>4,714</b>	-	-	<b>40,168</b>
<b>Specialised buildings</b>	<b>2,394</b>	<b>854</b>	-	-	-	<b>(195)</b>	-	<b>3,053</b>
<b>Water infrastructure</b>								
Headworks	107,068	1,066	-	(3)	-	(3,038)	-	105,093
Water transfer	78,175	813	-	(151)	-	(2,215)	-	76,622
Water storage	14,641	2,827	-	(6)	-	(506)	-	16,956
Water treatment	61,978	196	-	(379)	-	(4,132)	-	57,663
Water pump stations	3,255	57	-	(10)	-	(148)	-	3,154
Water reticulation	189,091	4,129	-	(2,503)	5,821	(5,574)	-	190,964
Water spares	136	(136)	-	-	-	-	-	-
<b>Total of water infrastructure at fair value</b>	<b>454,344</b>	<b>8,952</b>	-	<b>(3,052)</b>	<b>5,821</b>	<b>(15,613)</b>	-	<b>450,452</b>
<b>Wastewater infrastructure</b>								
Waste transfer	75,787	532	-	(61)	-	(1,576)	-	74,682
Waste storage	10,852	621	-	-	-	(256)	-	11,217
Waste treatment	212,170	913	-	(623)	-	(8,672)	-	203,788
Waste pump stations	61,567	499	-	(1,395)	-	(2,026)	-	58,645
Waste reticulation	209,010	12,330	-	(514)	-	(8,220)	-	212,606
Waste spares	223	(223)	-	-	-	-	-	-
<b>Total of wastewater infrastructure at fair value</b>	<b>569,609</b>	<b>14,672</b>	-	<b>(2,593)</b>	-	<b>(20,750)</b>	-	<b>560,938</b>
<b>Plant and equipment</b>	<b>6,994</b>	<b>1,135</b>	-	<b>198</b>	-	<b>(1,474)</b>	-	<b>6,853</b>
<b>Total Level 3 assets</b>	<b>1,068,730</b>	<b>25,678</b>	-	<b>(5,447)</b>	<b>10,535</b>	<b>(38,032)</b>	-	<b>1,061,464</b>

2017 comparative data has been restated as per Note 4.1.

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Reconciliation of Level 3 fair value**

	2016-17						
	Opening balance 1 July 2016	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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Special purpose land</b>	<b>34,769</b>	<b>1,055</b>	-	2	(437)	-	-
<b>Specialised buildings</b>	<b>2,062</b>	<b>456</b>	-	-	-	(124)	-
<b>Water infrastructure</b>							
Headworks	109,387	758	-	(24)	-	(3,053)	-
Water transfer	75,017	5,386	-	-	-	(2,228)	-
Water storage	14,194	939	-	-	-	(492)	-
Water treatment	60,927	6,062	-	(640)	-	(4,371)	-
Water pump stations	2,761	634	-	-	-	(140)	-
Water reticulation	187,493	8,335	-	-	(1,477)	(5,260)	-
Water spares	115	21	-	-	-	-	-
<b>Total of water infrastructure at fair value</b>	<b>449,894</b>	<b>22,135</b>	-	<b>(664)</b>	<b>(1,477)</b>	<b>(15,544)</b>	-
<b>Wastewater infrastructure</b>							
Waste transfer	74,371	3,017	-	-	-	(1,601)	-
Waste storage	10,791	344	-	-	-	(283)	-
Waste treatment	209,686	10,876	-	-	-	(8,392)	-
Waste pump stations	52,876	10,785	-	(47)	-	(2,047)	-
Waste reticulation	205,190	11,969	-	-	-	(8,149)	-
Waste spares	243	(20)	-	-	-	-	-
<b>Total of wastewater infrastructure at fair value</b>	<b>553,157</b>	<b>36,971</b>	-	<b>(47)</b>	-	<b>(20,472)</b>	-
<b>Plant and equipment</b>	<b>6,598</b>	<b>1,995</b>	<b>95</b>	<b>(28)</b>	<b>(6)</b>	<b>(1,660)</b>	-
<b>Total Level 3 assets</b>	<b>1,046,480</b>	<b>62,612</b>	<b>95</b>	<b>(737)</b>	<b>(1,920)</b>	<b>(37,800)</b>	-

2017 comparative data has been restated as per Note 4.1.

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****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 metre Useful life of specialised buildings
Headworks	Depreciated replacement cost	Cost per unit Useful life of the infrastructure, plant and equipment
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		

Biological asset type	2018				2017			
	Carrying amount	Fair value measurement at end of reporting period using:			Carrying amount	Fair value measurement at end of reporting period using:		
	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Crops and fodder	240		240		305		305	
Animals	1,744		1,744		3,365		3,365	
Plantations	3,203		3,203		3,714		3,714	
<b>Total of biological assets at fair value</b>	<b>5,187</b>		<b>5,187</b>		<b>7,384</b>		<b>7,384</b>	

These assets have been classified as Level 2 assets in the hierarchy due to the Corporation assessing that fair value can be determined by valuation techniques for which the lowest level input is directly or indirectly observable.

**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.

**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 cash flows. Costs associated with the land on which the plantations are grown are rates, land tax and other related costs.

## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2018

**NOTE 5 OTHER ASSETS AND LIABILITIES****Introduction**

This section sets out those assets and liabilities that arose from the Corporation's operations.

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**NOTE 5 OTHER ASSETS AND LIABILITIES continued****5.1 Receivables**

	2018 \$'000	2017 \$'000
<b>Current receivables</b>		
<i>Statutory receivables</i>		
Goods and Services Taxation refund due	2,286	996
<i>Contractual receivables</i>		
Private schemes unmatured capital	91	91
Trade receivables	12,321	11,048
Provision for impaired receivables	(313)	(237)
Loans to third parties	38	35
Accrued revenue	6,220	5,846
<b>Total current receivables</b>	<b>20,643</b>	<b>17,779</b>
<b>Non-current receivables</b>		
<i>Contractual receivables</i>		
Private schemes unmatured capital	1,195	1,343
Loans to third parties	234	272
<b>Total non-current receivables</b>	<b>1,429</b>	<b>1,615</b>
<b>Total receivables</b>	<b>22,071</b>	<b>19,394</b>

Receivables recognised in the Balance Sheet consist of:

- contractual receivables, such as trade receivables arising from the sale of goods and services and loans to third parties; 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, except for loans to third parties which are represented in both current and non-current receivables. Loan to third parties arise from new sewerage schemes where customers have long term payment arrangements, with an instalment payment due annually.

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.

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. The Corporation estimated accrued revenue in respect of residential water meters which had not been read at balance date of \$3,330,579 (2017: \$3,142,793) for residential customers and \$1,209,701 (2017: \$970,638) for non-residential customers, by multiplying the number of days since the last reading by each customer's average service usage.

Private schemes unmatured capital

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.

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.



**NOTE 5 OTHER ASSETS AND LIABILITIES continued****5.1.1 Movement in the provision for impaired receivables**

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.

As at 30 June 2018, the amount of the provision was \$313,000. The individually impaired receivables mainly relate to outstanding debts for water and wastewater services. It was assessed that a portion of the receivables is expected to be recovered.

	2018 \$'000	2017 \$'000
<b>Movement in provision for impaired receivables</b>		
Opening balance at 1 July	(237)	(226)
(Increase) / decrease in allowance recognised in Comprehensive Operating Statement	(190)	(159)
Amounts written-off during the year	114	148
<b>Closing balance at 30 June</b>	<b>(313)</b>	<b>(237)</b>

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.

Renegotiated trade receivables relate to a number of independent customers who have entered into payment arrangements with the Corporation to repay amounts outstanding under a formal instalment payment process.

	2018 \$'000	2017 \$'000
<b>Contractual receivables – renegotiated</b>		
The carrying amount of Trade Receivables that would otherwise be past due or impaired whose terms have been renegotiated	1,097	1,063

**5.1.2 Ageing analysis of contractual receivables**

Past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

	2018 \$'000	2017 \$'000
<b>Ageing analysis of contractual receivables</b>		
<b>Trade receivable past due but not impaired</b>		
0-30 days	2,075	2,093
30-60 days	279	302
60-90 days	152	153
Over 90 days	979	982
<b>Total trade receivables past due but not impaired</b>	<b>3,485</b>	<b>3,530</b>

**NOTE 5 OTHER ASSETS AND LIABILITIES continued****5.2 Payables**

	2018 \$'000	2017 \$'000
<b>Current</b>		
<b>Statutory payables</b>		
GST payable	271	160
Other government payables	114	112
<b>Total</b>	<b>385</b>	<b>272</b>
<b>Contractual payables</b>		
Trade creditors	3,121	1,594
Accrued expenses	9,415	12,256
Other		
Security deposits	1,330	1,601
Retentions	976	738
Overpaid rates and charges	3,654	3,376
Unclaimed monies	-	15
Other	29	61
<b>Total</b>	<b>18,525</b>	<b>19,641</b>
<b>Total current payables</b>	<b>18,910</b>	<b>19,913</b>

Total payables do not include any foreign currency denominated liabilities (2017: Nil).

Payables consist of:

- 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; and
- contractual payables, which are liabilities for goods and services supplied to the Corporation prior the end of the financial year that are unpaid at that date.

Statutory payables are not classified as financial instruments because they do not arise from contractual arrangements and are therefore not required to be recognised at amortised cost.

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

Contractual payables consist of:

- security deposits which are a single cash payment received by the Corporation from a contractor or customer and held by the Corporation as security;
- retention amounts are cash security withheld from progress payments made to contractors by the Corporation;
- overpaid fees are payments by customers in advance of a bill being issued;
- unclaimed monies are payments which cannot be identified within two months of receipt; and
- other relates to various salary sacrifice payments from employees.

**NOTE 5 OTHER ASSETS AND LIABILITIES continued****5.2.1 Ageing analysis of contractual payables**

2018	Carrying amount \$'000	Less than six months \$'000	Maturity dates			
			6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	5+ years \$'000
Payables	18,525	18,525				

2017	Carrying amount \$'000	Less than six months \$'000	Maturity dates			
			6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	5+ years \$'000
Payables	19,641	19,641				

**5.3 Inventories**

	2018 \$'000	2017 \$'000
Stores and consumables – at cost	3,482	2,906
<b>Total inventories</b>	<b>3,482</b>	<b>2,906</b>

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 or current replacement cost. 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 current replacement cost 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.

**5.4 Other financial assets**

	2018 \$'000	2017 \$'000
<b>Current</b>		
Other	701	521
<b>Total current</b>	<b>701</b>	<b>521</b>
<b>Non-current</b>		
TCV deposit – environmental bond	1,000	1,000
<b>Total non-current</b>	<b>1,000</b>	<b>1,000</b>
<b>Total other financial assets</b>	<b>1,701</b>	<b>1,521</b>

Other

Renewable Energy Certificates (RECs) accounted for \$691,097 of total other current financial assets (2017: \$516,437). 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. In 2018 the Corporation did not sell any RECs (sales proceeds 2017: \$Nil).

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 required to provide financial assurance as the occupier of a landfill.



**NOTE 5 OTHER ASSETS AND LIABILITIES continued**

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.

**5.5 Other non-financial assets**

	2018 \$'000	2017 \$'000
Current		
Prepayments	544	627
<b>Total other non-financial assets</b>	<b>544</b>	<b>627</b>

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.

**5.6 Other provisions**

	2018 \$'000	2017 \$'000
Current		
Bioremediation Pond rehabilitation	304	304
Landfill site rehabilitation	247	247
<b>Total current other provisions</b>	<b>551</b>	<b>551</b>
<b>Total other provisions</b>	<b>551</b>	<b>551</b>

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.

**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:

***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. A hydrological assessment was undertaken in June 2018 and a closure plan is expected to be developed for this site within the next 18 months.

***Landfill site rehabilitation***

The Corporation operates an EPA licensed land fill 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 six to twelve months of remaining life (2017:1). 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. A rehabilitation plan is currently being developed for the site.



**NOTE 5 OTHER ASSETS AND LIABILITIES continued****5.6.1 Reconciliation of movements in other provisions**

	<b>Bioremediation pond</b>	<b>Landfill site</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening balance at 1 July	304	247	551
Utilised during reporting period	-	-	-
<b>Closing balance at 30 June</b>	<b>304</b>	<b>247</b>	<b>551</b>

## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2018

**NOTE 6 HOW WE FINANCED OUR OPERATIONS****Introduction**

This section provides information on the sources of finance utilised by the Corporation during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Corporation.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.2 provides additional specific financial instrument disclosures.

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**NOTE 6 HOW WE FINANCED OUR OPERATIONS continued****6.1 Interest bearing liabilities**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Current secured		
Borrowings – TCV	73,000	50,000
<b>Total current interest bearing liabilities</b>	<b>73,000</b>	<b>50,000</b>
Non-current secured		
Borrowings – TCV	210,000	230,000
<b>Total non-current interest bearing liabilities</b>	<b>210,000</b>	<b>230,000</b>
<b>Total interest bearing liabilities</b>	<b>283,000</b>	<b>280,000</b>

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.

**6.1.1 Maturity analysis of interest bearing liabilities**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
0-1 year	73,000	50,000
1-4 years	100,000	90,000
4-8 years	80,000	90,000
8 years and over	30,000	50,000
<b>Total</b>	<b>283,000</b>	<b>280,000</b>

**6.1.2 Borrowing costs**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Interest on TCV borrowings	9,825	10,289
Financial accommodation levy	4,215	3,993
<b>Total borrowing cost</b>	<b>14,040</b>	<b>14,282</b>

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

Borrowing costs include interest on 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.



**NOTE 6 HOW WE FINANCED OUR OPERATIONS continued****6.2 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.

	2018 \$'000	2017 \$'000
Cash on hand	1	1
Cash at bank	6,357	11,854
<b>Total cash and cash equivalents</b>	<b>6,358</b>	<b>11,855</b>

**6.2.1 Reconciliation of net result for the period to cash flow from operating activities**

	2018 \$'000	2017 \$'000
<b>Net result</b>	<b>844</b>	<b>724</b>
Add / (less) non-cash flows in operating activities		
Loss on sale and impairment of property, plant and equipment	6,264	1,118
Depreciation and amortisation	39,684	39,927
Assets received from developers (Note 2.1.2)	(9,033)	(6,562)
Provision for impaired receivables	76	12
Plantations revenue non-cash	(65)	(333)
Other revenue non-cash	(46)	(2,914)
Income tax expense / (benefit)	362	335
<b>Net cash provided by operating activities before change in assets and liabilities</b>	<b>38,086</b>	<b>32,307</b>
Changes in assets and liabilities		
(Increase) / decrease in trade receivables	(2,888)	1,676
(Increase) / decrease in other current assets	-	(107)
(Increase) / decrease in inventory and biological assets	1,620	(1,562)
(Increase) / decrease in deferred tax liabilities / assets	2,975	306
(Decrease) / increase in payables	1,405	(261)
(Decrease) / increase in provisions	76	(96)
(Decrease) / increase in employee benefits	152	655
<b>Net cash flows from operating activities</b>	<b>41,426</b>	<b>32,918</b>

2017 comparative data has been restated as per Note 4.

**6.2.2 Financing facilities**

<b>Credit standby arrangements</b>	2018 \$'000	2017 \$'000
Total facilities – TCV	5,000	5,000
Used at balance date	-	-
<b>Unused at balance date</b>	<b>5,000</b>	<b>5,000</b>
<b>Bank loan facilities</b>	2018 \$'000	2017 \$'000
Total facilities – TCV	5,000	5,000
Used at balance date	-	-
<b>Unused at balance date</b>	<b>5,000</b>	<b>5,000</b>

**NOTE 6 HOW WE FINANCED OUR OPERATIONS continued****6.3 Operating commitments for expenditure**

Commitments for future expenditure include operating commitments arising from contracts entered into. Please refer to Note 4.4 and Note 8.2.1 for details on capital and environmental commitments, respectively. Operating commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

	2018 \$'000	2017 \$'000
<b>Non-cancellable operating lease commitments</b>		
Operating leases for access to roads and infrastructure		
Within 1 year	18	25
Later than 1 year but not later than 5 years	22	28
Later than 5 years	46	48
<b>Total operating lease commitments</b>	<b>86</b>	<b>101</b>

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.

CENTRAL GIPPSLAND REGION WATER CORPORATION  
Notes to and forming part of the Financial Report for the year ended 30 June 2018

NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The Corporation is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Corporation related mainly to fair value determination.

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**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued****7.1 Contingent assets and contingent 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.

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

In 2016, the EPA published a new reformed system in relation to landfill licence conditions, including 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.

Gippsland Water's Soil and Organic Recycling Facility operates landfills, to which the new conditions apply. The Corporation's initial review indicated that the current bond of one million dollars will be increased to approximately three million dollars. No further progress has been made on resolving this issue during 2017-18 year.

Contingent liabilities

None (2017: Nil).

**7.2 Financial instruments specific disclosures**Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The Corporation recognises the following assets in this category:

- cash and deposits; and
- receivables (excluding statutory receivables).

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Corporation recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings.

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Corporation has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS**

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Corporation's continuing involvement in the asset.

**7.2.1 Financial instruments: Categorisation**

2018	Contractual financial assets – loans and receivables and cash \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
<b>Contractual financial assets</b>			
Cash and cash equivalents	6,358	-	6,358
Trade receivables	12,007	-	12,007
Other receivables	9,876	-	9,876
Other receivables – TCV deposit	1,000	-	1,000
<b>Total contractual financial assets</b>	<b>29,241</b>	<b>-</b>	<b>29,241</b>
<b>Contractual financial liabilities</b>			
Payables	-	18,525	18,525
Borrowings	-	283,000	283,000
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>301,525</b>	<b>301,525</b>

2017	Contractual financial assets – loans and receivables and cash \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
<b>Contractual financial assets</b>			
Cash and cash equivalents	11,855	-	11,855
Trade receivables	10,811	-	10,811
Other receivables	8,108	-	8,108
Other receivables – TCV deposit	1,000	-	1,000
<b>Total contractual financial assets</b>	<b>31,774</b>	<b>-</b>	<b>31,774</b>
<b>Contractual financial liabilities</b>			
Payables	-	19,641	19,641
Borrowings	-	280,000	280,000
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>299,641</b>	<b>299,641</b>

**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued****7.2.2 Financial risk management objectives and policies**Introduction

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.

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 Renewable energy certificates
Credit risk	Cash and cash equivalents Trade receivables Private schemes Environmental bond Renewable energy certificates
Liquidity risk	Borrowings and other liabilities

Management of financial risk

The Board of the Corporation is responsible for setting 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 Financial Services Section 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.

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 Section 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 Financial Services Section 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. The Corporation provides water and wastewater to a small number of large industrial customers under contractual arrangements.

**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS****Credit quality of contractual financial assets that are neither past due nor impaired (i)**

2018	Financial institutions (AA- credit rating)	Government agencies (AAA credit rating)	Other	Total
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	6,358	-	-	6,358
Receivables	-	-	21,883	21,883
Other financial assets	-	1,000	-	1,000
<b>Total contractual financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,241</b>

2017	Financial institutions (AA- credit rating)	Government agencies (AAA credit rating)	Other	Total
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	11,855	-	-	11,855
Receivables	-	-	18,919	18,919
Other financial assets	-	1,000	-	1,000
<b>Total contractual financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,774</b>

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

**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.

**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.



**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued***Foreign exchange risk*

The Corporation has no exposure to changes in the foreign exchange rate.

*Other price risk*

The Corporation has no significant exposure to other price risk.

Interest rate exposure of financial instruments

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Corporation does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Corporation's sensitivity to interest rate risk are set out in the table that follows.

Interest rate risk sensitivity

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 2018 and at 30 June 2017 for comparative purposes.

Financial instruments	2018				
	Carrying amount	Rate change of -0.25%		Rate change of +0.50%	
		Net result	Equity	Net result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash and cash equivalents (i)	6,358	(16)	(16)	32	32
Trade receivables (ii)	12,007	-	-	-	-
Other receivables (ii)	9,876	-	-	-	-
Other receivables – TCV deposit	1,000	(3)	(3)	5	5
<b>Financial liabilities</b>					
Payables (ii)	18,525	-	-	-	-
Interest bearing liabilities - fixed	210,000	-	-	-	-
Interest bearing liabilities - maturing	20,000	50	50	(100)	(100)
Interest bearing liabilities - variable	53,000	133	133	(265)	(265)
<b>Total</b>		<b>164</b>	<b>164</b>	<b>(328)</b>	<b>(328)</b>

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

(ii) Receivables and payables balances at 30 June 2018 are not subject to interest rate risk.



**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS**

Financial instruments	2017				
	Carrying amount	Rate change of -0.25%		Rate change of +0.50%	
		Net result	Equity	Net result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash and cash equivalents (i)	11,855	(30)	(30)	59	59
Trade receivables (ii)	10,811	-	-	-	-
Other receivables (ii)	8,108	-	-	-	-
Other receivables – TCV deposit	1,000	(3)	(3)	5	5
<b>Financial liabilities</b>					
Payables (ii)	19,641	-	-	-	-
Interest bearing liabilities – fixed	230,000	-	-	-	-
Interest bearing liabilities – maturing	40,000	100	100	(200)	(200)
Interest bearing liabilities – variable	10,000	25	25	(50)	(50)
<b>Total</b>		<b>92</b>	<b>92</b>	<b>(186)</b>	<b>(186)</b>

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

(ii) Receivables and payables balances at 30 June 2017 are not subject to interest rate risk.

**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued****7.3 Fair value determination of financial assets and liabilities**

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Financial assets

For financial assets, 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.

Financial 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 3.77% to 7.56% (2017: 4.04% to 7.05%).

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Cash and cash equivalents	6,358	6,358	11,855	11,855
Trade receivables	12,007	12,007	10,811	10,811
Other receivables	9,876	9,876	8,108	8,108
Deposits at TCV	1,000	1,005	1,000	1,005
<b>Total</b>	<b>29,241</b>	<b>29,246</b>	<b>31,774</b>	<b>31,779</b>
<b>Financial liabilities</b>				
Payables	18,525	18,525	19,641	19,641
Interest bearing liabilities	283,000	291,353	280,000	290,737
<b>Total</b>	<b>301,525</b>	<b>309,878</b>	<b>299,641</b>	<b>310,378</b>

CENTRAL GIPPSLAND REGION WATER CORPORATION  
Notes to and forming part of the Financial Report for the year ended 30 June 2018

NOTE 8 STATUTORY OBLIGATIONS

Introduction

This section included disclosures in relation to the Corporation’s statutory obligations.

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8.1.1	Income tax expense	141
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8.2	Environmental contribution	143
8.2.1	Environmental commitments	143
8.3	Dividends	143

**NOTE 8 STATUTORY OBLIGATIONS continued****8.1 Taxation****8.1.1 Income tax expense**

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).

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 national corporate tax rate of 30%. 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.

	2018 \$'000	2017 \$'000
<b>Comprehensive Operating Statement</b>		
Current income tax expense (paid or payable)	362	335
Adjustments to prior years	-	-
<b>Deferred income tax expense</b>		
Temporary differences	-	-
Adjustment for prior years	-	-
<b>Income tax reported in the Comprehensive Operating Statement</b>	<b>362</b>	<b>335</b>
<b>Statement of Changes in Equity</b>		
Current tax – credited / (debited)	-	-
Net deferred tax – debited / (credited) directly to equity	3,161	(576)
<b>Income tax reported in equity</b>	<b>3,161</b>	<b>(576)</b>

2017 comparative data has been restated as per Note 4.

	2018 \$'000	2017 \$'000
<b>Reconciliation of income tax to prima facie tax payable</b>		
Net result before income tax expense	1,207	1,059
Tax at the Australian tax rate of 30% (2017: 30%)	362	318
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	10	11
Expenditure not allowable for income tax purposes		
Benefit of tax losses not brought to account		
Other permanent adjustment	(10)	6
<b>Income tax expense as reported in the Comprehensive Operating Statement</b>	<b>362</b>	<b>335</b>

2017 comparative data has been restated as per Note 4.

	2018 \$'000	2017 \$'000
<b>Tax expense (income relating to items of other comprehensive income)</b>		
Gain / (loss) on revaluation of infrastructure, property, plant and equipment	3,161	(576)
<b>Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	-	-
Potential tax benefit @ 30%	-	-

**NOTE 8 STATUTORY OBLIGATIONS continued****8.1.2 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.

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.

	2018 \$'000	2017 \$'000
<b>Deferred tax asset</b>		
This balance comprises temporary differences attributable to:		
Amounts recognised in the Comprehensive Operating Statement		
Provisions and accrued expenditure not deductible	6,018	6,006
Other	161	197
Tax losses	38,319	44,184
<b>Net deferred tax assets</b>	<b>44,498</b>	<b>50,387</b>
<b>Movements:</b>		
Opening balance at 1 July	50,387	54,148
Credited / (charged) to the Comprehensive Operating Statement	(14)	151
Tax losses	(5,875)	(3,912)
<b>Closing balance at 30 June</b>	<b>44,498</b>	<b>50,387</b>
Deferred tax assets to be recovered after more than 12 months	44,498	50,387
2017 comparative data has been restated as per Note 4.		

	2018 \$'000	2017 \$'000
<b>Deferred tax liabilities</b>		
This balance comprises temporary differences attributable to:		
Amounts recognised in the Comprehensive Operating Statement		
Depreciation	55,750	61,101
Other	3,985	4,160
Amounts recognised in equity	-	-
Asset revaluations	81,247	78,087
<b>Net deferred tax liabilities</b>	<b>140,982</b>	<b>143,348</b>
<b>Movements:</b>		
Opening balance at 1 July	143,348	147,351
Credited / (charged) to the Comprehensive Operating Statement	(5,527)	(3,427)
Credited / (charged) to the equity	3,161	(576)
<b>Closing balance at 30 June</b>	<b>140,982</b>	<b>143,348</b>
Deferred tax liabilities to be recovered after more than 12 months	140,982	143,348

**NOTE 8 STATUTORY OBLIGATIONS continued****8.2 Environmental contribution**

The *Water Industry Act 1994* (Vic) (*Environmental Contributions Act 2004* (Vic) 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 2017 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.

**8.2.1 Environmental commitments**

At 30 June 2018, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

	2018 \$'000	2017 \$'000
<b>Environmental contribution</b>		
– within one year	5,181	4,660
– later than one year but not later than five years	5,181	10,362
– later than five years	-	-
<b>Total environmental contribution commitment</b>	<b>10,362</b>	<b>15,022</b>

**8.3 Dividends**

The Corporation may be required to pay a dividend to the State, as is determined by the Treasurer, after consultation with the Board of Directors of the Corporation and the Minister for Water. No dividend has been provided for the current financial year. The Board does not believe that it will be required to pay a dividend based on the 2017-18 result. No dividend was paid on the 2016-17 result.



## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2018

**NOTE 9 OTHER DISCLOSURES****Introduction**

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

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**NOTE 9 OTHER DISCLOSURES continued****9.1 Equity****9.1.1 Contributed capital**

	2018 \$'000	2017 \$'000
Opening balance at 1 July	255,971	255,971
Capital contributions	-	-
<b>Closing balance at 30 June</b>	<b>255,971</b>	<b>255,971</b>

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.

**9.1.2 Asset revaluation reserve**

	2018 \$'000	2017 \$'000
Asset revaluation reserve		
– Land (net of tax)	19,526	16,225
– Buildings (net of tax)	2,204	2,204
– Infrastructure (net of tax)	167,847	163,773
<b>Total reserves</b>	<b>189,577</b>	<b>182,202</b>

**Movements in reserves**

Asset revaluation reserve		
Opening balance at 1 July	182,202	183,548
Revaluation increment / (decrement) on non-current assets (gross)	10,535	(1,921)
– less tax on revaluation increments / (decrement)	(3,160)	575
<b>Closing balance at 30 June</b>	<b>189,577</b>	<b>182,202</b>

**9.1.3 Accumulated funds**

	2018 \$'000	2017 \$'000
Opening balance at 1 July	320,354	319,630
Net result for the period	844	724
<b>Closing balance at 30 June</b>	<b>321,198</b>	<b>320,354</b>

**9.2 Ex-gratia expenses**

	2018 \$'000	2017 \$'000
Trade receivables written-off	114	148
Property damage payments	6	19
Other	-	-
<b>Total ex-gratia expenses</b>	<b>120</b>	<b>167</b>

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.





**NOTE 9 OTHER DISCLOSURES continued**Property damage payments

Property damage payments represent a contribution to owners who have experienced property damage due to unforeseen events such as a sewerage spill. Property damage payments in 2017-18 included no claims associated with a major treated sewer overflow or a major water overflow (\$Nil and \$Nil) (2017: \$15,000, \$Nil) with all five claims being less than \$5,000 each. 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 2017-18, there were no instances (2017: Nil). This has been included in employee benefits in the Comprehensive Operating Statement.

**9.3 Remuneration of auditors**

	2018 \$'000	2017 \$'000
Audit of financial statements – VAGO	90	73
Internal audit – RSM	185	116
<b>Total remuneration for auditors</b>	<b>275</b>	<b>189</b>

**9.4 Responsible persons**

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

Responsible person	Period
The Hon. Lisa Neville MP – Minister for Water	1 July 2017 – 30 June 2018
<b>Board members</b>	
Therese Ryan (Chair)	1 July 2017 – 30 June 2018
Greg Hade (Deputy Chair)	1 July 2017 – 30 June 2018
Jane Oakley	1 July 2017 – 30 June 2018
Margaret Supplitt	1 July 2017 – 30 June 2018
Jo Benvenuti	1 July 2017 – 30 June 2018
Malcolm Eccles	1 July 2017 – 30 June 2018
Christopher Badger	1 October 2017 – 30 June 2018
Rod Touzel	1 October 2017 – 30 June 2018
Sarah Cumming (Managing Director)	1 July 2017 – 30 June 2018

**Remuneration of responsible persons**

The compensation of responsible persons detailed overleaf excludes the salaries and benefits received by the Minister for Water. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* (Vic) and is reported within the Department of Parliamentary Services' Financial Report.

**Appointments as acting Managing Director during the financial year**

Paul Clark was appointed as Acting Managing Director and held associated delegated authority for the period from 1 July 2017 to 17 July 2017. This temporary/relieving arrangement has not been included as part of the remuneration disclosure due to the short term nature of the arrangement and given remuneration of the substantive KMP has already been reported.

**NOTE 9 OTHER DISCLOSURES continued**

Income bands	Total remuneration	
	2018 \$'000	2017 \$'000
20,000 – 29,999	7	5
40,000 – 49,999	-	1
50,000 – 59,999	1	-
70,000 – 79,999	-	1
240,000 – 249,000	-	1
280,000 – 289,999	1	-
<b>Total numbers</b>	<b>9</b>	<b>8</b>

**9.5 Related parties**

Related parties of the Corporation include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions, where they exist, have been entered into on an arm's length basis.

**9.5.1 Key management personnel**

Key management personnel of the Corporation are set-out in the table below.

Key management personnel	Title
The Hon. Lisa Neville MP	Minister for Water
Therese Ryan (Chair)	Board Chair
Greg Hade	Board Deputy Chair
Jane Oakley	Board Member
Margaret Supplitt	Board Member
Jo Benvenuti	Board Member
Malcolm Eccles	Board Member
Christopher Badger	Board Member
Rod Touzel	Board Member
Sarah Cumming	Managing Director

The Corporation has reviewed the role of the Executive Leadership Team and the extent of control these executives are delegated. As all executive positions are required to assist, but do not have the authority or responsibility for planning, directing and controlling the activities of the entity as a whole, directly or indirectly, they have not been included as key management personnel.

The compensation of key management personnel detailed below excludes the salaries and benefits received by the Minister for Water. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* (Vic) and is reported within the Department of Parliamentary Services' Financial Report.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

**Short-term employee benefits**

Include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.



**NOTE 9 OTHER DISCLOSURES continued**Post-employment benefits

Include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits

Include long service leave, other long-service benefit or deferred compensation.

Termination benefits

Include termination of employment payments, such as severance packages.

Compensation of key management personnel	2018 \$'000	2017 \$'000
Short-term employee benefits	516	440
Post-employment benefits	42	35
Other long-term benefits	-	4
Termination benefits	-	-
<b>Total</b>	<b>558</b>	<b>479</b>

**9.5.2 Transactions with key management personnel and related parties**

Given the Corporation's activities, key management personnel and related parties may transact with the Corporation in a manner consistent with other members of the public; e.g. payment of water and wastewater charges (normal citizen type transactions).

Outside of normal citizen type transactions with the Corporation, testing revealed there were no related party transactions that involved key management personnel or their close family members. In addition, the Corporation has tested for and found no related party transactions with Cabinet Ministers of the state or their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

**9.5.3 Significant transactions with government-related entities**

During the year, the Corporation undertook a range of government-related entity transactions (receipts and payments) that were business as usual in nature. Collective information on these transactions, where the total value is significant is provided below.

Government-related entity receipts

Entity name	Brief description of main activity	2018 \$'000	2017 \$'000
Department of Human Services	Refund of concession rebates	5,642	5,390
Department of Human Services	Payment of fixed charge on properties	2,699	2,627
State Revenue Office	Refund of charities rebates	280	276
Latrobe Regional Hospital	Rates and charges	294	223
West Gippsland Hospital	Rates and charges	165	149
VicRoads	Rates and charges	99	147

Government-related entity receivables

Entity name	Brief description of main activity	2018 \$'000	2017 \$'000
Department of Human Services	Refund of concession rebates	546	532
Department of Human Services	Payment of fixed charge on properties	166	167

**NOTE 9 OTHER DISCLOSURES continued**Government-related entity payments

Entity name	Brief description of main activity	2018 \$'000	2017 \$'000
Treasury Corporation Victoria	Interest on borrowings	9,815	10,346
Department of Environment, Land, Water and Planning	Environmental contribution	4,752	4,919
Department of Treasury and Finance	Financial accommodation levy	4,241	3,970
Southern Rural Water	Storage management and recreation facilities fees	600	573
Environment Protection Authority	Licence fees and levies	339	393
VicRoads	Registration fees	200	96

Government-related entity payables

Entity name	Brief description of main activity	2018 \$'000	2017 \$'000
VicRoads	Registration fees	-	100

During the year, the Corporation did not undertake any government-related entity transactions that were not business as usual.

**9.6 Remuneration of executives**

The Corporation has reviewed the role of the Executive Leadership Team and the extent of control these executives are delegated. Total remuneration for all members of the Executive Leadership Team during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Remuneration categories (short-term employee benefits, post-employment benefits, other long-term benefits and termination benefits) have the same definitions as outlined in Note 9.5.1.

Total remuneration	2018 \$'000	2017 \$'000
Short-term employee benefits	985	765
Post-employment benefits	91	72
Other long-term benefits	11	8
Termination benefits	-	-
<b>Total remuneration (i)</b>	<b>1,087</b>	<b>845</b>
<b>Total number of executives</b>	<b>8</b>	<b>4</b>
<b>Total annualised employee equivalents (ii)</b>	<b>7</b>	<b>4</b>

- (i) No executive officers meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and have not been reported within the related parties note disclosure (Note 9.5).
- (ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

**NOTE 9 OTHER DISCLOSURES continued****9.7 Events occurring after the balance date**

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.

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

**9.8 Australian Accounting Standards issued that are not yet effective**

As the Corporation reports its annual financial results pursuant to the *Financial Management Act 1994* (Vic), 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 2018, 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.

Topic	Key requirements	Effective date for the entity	Estimated impact
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 July 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.
AASB 15 Revenue from Contracts with Customers	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.	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 for Gippsland Water will be the upfront recognition of revenue from licenses that cover multiple reporting periods.

**NOTE 9 OTHER DISCLOSURES continued**

Topic	Key requirements	Effective date for the entity	Estimated impact
<i>AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 July 2019	This amending standard will defer the application period of AASB 15 for Gippsland Water to the 2019-20 reporting period.
<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	Gippsland Water's assessment is that most operating leases will come on Balance Sheet, and the recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.
<i>AASB 1058 Income of Not-for-Profit Entities</i>	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions.	1 July 2019	Gippsland Water's assessment is that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations will now be deferred, and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2017-18 reporting period. In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

## CENTRAL GIPPSLAND REGION WATER CORPORATION

### Statutory Certification

We certify that the attached financial statements for the Central Gippsland Region Water Corporation have been prepared in accordance with Standing Direction 5.2 of the *Financial Management Act 1994* (Vic), 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 2018 and the financial position of the Corporation as at 30 June 2018.

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

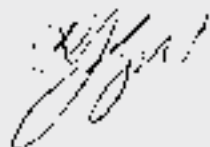
At the time of signing we authorise the attached financial statements for issue.



**Therese Ryan**  
Board Chair  
Central Gippsland Region Water Corporation



**Sarah Cumming**  
Managing Director  
Central Gippsland Region Water Corporation



**Kevin Enguell**  
Acting Chief Financial Officer  
Central Gippsland Region Water Corporation

Dated 24 August 2018

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# VAGO ATTESTATION



## Independent Auditor's Report

### To the Board of the Central Gippsland Region Water Corporation

<b>Opinion</b>	<p>I have audited the financial report of the Central Gippsland Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2018</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• statutory certification.</li> </ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>



<b>Auditor's responsibilities for the audit of the financial report</b>	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> <li>• identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</li> <li>• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control</li> <li>• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board</li> <li>• conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.</li> <li>• evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.</li> </ul>
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## **CENTRAL GIPPSLAND REGION WATER CORPORATION**

### **Financial Management Compliance Attestation**

I, Therese Ryan on behalf of the Board, certify that the Central Gippsland Region Water Corporation has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic) and Instructions.

For the year ending 2018, there were no Material Compliance Deficiency identified.

A handwritten signature in black ink, appearing to read 'Therese Ryan', with a long horizontal stroke extending to the right.

**Therese Ryan**  
Board Chair  
Central Gippsland Region Water Corporation

Dated 24 August 2018

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Our annual report is prepared in accordance with all relevant Victorian legislation. This index facilitates identification of our compliance with statutory disclosure requirements.

# PART 9

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## RESPONSIBLE BODY'S DECLARATION

In accordance with the *Financial Management Act 1994* (Vic), I am pleased to present the Central Gippsland Region Water Corporation's Annual Report for the year ending 30 June 2018.

A handwritten signature in black ink, appearing to read 'Therese Ryan', with a long horizontal stroke extending to the right.

**Therese Ryan**  
Board Chair  
Central Gippsland Region Water Corporation

Dated 24 August 2018

---

## GLOSSARY

A

**AWO** Annual Water Outlook

B

**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.

C

**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.

**CIBS** Customer Information Billing System

**CO<sub>2</sub> 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<sub>2</sub> equivalents, which is the concentration of carbon dioxide (CO<sub>2</sub>) that would contribute an equivalent degree of impact as the total amount of greenhouse gases emitted.

**CTWSS** Country Towns Water Supply and Sewerage

D

**DELWP** Department of Environment, Land, Water and Planning

**DTF** Department of Treasury and Finance

E

**EPA** Environment Protection Authority

**ESC** Essential Services Commission

**EWOV** Energy and Water Ombudsman Victoria

F

**FOI** Freedom of Information

**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 *Financial Management Act 1994* (Vic).

G

**GLaWAC** Gunaikurnai Land and Waters Corporation

**GROW** Growing Regional Opportunities for Work program

**GWF** Gippsland Water Factory

I

**IBAC** Independent Broad-based Anti-corruption Commission Victoria

**ICT** Information Communication and Technology

## GLOSSARY

<b>I</b>	<b>IWM</b>	Integrated Water Management Framework – A Victorian government initiative to help government, the water sector, and the community work together to better plan, manage and deliver water in Victoria's towns and cities.
<b>K</b>	<b>KPI</b>	Key Performance Indicator
	<b>Kilolitres (kL)</b>	1,000 litres
<b>L</b>	<b>LoE</b>	Letter of Expectations – The Victorian Minister for Water's expectations of water corporations for the 2017-18 business planning year, outlining seven policy areas that the Minister expects water corporations to focus on for performance improvement.
	<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>M</b>	<b>Megalitres (ML)</b>	1 million litres
	<b>M</b>	Million
	<b>MRD</b>	Ministerial Reporting Direction – a Ministerial reporting direction issued by the Department of Treasury and Finance under the <i>Financial Management Act 1994</i> (Vic).
<b>N</b>	<b>NAIDOC</b>	National Aboriginal and Islanders Day Observance Committee Week – celebrating the history, cultural and achievements of Aboriginal and Torres Strait Islander people.
<b>O</b>	<b>Ocean outfall</b>	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 licence regulations to ensure water quality.
	<b>OHS</b>	Occupational health and safety
<b>P</b>	<b>Price Submission</b>	Our five-year plan for the period 2018-2023. The plan outlines our customer values, the price we intend to charge our customers for water and wastewater services, the projects we plan to deliver, and the introduction of enhanced guaranteed service levels.
<b>R</b>	<b>Regional Outfall System (ROS)</b>	The ROS pipeline transports approximately 50 per cent of central Gippsland's wastewater to the Dutson Downs wastewater treatment facility.
<b>S</b>	<b>Saline Wastewater Outfall Pipeline (SWOP)</b>	A Gippsland Water pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait.



## GLOSSARY

S

**SDWR** Safe Drinking Water Regulations

**SHE** Safety, Health and Environment

**SORF** Soil and Organic Recycling Facility

**STEM** Science, Technology, Engineering, Maths

V

**VFA** Victorian Fisheries Authority

**VIPP** *Victorian Industry Participation Policy Act 2003 (VIPPA)* is an Act administered by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR). *Local Jobs First* – VIPPA improves opportunities for local suppliers to compete for work on all types of government contracts. This policy is about local industry development.

**Water for Victoria** The Victorian Government's plan for a future with less water as Victoria responds to the impact of climate change and a growing population. The actions set out in the plan support a healthy environment, a prosperous economy with growing agricultural production, and thriving communities.

W

**WGCMA** West Gippsland Catchment Management Authority

**WIOA** Water Industry Operators Association of Australia

**WIOG** Water Industry Operations Group New Zealand

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All strategies can be viewed on our website at <a href="https://www.gippswater.com.au/residential/about-us/governance/corporate-documents/annual-reports">https://www.gippswater.com.au/residential/about-us/governance/corporate-documents/annual-reports</a> .	

### Additional copies

This annual report is available for viewing or download from our website at <https://www.gippswater.com.au>.

As part of our goal to continually improve our environmental performance, we print limited numbers of the annual report. We encourage those with internet access to view the report online. If you require any additional printed copies, please contact us on 1800 050 500.

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