


Annual Report 2018–19



We cover areas of two traditional landowner groups:

- Gunaikurnai Land and Waters Aboriginal Corporation
- Bunurong Land Council Aboriginal Corporation



 Latrobe River catchment boundary
 Gippsland Water operating area



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 2018-19.

This year has been one of change and optimisation for our business. We have embedded our vision and values, and continued to refine our strategic direction to reflect the changing environment in which we operate.

In addition to our role of providing essential water and wastewater services, we are an essential part of the community, supporting jobs, economic development, health and community wellbeing, and environmental sustainability through our significant contribution to the state's green waste management.

Our safety first culture continues to be a priority for our people, customers and community. We encourage open and transparent reporting which allows us to make many safety improvements across our business. We continued to enhance and strengthen our strategic risk management, positioning our organisation to respond to unexpected change and emergency events.

We're proud to have a highly-engaged, community-focussed workforce. This was confirmed in 2019, when we moved into the Aon Hewitt Employee Engagement Survey's top quartile of employers across Australia and New Zealand.

A key area of focus for us has been enhancing water security for our customers, particularly the challenges

faced to the west in rapidly growing towns like Warragul and Drouin. We completed construction works on our Moe to Warragul interconnect project, enabling us to move water between central and west Gippsland where and when it's most needed. We'll activate connection in 2019-20 and continue to work with government to further strengthen our network and respond to future growth.

Challenging weather conditions in the region have impacted our operations with higher numbers of water main breaks in March and April 2019.

Extreme heat, lower than average rainfall and higher demand for water, has led to water resource challenges. With Lake Glenmaggie's storage level dropping below 8% of its total capacity in May, we trucked water from Heyfield to supply Coongulla. Despite these challenging conditions, our water supply systems have performed well, meeting customer demand without the need for water restrictions.

We continued to explore new revenue sources to strengthen our financial position and mitigate against the risk of potential future industry closures. Unemployment in parts of our service area has continued to contribute to an increase in customer hardship cases during the year, with additional resourcing needed to provide a higher level of

customer care and support. Our Customer Contact Centre continued to work with customers experiencing financial difficulty and we have a range of programs to help customers keep on top of their bills.

This year, we signed on to the Victorian Government's Take 2 climate change pledge, committing to become carbon neutral by 2050. We started a project to plant a massive 92,000 native plants at our Dutson Downs site to help offset our emissions and we launched our Energy Management Strategy – the first of its kind in the water industry – allowing us to adopt a holistic and integrated approach to energy, and a roadmap for energy saving investment and optimisation.

In the last 12 months, we've confirmed our position as a significant contributor to the circular economy in our state. The treated wastewater we produce at some of our wastewater treatment plants is used for irrigation purposes and we're looking for more opportunities to reuse this resource in the future. Our Gippsland Water Factory has also continued to use the methane produced from treating wastewater as a source of energy, keeping our resources in the economy and providing value back to our business and customers.





Therese Ryan
Board Chair



Sarah Cumming
Managing Director

A large-scale biosolids recycling project took place during the year. 10,000 tonnes of wastewater sludge, which had accumulated since the plant opened 20 years ago, was transported from our Warragul wastewater treatment plant to our Organics Recycling Facility at Dutson Downs. Our Organics Recycling Facility then turned the sludge into compost to be spread across farms all over Gippsland, including our own agribusiness operations. This project was essential to meet the rapidly growing Warragul township's wastewater needs into the future.

Our Organics Recycling Facility continues to play a vital role in managing the state's waste. The facility processes almost half of Victoria's green waste, transforming it into compost, creating jobs for our region, and ultimately putting downward pressure on our customers' bills. However, infrastructure at the site will require investment in the coming years to ensure the

site continues to support the state's waste management into the future.

Meanwhile, we've commenced a trial of a new compost product to assist in the rehabilitation of the Loy Yang mine and will extend this through 2019-20. We're proud of our contribution to the circular economy and will continue to look for more ways we can positively contribute.

Our commitment to fostering positive relationships with traditional owners and Aboriginal communities across the land and waters on which we work was strengthened through partnering with 13 Gippsland environmental agencies and the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC), collectively known as the Gippsland Environmental Agencies group. Together, we've already made good progress towards embedding a deeper level of cultural awareness across our organisations and in

supporting Aboriginal cultural values and economic inclusion.

Providing opportunities for the disadvantaged within our community and enhancing our inclusive culture was an important area of focus. We participated in our first Job Shadow Day, partnering with a local provider to provide workplace experience to locals with a disability. On the back of its great success, we employed two locals with a disability on contracts and we continued to work with our partners across the region as a member of the GROW (Growing Regional Opportunities for Work) Gippsland initiative to promote social employment outcomes, including opportunities for local Aboriginal job seekers.

Lastly, developing innovative solutions to drive efficiencies throughout our business has remained an ongoing priority for our organisation. Throughout the year, we encouraged innovative ideas from across our business through a business



Message from the Chair and Managing Director **continued**

wide event. Five innovative projects were given funding to explore better and new technology, online training, gamification and other process improvements. We'll continue these efforts next year to find and deliver more efficiencies that transform our business.

We'd like to sincerely thank all of our people, contractors, stakeholders and Board for their hard work and support over the last 12 months and we look forward to continuing on our journey towards a healthier and sustainable Gippsland during the year ahead.



Therese Ryan
Board Chair



Sarah Cumming
Managing Director

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 2019.

A handwritten signature in black ink, consisting of a stylized 'T' followed by a large loop and a horizontal line extending to the right.

Therese Ryan

Board Chair

Central Gippsland Region Water Corporation

Dated 23 August 2019

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 structure provide the means by which we can, for and on behalf of the Gippsland community, deliver on Water for Victoria.

Our Vision

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.



CUSTOMER FOCUSED **'Customer first'**

Customers are at the heart of everything we do.



INNOVATION **'Clever solutions'**

We challenge our thinking, learn and embrace change.



ACCOUNTABILITY **'Make it happen'**

We each take ownership and deliver on what we say.



COLLABORATION **'Working together'**

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



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

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



About us

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

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 2018 to 30 June 2019.

With 306 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 70,906 customers and wastewater services to 63,600 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 we treat water 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).

Other business

In addition to providing water and wastewater services, we have a number of unregulated business interests including agribusiness and organic recycling activities. These businesses are an integral

part of what we do and provide benefit for us, our customers and the state.

Our agribusiness operations help us to both effectively manage and reuse treated water while servicing our agricultural assets all across Gippsland, including 12 farming sites producing a combination of beef, crops and plantation timber.

Our largest farm, Dutson Downs, is located 25 kilometres south-east of Sale and spans 8,341 hectares.

This is also where we operate our Organics Recycling Facility. Primarily founded to process our internal waste streams and offset the costs of disposal, the Organics Recycling Facility transforms more than 200,000 tonnes of waste each year into valuable, nutrient rich compost that is then used on farms right across Victoria.

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



of water mains,
65 treated
water storages and
48 water 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 strategic priorities

Our strategic priorities represent the highest order initiatives we will focus on for the coming five-year period. They are reviewed and updated annually to inform our Corporate Plan, and are informed by engagement with our staff and Board as well as community input received through our ongoing engagement program. They deliver on our obligations as set out by the Victorian Government.

Our strategic priorities for 2018-23 were developed around the following six themes:



Safety, health and environment

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



External relations

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



Our customers

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



Optimal asset management

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



Our people

Right people, right jobs and right enabling culture



Financial sustainability

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

PART 1

Year in review

Financial overview

Summary of financial results	2018-19	2017-18	2016-17	2015-16	2014-15
	\$'M	\$'M	\$'M	\$'M	\$'M
Service charges	83.5	78.8	75.9	74.1	71.2
Usage charges	41.2	39.3	38.5	38.1	35.9
Developer contributions	18.8	12.3	7.0	10.7	9.4
Other revenue	7.7	5.5	12.5	19.2	13.3
Total revenue	151.2	135.9	133.9	142.2	129.8
Operations, maintenance and administration	79.9	76.4	73.9	74.2	74.3
Depreciation expenses	42.4	39.7	39.9	36.4	33.8
Environmental contribution	5.2	4.6	4.7	4.7	4.7
Finance expenses	13.7	14.0	14.3	15.1	15.3
Total expenditure	141.2	134.7	132.8	130.4	128.1
Net result before tax	10.0	1.2	1.1	11.8	1.7
Current assets	37.4	32.3	34.9	33.5	32.3
Non-current assets	1,318.5	1,186.9	1,176.2	1,179.5	1,143.7
Total assets	1,355.9	1,219.2	1,211.1	1,213.0	1,176.1
Current liabilities	44.6	100.5	78.3	85.4	82.9
Non-current liabilities	453.2	351.9	374.3	368.5	361.6
Total liabilities	497.8	452.4	452.6	453.8	444.5
Net cash flow from operations	36.7	41.4	32.9	47.4	33.0
Payments for capital works	45.8	50.4	30.5	52.3	58.9

Financial indicators

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Year in review

Key Performance Indicator	2018-19 Result	2017-18 Result	2016-17 Result	2015-16 Result	2014-15 Result
Cash interest cover (times)	3.69	3.98	3.33	4.17	3.21
Gearing ratio	21.79%	23.21%	23.12%	23.08%	23.60%
Internal financing ratio	79.75%	82.08%	109.99%	92.99%	55.95%
Current ratio	0.96	0.34	0.47	0.41	0.41
Return on assets	1.82%	1.25%	1.26%	2.24%	1.45%
Return on equity	0.86%	0.11%	0.10%	1.22%	0.05%
Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) margin	43.56%	40.33%	41.21%	44.43%	40.02%

Discussion of key results for the financial year

In 2018-19, the Corporation exceeded its budgeted financial objectives. Gippsland Water's net result before tax was a profit of \$10.0 million, compared to a budgeted loss of \$0.2 million. This higher profit is the result of the activities described below.

Total revenue increased by \$15.5 million compared to our Corporate Plan with material movements in the following revenue components:

- An increase in service charges of \$0.7 million, attributable to increases from wastewater service charges (residential) and wastewater fixed charges (major customers);
- An increase in usage charges of \$2.8 million, attributable to water usage fees (residential), water usage fees (non-residential), treated water usage (major customers);
- An increase in developer contributions of \$12.6 million, due to gifted assets from Vic Roads for replacement of the regional outfall system and increase in gifted assets in Warragul/Drouin;
- An decrease in other revenue of \$0.6 million.

Total expenditure increased by \$5.3 million compared to our Corporate Plan with material movements in the following expenditure components:

- A decrease in labour expenses of \$0.8 million due to vacancies;
- An increase in operations, maintenance and administration expenses of \$1.4 million due to various maintenance and operation works;
- An increase in depreciation expenses of \$1.8 million, due to assets transferring into additions from capital work in

progress quicker than assumed in the Corporate Plan; partially offset by:

- An increase in the net loss on the disposal of assets during the year of \$3.9 million, due to retirements as a result of renewals or upgrades of infrastructure assets through the capital program; and
- A decrease in finance expenses of \$1.0 million, due to combination of lower interest rates and timing when the loan was drawn during the year.

Gippsland Water's net result before tax of \$10.0 million profit, was \$8.8 million higher than the previous year profit of \$1.2 million. Key variances from the previous year are:

- Total revenue increased by \$15.3 million with material movements in the following revenue components:
 - An increase in service charges of \$4.7 million;
 - An increase in usage charges of \$1.9 million;
 - An increase in developer contributions of \$6.5 million, due to increased developer activity; and
 - An increase in other revenue of \$2.2 million, mainly due to desludging work noted above, combined with decrease in asset write-offs.
- Total expenditure increased by \$6.5 million compared to

the previous year with material movements in the following expenditure components:

- An increase in operations, maintenance and administration expenses of \$3.5 million;
- An increase in depreciation expenses of \$2.7 million;
- An increase in environmental contribution of \$0.6 million; and
- 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

This year, we have continued our efforts to further improve and build upon our strong safety culture and this continues to be a focus of the Board and senior leadership team.

Our safety culture currently sits at 'sustainable' and our aim through the safety strategy is to move our culture to 'best practice' by 2021.

Initiatives that have helped to strengthen our safety culture include adopting a monthly focus on achieving the targets set for lead indicators, early identification and resolution of hazards and engaging representatives at consultative committee meetings and in leading audits and inspections.

Our sustained education and awareness activities, as part of our safety strategy, combined with a focus on a close out of associated actions has resulted in a significant increase in the number of safety reports. Some 79 per cent of reports made were in the proactive space (hazard identification, report only and near miss).

We have conducted training and education, awareness and ergonomic assessments to minimise injuries and continue to enjoy excellent support at all levels across the organisation.

Case Study

Safer access to the Moondarra Tower



A three and a half year project to replace all four offtake valves at the tower at our Moondarra Reservoir was completed this year, resulting in significant safety improvements.

As the tower is located in the middle of the reservoir, the project was a difficult and potentially dangerous logistical exercise. The project included a full upgrade of the tower crane and implementation of a fall arrest system, enabling our employees much safer access to complete necessary fortnightly screen cleaning. The refurbishments are also an important part of the work we're doing to secure water supply for our customers.

Occupational Health and Safety management measures

Measure	KPI	2018-19	2017-18	2016-17	2015-16
Incidents	No. of safety reports (excl. contractors)	704	575	465	374
	No. of safety reports (incl. contractors)	767	647	515	480
	Rate per 100 FTE (excl. contractors)	240	204	182	145
Claims	No. of standard claims	5	4	4	13
	FTE	283.38	258.66	255.97	257.68
	Rate per 100 FTE	1.76	1.55	1.56	5.05
	No. of lost time claims	3	3	4	11
	Rate per 100 FTE	1.06	1.16	1.56	4.27
	No. of claims exceeding 13 weeks	2	0	1	1
	Rate per 100 FTE	0.71	0	0.39	0.39
Fatalities	Fatality claims	0	0	0	0
Claim cost	Average cost per standard claim	\$21,058.80	\$11,107.75	\$14,436.00	\$27,845.85

Case Study

Virtual reality resolves potential safety hazards



Virtual reality technology helped us to successfully identify potential safety hazards in the early design phase of our upgrade to the Drouin Wastewater Treatment Plant.

Technicians and operators attended sessions where they were given the chance to virtually explore the design of the upgraded plant, giving them a better understanding of the final design and workings of the plant. The technology helped them to visualise potential hazards more easily than previously used drawings and modelling, leading to a massive 105 recommendations that helped to refine the final design. These ranged from minor repositioning of valves and pipework to bigger design changes in one section of the plant. With all of the recommendations implemented, we're now moving towards the next phase of the project and creating a safer working environment for all.

Health

Water quality

In 2018-19, we made many improvements to ensure our customers' water quality is maintained, including:

- Finalising an Integrated Catchment Land Use Options Strategy for the Moondarra Catchment to protect water quality;
- Commencing a review of Catchment Sanitary Surveys (including spatial mapping) for our catchments;
- Upgrading some of our secondary disinfection systems to maintain water quality safety as part of our rolling upgrade program;
- Upgrading process controls for improved water treatment plant operation;
- Upgrading activated carbon dosing at the Coongulla Water Treatment Plant to improve taste and odour;
- Enhancing our Water Information Management System (WIMS) enabling external data migration and transition to a digital system. This continues to improve our understanding of and access to field, water treatment plant, and process and compliance data;
- Consolidated 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; and
- Delivering air scouring works to maintain water quality in our reticulation networks by cleaning pipes.

Our commitment is to provide our customers with safe drinking water. Our water quality risk management system includes a risk-based compliance sampling and testing program. This is undertaken to meet the Safe Drinking Water Regulations (SDWR) 2015 under section 56 of the *Safe Drinking Water Act 2003* (Vic). We complete weekly water testing to follow our SDWR 2015 risk management obligations as well as independent sample testing. All test results are available to our customers.

Case Study WOW Committee



Our Wellness Organisational Workgroup (WOW) Committee was established in August 2018 by a group of passionate, health-focussed employees.

The aim is to create a positive and healthy culture, increase employee morale, improve productivity and reduce sick leave. The group has been busy promoting healthy outcomes to support our people's wellbeing. A Make Your Move program was offered in partnership with local partners GippSport to get office workers moving at lunch time with friendly (and competitive!) games of table tennis, badminton, finska and spikeball. The committee is looking forward to continuing the healthy outlook in 2019-20 and plan on running new events like an annual step challenge and increasing mental health awareness.

Residential daily drinking water consumption

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

Month	L/person/day 2018-19	L/person/day 2017-18	L/person/day 2016-17	L/person/day 2015-16
July	193	194	187	175
August	190	184	160	156
September	182	174	196	198
October	153	133	138	147
November	182	187	184	193
December	129	163	162	175
January	269	227	220	252
February	256	218	223	211
March	257	252	226	238
April	223	215	212	226
May	268	248	262	237
June	191	182	166	174
TOTAL	2,493	2,377	2,336	2,382

Note: This data is based on a population served estimate for 2018-19. 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
2018-19	\$1,334.49	\$1,334.49	\$1,399.80	\$1,399.80
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

Note: Customer bill is net of the government water rebate for 2016-17 & 2017-18 only.

Tariffs are set through the Price Submission over a five-year period.

Annual water consumption

SUPPLY SYSTEM	Residential		Non-residential		Major industry	Metered hydrant	Non-revenue ⁶	Total supplied	Five-year average annual demand	Consumption variation
	Billed connections ³	Billed volume ⁵ (ML)	Billed connections ³	Billed volume ⁵ (ML)	Billed volume ⁴ (ML)	Volume (ML)	(ML)	(ML)	(ML)	
 Briargolong	370	67.8	23	3.0	0.0	0.2	11.7	82.7	72.7	14%
 Coongulla	464	38.5	9	6.5	0.0	0.0	5.7	50.7	46.0	10%
 Erica-Rawson	313	39.3	46	20.5	0.0	0.0	9.6	69.4	65.0	7%
 Heyfield	904	172.4	106	68.0	0.0	8.3	15.9	264.6	239.6	10%
 Maffra	3,283	617.9	314	104.1	433.5	5.3	118.5	1,279.3	1,141.5	12%
 Mirboo North	764	111.0	85	33.7	0.0	0.0	39.4	184.1	188.0	-2%
 Moe-Warragul ¹	26,341	4,104.8	2,118	807.0	1,927.8	43.2	869.5	7,752.3	7,045.4	10%
 Moondarra ²	26,010	4,733.6	2,485	870.1	27,335.1	6.7	2760.6	35,706.1	43,197.5	-17%
 Neerim South	736	152.3	64	28.2	0.0	0.0	34.4	214.9	191.6	12%
 Sale	7,280	1,288.3	883	336.3	190.7	8.7	156.6	1,980.6	1,826.8	8%
 Seaspray	360	23.4	11	4.8	0.0	0.0	6.2	34.4	30.4	13%
 Willow Grove	182	42.8	11	1.9	0.0	0.5	10.9	56.1	43.1	30%
Total	67,007	11,392.1	6,155	2,284.1	29,887.1	72.9	4,039.0	47,675.2	54,087.7	-12%

1. Supplies Moe, Newborough, Trafalgar, Yarragon, Darnum, Yallourn, Yallourn North, Buln Buln, Drouin, Nilma, Rokeby, Warragul and Thorpdale (carting).

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

3. Number of assessments includes both connected and non-connected customers.

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

5. Treated water only.

6. Includes raw water losses in the Moondarra System.

Annual water consumption **continued**

ESC Non-revenue water summary

Non-revenue water (ML) total
2,427.8

Infrastructure Leakage Index (ILI)
1.40

Real water losses (kL/connection/day)
0.089

Real water losses (kL/km/day)
3.7

Target: 12%

Result: 14.7%

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

Re-use water

We don't use re use water sources for potable water. Re use water is used for other purposes as described below.

Town/system	Annual total (ML)	Use
DROUIN	67.0	Agriculture
	12.1	Recreation
HEYFIELD	31.9	Agriculture
MAFFRA	279.0	Agriculture
MARYVALE	33.1	Industry
MIRBOO NORTH	37.8	Recreation
	24.3	Agriculture
MORWELL	546.1	Wetlands irrigation
SALE	947.6	Agriculture
SEASPRAY	0.3	Agriculture
STRATFORD	65.9	Agriculture
WILLOW GROVE	9.4	Agriculture
Total	2,054.5	







Total groundwater

Raw water taken (ML)	2018-19	2017-18	2016-17	2015-16
BRIAGOLONG	88	96	79	63
SALE	2,035	1,921	1,846	1,850
DUTSON	138	69	62	47
Total	2,261	2,086	1,988	1,961

Total groundwater taken has increased at Dutson this year due to Agribusiness irrigation during dry conditions.

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:

Volumetric range – ML per year		No. of customers
Equal to or greater than	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	
	TOTAL NO. OF CUSTOMERS	

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
AGL Loy Yang Pty Ltd (Traralgon)	<p>AGL Loy Yang aims to be a prudent and responsible user of water. AGL Loy Yang has ongoing maintenance and monitoring programs to maintain and improve the efficiencies already achieved through water saving initiatives. This includes:</p> <ul style="list-style-type: none"> • Putting tighter controls of cooling tower cycles in place. • Improving plant maintenance and operation to reduce demineralised water consumption and reduce excess waste generation. • Diverting wastewater for fire service pond make-up water.
Alinta Loy Yang B (Traralgon)	<p>Loy Yang B has recently conducted a review of and updated its Water Management Strategy for its entire operations.</p> <p>Monitoring and reporting of water usage rates occurs routinely and is used to identify opportunities for further improvement.</p> <p>Usages rates for both high and low grade water supplies remains low in comparison to industry benchmarking.</p>
Australian Paper Pty Ltd (Maryvale)	<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>
EnergyAustralia Yallourn Pty Ltd (Yallourn)	<p>Programs that Energy Australia has completed in 2018-19 consist of:</p> <ul style="list-style-type: none"> • 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. • Replacing wall toilet units with dual flush systems across the power station. This program will be completed by 2020. • Repairing and lining replacements undertaken on water mains located at W3 Transformer, No 10 Main, Mine Open Cut Control Centre and Estate Services Fire Training Ground. • Completing sprinkler testing in line with AS1851 2012 reduced testing regime of deluge and water fire response systems. • Upgrading deluge valves across the site to an air-operated solenoid system. This will be an ongoing program.
ENGIE Australia (Hazelwood)	<p>On 31 March 2017, ENGIE ceased coal mining and power generation operations and has since commenced site rehabilitation works. As such, raw water and potable water usage has reduced and remains significantly lower than during our previous operational phase, now primarily servicing the domestic services needs across the site. ENGIE is assessing its ongoing water needs aligned with final designs and approvals being sought for the Hazelwood Rehabilitation Project.</p>

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

Customer	Participation in water efficiency programs
Fonterra	As of 30 June 2019, Fonterra did not report any water conservation initiatives.
Fulham Correctional Centre (Fulham)	As of 30 June 2019, Fulham Correctional Centre (Fulham) was unable to provide comment regarding its water conservation initiatives.
Lion – Dairy and Drinks, Lion Pty Ltd (Morwell)	As of 30 June 2019, Lion – Dairy and Drinks was unable to provide comment regarding its water conservation initiatives.
Pureharvest (Drouin)	<p>Pureharvest constantly review their water usage and explore ways in which they can improve efficiencies and water saving.</p> <p>Some of the current water saving initiatives include:</p> <ul style="list-style-type: none"> • Rinse water from the UHT plant is collected into a silo and then reused as water for the cooling towers • Rainwater is collected and put through a reverse osmosis process, this is then used as feedwater for the boiler.
Saputo (Maffra)	As of 30 June 2019, Saputo was unable to provide comment regarding its water conservation initiatives.

Environment

We're committed to demonstrating leadership and empowering our people to responsibly manage the environmental impacts of our operations. We partner with other Gippsland environmental agencies to work towards shared regional targets and outcomes. This collaboration results in targeted and efficient resource allocation and better outcomes for our customers and the wider Gippsland community.

We play an essential role in the circular economy of the State. Our Organics Recycling Facility transforms the biosolids produced at our wastewater treatment plants into nutrient-rich compost used on farms right across Victoria, treated wastewater used for irrigation purposes and methane produced from treating wastewater at the Gippsland Water Factory is used as a source of energy, keeping our resources

in the economy and providing value back to our business and customers.

Our Environment and Climate Change Policy is available on our website at www.gippswater.com.au/residential/what-we-do/environmental-management.

Biodiversity and natural asset management

We manage many areas of land with high conservation significance and 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 2018–19, we were awarded state government funding for a three-year pest control program at Dutson Downs to protect the conservation values of the site. We're working with local agencies and traditional owners to implement this program.



We're also partners in a regional program to protect threatened invertebrates in Gippsland, which also received Biodiversity Response Plan funding.

We continue to manage and reinvest in our environmental offset bank across the region and have added two new sites to our bank this year, taking us to a total of 600 hectares of land managed for environmental benefit. One is at Mirboo North (on land already owned by us) and we have bought a new transect of land adjacent to Dutson Downs to expand the conservation sites adjacent to the Gippsland Lakes by an additional 132 hectares.

West Gippsland Regional Catchment Strategy and West Gippsland Waterway Strategy

We work in partnership with West Gippsland Catchment Management Authority (WGCMA) to preserve and improve the waterways and lakes ecosystems for the community and to supply safe drinking water to our customers. Our significant projects delivered this year were:

- We provided native vegetation offset credits (\$60,000) to enable the construction of a fish ladder of the Thompson River Fishway. This project will help improve the health of an entire river system and protect the future of a vulnerable fish species.
- We invested \$60,000 to run the Fert\$mart program in the Tanjil River catchment, which allows local agronomists and farmers to work together to keep nutrients on farms, and out of waterways. This increases the quality of water within our local waterways.
- We invested \$65,000 into joint projects with Baw Baw Shire and Wellington Shire Councils to assess the conditions of septic tanks within drinking water catchments. The aim of this program is to reduce human impacts on water quality.
- We invested \$5,000 into the Bug Blitz program. Bug Blitz is a outdoor environmental education program based in Sale that is aimed at creating a new breed of waterways citizen scientists through the process of exploration and discovery.
- During the 2018/19 year we have been working in partnership with the West Gippsland Catchment Management Authority, Southern Rural Water and the Victorian Environmental Water holder to divert up to 10ML of environmental water

flows from the Thomson River into the Heyfield Wetlands, to enhance biodiversity and further educate wetland users of the importance of managing water quality impact in catchments.

Our biodiversity management programs and carbon sequestration plantings also contribute to key objectives in the Regional Catchment Strategy, improving the overall health of the Ramsar Lakes through revegetation and threatened species preservation.

Our bulk water entitlements environmental management outcomes are outlined in Part 7 of this report.

Case Study Fert\$mart



This year, we partnered with the West Gippsland Catchment Management Authority to sponsor and deliver the Fert\$mart project in our Tanjil catchment.

This program allows agronomists and farmers to work together to develop farm management plans to manage soil and fertility. The program sets up farmers for financial gains as they can determine the right type and amount of fertiliser product to use on their farm. It also results in less nutrients entering local waterways and the Gippsland Lakes resulting in better quality water entering our treatment plants.

Environment continued

State Environment Protection Policy (Waters)

The State Environment Protection Policy (Waters) 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, while ensuring 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 to ensure the health of rivers and creeks is not impacted. We confirm this by biological monitoring. This year, we completed autumn and spring surveys at Rawson, Drouin and Moe with results showing no negative impacts from our operations. We've enhanced our Ecological Risk Assessments for each of our wastewater treatment plants to increase our mitigation of risks to the environment in order to maintain or enhance the ecological values of these plants.

Climate change

Greenhouse gas emissions

In 2018-19, we reached some big milestones on key projects that will reduce our greenhouse gas emissions into the future.

We completed our Energy Management Strategy, which provides the framework to inform financial and environmentally sustainable decisions to benefit our customers.

We invested \$1.5m in renewable energy technology at key sites across our network. This includes solar panel installations at our Traralgon office and our Warragul water and wastewater treatment plants.

Our first carbon sequestration project, involving planting 92,000 mixed native tree and shrub species at Dutson Downs, has been planned and budgeted. Site establishment works have been completed, including fencing, weed and pest management. A seed and plant bank has been established, ready for the right weather conditions for planting.

These projects will be key to delivering our commitment to reducing our greenhouse gas emissions by 24 per cent by the year 2025, in line with the new Statement of Obligations (emissions reduction).

In 2018-19, our total greenhouse gas emissions increased by 5844 tonnes of CO₂e compared to 2017-18. This increase can be mostly attributed to the desludging activities completed at our Warragul Wastewater Treatment Plant. The desludging process contributed 5956 tonnes of CO₂e with all of the end product reused and recycled at our Organics Recycling Facility. This project was essential to meet the wastewater requirements of the rapidly growing Warragul community into the future.

While there was an overall increase in our total carbon footprint, we have seen some great achievements in energy efficiencies, with a four per cent reduction in energy consumption from last financial year. This is the third consecutive year we have reduced our energy footprint. Our significant reductions can be attributed to operational improvements and efficiencies across our wastewater treatment system. Process efficiencies at the Gippsland Water Factory saw a 14 percent reduction in energy used at the site – significantly contributing to our reduction in energy consumption. The Gippsland Water Factory accounts for almost 70 percent of our overall wastewater energy consumption.

During 2018-19, we've commenced the roll-out of renewable energy projects at our sites that will decrease mains electricity usage.

Case Study

Solar powers key sites



This year, we commenced the installation of solar panels at three key sites, which will significantly reduce our carbon footprint into the future.

Our Traralgon office and Warragul Water and Warragul Wastewater Treatment Plants will soon be solar powered, with the systems collectively able to generate more than 900,000 kWh (units) of electricity within a year.

Greenhouse gas emissions **continued**

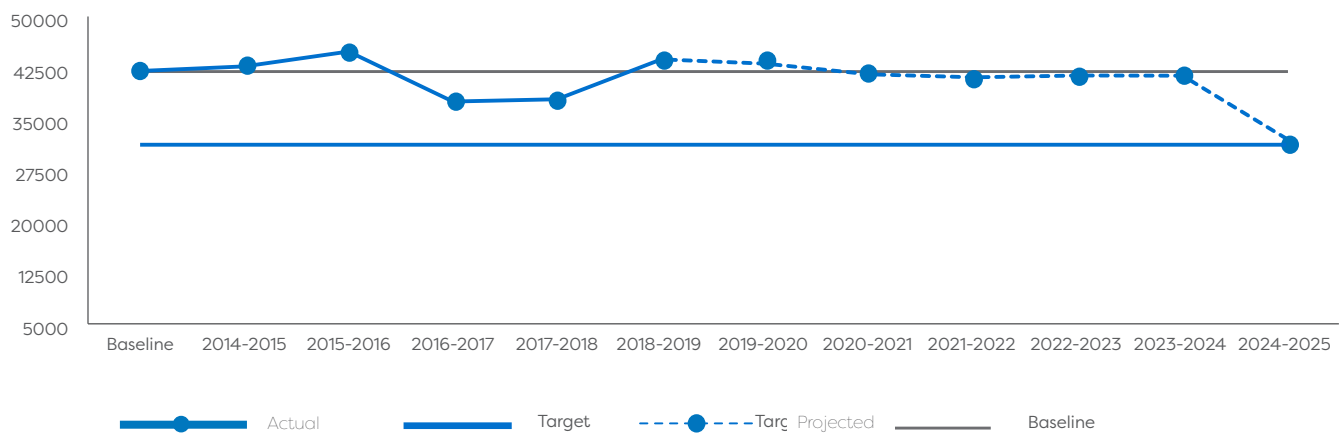
The net greenhouse gas emissions, expressed as tonnes of CO₂ equivalent (t CO₂e), for the whole business and our activities are expressed in the table below.

Performance Indicator	Tonnes CO ₂ e			Commentary
	2018-19 projected	2018-19 result	Variance	
Water treatment and supply	10,897	10,424	-4.34	Positive reduction in greenhouse emissions
Sewerage treatment and supply	29,189	29,801	2.10	Increase in emissions due to desludging activities
Transport	1,516	1,373	-9.41	Significant reduction in emissions compared to projected target
Other (Office, workshops, depots)	2,075	2,127	2.52	Result greater than projected target. Future installation of solar panels will likely contribute to meeting target next financial year.
Total	43,677	43,725	0.11	Emissions in line with projected values.

2

Safety, health and environment

Net greenhouse gas emissions (tonnes of CO₂ equivalent)



Energy consumption

Total electricity use	2018-19 Result (MWh)	2017-18 Result (MWh)	Commentary
Water treatment and supply	9,738	9,431	A small increase due to variable climate conditions across the service area.
Sewerage collection, treatment and recycling	13,778	15,167	Ten percent efficiencies identified with a major decrease attributed to Gippsland Water Factory.
Other (office, workshops, depots, etc)	1,073	1,109	A small decrease in the energy consumed across the Traralgon office and depot. The new electric fleet vehicle is accounted for in this category.
TOTAL (a)	24,590	25,707	Continual decline in energy consumption primarily due to operational efficiencies.

Performance indicator	2018-19 Renewable electricity used (MWh)	2017-18 Renewable electricity used (MWh)	Commentary
1. Solar	0	0	Installation of solar at Tyers Water Treatment Plant does not meet threshold for reporting.
2. Hydroelectric	2,371	2,133	Pine Gully system generation increased compared to previous year.
3. Wind	0	0	
4. Biogas	601	570	The Gippsland Water Factory cogen system was used more this year which has resulted in an increase in biogas used compared to previous year.
5. Greenpower	0	0	
6. Other	5,164	5,399	
TOTAL (b)	8,136	8,102	
Percentage renewable electricity = (b)/(a)*100	33.09 %	31.52 %	

Climate adaptation

Our Climate Change and Adaptation Strategy aligns with current information relating to climate adaptation policy and outlines our framework and tools to integrate climate adaptation scenarios into our future planning. We're working in partnership with other Gippsland environmental agencies to plan and deliver beneficial adaptation projects throughout the region in an efficient way.

Beneficial reuse of treated wastewater and biosolids

Sustainable water and biosolids re-use

Our eight lagoon-based wastewater treatment plants allow us to irrigate treated wastewater. We provide some of this recycled water to a number of local farmers and sporting grounds, supporting local industry and community sporting groups. One hundred percent of our recycled water is invested back into Gippsland. In years, like this one, with reduced rainfall and drought, the re-use water becomes essential for the community. In 2018-19, 32.62 per cent of the treated wastewater at these sites has been reused.

Our five mechanical wastewater plants discharge treated wastewater to the environment as there is no suitable land or industry who can re-use this water. To ensure we're not impacting on the receiving environment, water quality and stream health monitoring is completed routinely.

The Gippsland Water Factory produced a small amount of treated wastewater that was recycled and reused by Australian Paper. The water is processed through reverse osmosis membranes reducing the salt concentrations, making it viable for reuse. This year, 33.1ML of recycled water was produced – a significant decrease compared to last year reflecting fluctuating demand from industry.

We recycle the biosolids from our wastewater treatment plants and turn it into compost at our Organics Recycling Facility, significantly contributing to Victoria's waste management system. In 2018-19, 17,758 tonnes of biosolids from our wastewater treatment plants and an additional 4,865 tonnes from South Gippsland Water and City West Water,

were transported to our Organics Recycling Facility for composting and combined with approximately 100,000 tonnes of Melbourne's green waste. The high quality compost, tested and produced to Australian standard (AS4454), is then sold and distributed to farms right across Victoria by our partners Gibsons Groundspread.



Beneficial re-use summary

Treatment system	Destination of wastewater	Treated water disposed by Gippsland Water (ML)		Volume reused (ML)		Volume discharged (ML)	
		2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
DROUN	Irrigation to pasture or discharge to Shillinglaw Creek	776	693	79	107	697	586
HEYFIELD	Irrigation to pasture or emergency discharge to Back Creek	32	77	32	77	0	0
MAFFRA	Irrigation to pasture and sporting / playing field. Emergency discharge to Macalister River	279	156	279	156	0	0
MIRBOO NORTH	Irrigation to pasture and sporting / playing field or emergency discharge to Little Morwell River	62	109	62	109	0	0
MORWELL	Supplement flow to wetlands	546	586	546	586	0	0
SEASPRAY	Irrigation to pasture	0	12	0.3	12	0	0
STRATFORD	Irrigation to pasture	66	169	66	169	0	0
WILLOW GROVE	Irrigation to pasture or emergency discharge to Latrobe River	9	14	9	14	0	0
NEERIM SOUTH	Discharge to Red Hill Creek	48	48	0	0	48	48
RAWSON	Discharge to Coopers Creek	27	31	0	0	27	31
WARRAGUL	Discharge to Hazel Creek	1,582	1,550	0	0	1,582	1,550
MOE	Discharge to Moe River	1,914	2,141	0	0	1,914	2,141
SALE	Irrigation to pasture	923	974	923	974	0	0
REGIONAL OUTFALL SYSTEM - URBAN WASTEWATER	Recycled to Pine Gully (Australian Paper) or discharge to Bass Strait (Delray Beach)	33	68	33	68	0	0
Total water available for reuse		6,298	6,630	2,055	2,273	4,268	4,358
% reuse of water available for reuse				32.62	34.28	67.77	65.73



EPA compliance summary

Our wastewater treatment plants operate under an EPA corporate licence, which allows us to safely irrigate and discharge to the environment. The EPA compliance summary in 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 and all facilities have met the annual water quality compliance limits for 2018-19.

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 2018-19
	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17	
DROUIN	80	78	70	84	84	84	95	93	83	Compliant
HEYFIELD	12	12	12	12	12	12	100	100	100	Compliant
MAFFRA	12	12	12	12	12	12	100	100	100	Compliant
MIRBOO NORTH	12	12	12	12	12	12	100	100	100	Compliant
MORWELL	84	83	81	84	84	84	100	99	96	Compliant
SEASPRAY	12	12	12	11	12	12	100	100	100	Compliant
STRATFORD	11	12	12	12	12	12	100	100	100	Compliant
WILLOW GROVE	12	12	12	12	12	12	100	100	100	Compliant
NEERIM SOUTH	82	81	81	84	84	84	98	96	96	Compliant
RAWSON	84	82	83	84	84	84	100	98	99	Compliant
WARRAGUL	82	82	84	84	84	84	98	98	100	Compliant
MOE	80	79	82	84	84	84	95	94	98	Compliant
SALE	11	12	12	12	9	12	100	100	100	Compliant
REGIONAL OUTFALL SYSTEM	90	93	95	96	96	96	94	98	99	Compliant
SALINE WASTEWATER OUTFALL PIPELINE	223	142	223	265	166	264	84	86	84	Compliant

Our water resources – Urban Water Strategy and drought preparedness

This year has been especially dry with the eastern part of our region heavily impacted by drought. The area from Traralgon through to the 90 mile beach has recorded its lowest 24 month rainfall period on record, while the west of our region has also experienced low rainfall.

Our region also experienced higher than normal temperatures, particularly over summer. In January, temperatures were 4-5°C higher than average. Higher than average temperatures extended for the whole summer and into March.

The dry and hot conditions had a significant impact on demand for water. Low rainfall has also substantially impacted our water resources. Low rainfall will always result in reduced runoff to rivers and streams, but prolonged dry periods such as this also leads to very dry catchment soils. While late autumn rain has provided some relief, the deeper soil structure remains very dry across many of our major catchments, with some at a 100 year low. This tends to draw moisture downwards, rather than allow rainfall to runoff to rivers and streams.

The way our water resources responded to these conditions varied across our region, some were more resilient than others. The more severely impacted include:

- Merrimans Creek, the supply source for Seaspray, ceased flowing prior to Christmas and only resumed mid-June.
- The Tyers River, the major inflow to Moondarra Reservoir, experienced flows for January to March similar to those experienced during the worst of the Millennium Drought (1997-2009 drought).
- The Wa De Lock aquifer, the source for Briagolong, reached levels lower than observed during the Millennium Drought.
- The Tarago River, source for Warragul and Drouin, experienced the lowest flows observed in more than a decade.

The drought also led to Lake Glenmaggie's water level dropping below eight per cent and short-term water cartage arrangements were put in place to supply Coongulla between April and June. Lake Glenmaggie and the downstream Macalister River were also affected by blue green algae. Our raw water basins at Heyfield and Seaspray were also impacted.

Despite these challenging conditions, our water supply systems have performed well this year,

meeting customer demand without the need for water restrictions. This outcome is a reflection of the significant efforts put in place to improve the reliability of our water systems and increase our drought resilience.

Our Urban Water Strategy looks at demand and availability of water over the next 50 years and how this might be impacted by things like climate change. The Urban Water Strategy adopts the recommendations of the guidelines for assessing the impact of climate change on water supplies in Victoria, in preparing supply-demand outlooks and assessing drought vulnerability.

Currently, our highest priority is continuing to build long term supply resilience across our region, particularly in our Tarago system which supplies Warragul and Drouin. This year, the system experienced record demand, particularly through December to April. With hot, dry conditions and very low concurrent stream flows in the Tarago River, we purchased water from the Tarago Reservoir through our supply agreement with Melbourne's retail water corporations to meet shortfalls and avoid the need for water restrictions.

To determine the best long-term solution for this rapidly growing system, we've committed to reviewing all options, including water trading, in line with the State Government's Water for Victoria Water Plan. We progressed an options assessment this year, with a more detailed assessment to occur next year. The plan commits to a state water grid oversight function within government, and a trial of improving the south central Victorian water market.

We released our latest Annual Water Outlook on 1 December 2018 which provides a further update on Urban Water Strategy actions, Integrated Water Management and drought preparedness.



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

PART 3

Our Customers



Community consultation and engagement

Our focus on community engagement continued through 2018-19, working towards our vision for a healthy and sustainable Gippsland. Our communications and engagement strategy builds on our strengths and identifies growth areas to help us fulfil our vision (refer to Appendix or view the strategy at <https://www.gippswater.com.au/annual-reports>).

Engagement has been a central component in planning our Mirboo North water main replacement and we have continued to engage with the local community on the upgrade to the Drouin Wastewater Treatment Plant. We held a community drop-in session in the Drouin main shopping centre and we've been in contact with neighbours near the site. We also discussed the project with Baw Baw Shire Council councillors and senior staff members. The community response to the project has been positive.

We attended many local community events to engage with our customers, encouraging tap water consumption over bottled and sugary alternatives, including the Big Bash League Match in Moe and Latrobe Community Health Service's Australia Day Heart Walk. We also attended a Morwell Neighbourhood House Foodbank market and a Farms to Families pop-up market to discuss the various options available for customers experiencing hardship.

Members of our executive team visited a number of local service clubs and community groups to discuss our role, organisational priorities and upcoming initiatives. These discussions have also provided a valuable opportunity to seek feedback and input from our communities and helped to inform improvements to our services.

Our second annual Pink Stumps Day 20/20 cricket match against our maintenance contractor Broadspectrum raised more than \$10,000 for the McGrath Foundation in February 2019. Since starting the event in 2018, we've now raised more than \$20,000 to support the McGrath Foundation's work with breast care nurses.

Our customer satisfaction survey revealed 82 per cent of customers are satisfied with our service – consistent with our previous scores. Satisfaction with our service delivery remained high, with water quality satisfaction at 83 per cent and customer service at 87 per cent. We will use these survey results to look at ways to further improve in the future.

Our social media presence continued to grow this year as more customers choose to interact with us online. Facebook posts reached an average of 1,111 people with engagement levels high. Our series of posts about International Women's Day featuring our female employees were popular receiving many likes and comments. Other popular content was a story on a team member's recovery from injury, our Moondarra Reservoir filling and a magnificent shot of a wedge tailed eagle captured by one of our field workers. The biggest reach we achieved was an advertisement for a position in our Customer Contact Centre – it reached more than 20,000 people.

Our LinkedIn presence grew substantially this year, achieving strong reach and high engagement. We use this channel to promote job opportunities, stories about our team and our work with students. A post about our innovative Working in Isolation Toolkit was popular, receiving 62 likes and 12 comments. The number of people visiting our page was positive, with 5.7K page clicks and 131K page impressions across 2018-19.

We launched an Instagram page in April 2019 to



Community consultation and engagement **continued**

reach even more of our customers. Already, we've got more than 200 followers and are building strong interest through imagery of local community initiatives, project updates and water saving tips.

Sponsorship

We sponsored many community events and initiatives throughout 2018-19, having committed \$30,000 annually towards projects that support the wellbeing of Gippsland as part of our Price Submission.

We launched our new community support program providing financial support for local community projects. This year's recipients were Gippsland Rotary Centenary House, Bug Blitz and Mirboo North Golf Club.

In-kind sponsorships were also offered, providing community groups and events with merchandise including our popular 'Be Smart Choose Tap' water bottles. We provided hundreds of water bottles to different community groups and organisations including Churchill Active Kids Expo, Latrobe City Youth Space, West Gippsland Healthcare Group, GippSport, and Uniting Gippsland's Children's Week.

In February 2019, we agreed to provide in-kind support for the Gippsland Emergency Relief Fund, providing them with media and communications assistance. The Gippsland Emergency Relief Funds is a registered charity that provides immediate short-term funds to Gippslanders affected by natural disaster events. With parts of Gippsland affected by bushfires over the summer, we coordinated numerous media releases and events to raise funds to help those in need.

Our portable water fountains, free for local school, sports and community groups to use, have grown in popularity this year. They've provided free tap water at more than 75 local events – a 50 per cent increase from last year. They were used by many local school athletics and swimming carnivals as well as the Warragul Farmer's Market, Million Paws Walk, Oktoberfest and community fun runs.

Our mobile water trailer was also popular this year and provided free drinking water at 21 larger events throughout Gippsland – up from 12 last year. Some of these events included the Big Bash League cricket match, AFL Womens and Community League matches, bushfire relief concert, Boolarra Folk Festival, Mirboo North Italian Fiesta and Sale Music Festival.

Case Study

Supporting local initiatives



A new support program, launched in 2018, provides our community with a chance to secure funding of up to \$5,000 for projects in water; water conservation; water and wastewater education; the environment; public health and community wellbeing.

The first round of funding attracted quality applications and highlighted the fabulous community initiatives happening right across Gippsland. The successful recipients were:

- Gippsland Rotary Centenary House, who installed a water tank to capture rain water for use in toilets, washing machines and their gardens. This project supports a valuable community health facility while promoting water conservation.
- Bug Blitz, who worked with students in Sale to investigate fish species in Flooding Creek, while educating local students on waterway and catchment health.
- Mirboo North Golf Club, who installed a new irrigation system, enabling them to use recycled water from the Mirboo North wastewater treatment plant to water their course providing benefits for both the community and the environment.

Community Education

Water conservation, water and waste treatment and health education continue to be a key focus for our engagement with the community and schools, with a strong emphasis on the broader theme of sustainability. We remained an active supporter of



Community consultation and engagement **continued**

the Choose Tap campaign throughout the year as a member of the national coordination group.

We continued to work in partnership with the Gippsland Tech School to plan a new industry challenge to be held in 2019-20 and on raising awareness among young students about prospective careers in the water industry.

Our schools program builds an appreciation of water from a young age. We have delivered water education to schools and community groups in the local area for many years and this commitment continues.

Free to schools and community groups within our service area, the program incorporates a number of activities including tailored visits to schools, site tours and 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 and science curriculum, including Water in the World and Water Sanitation.

A total of 2,881 people including students from 61 education settings, industry and community members took part in our education program during the financial year. We conducted 102 school visits and hosted 20 excursions to our facilities. Five schools visited the Gippsland Water Factory and Vortex Centre with a total of 172 students ranging from kindergarten to university.

The National Water Week poster competition was won by Buln Buln Primary School. The school won funding to put towards a sustainability project or STEM learning resources for their students.

Thirty five schools in our service area saved 30 mega 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've continued to promote and encourage water efficiency initiatives, both locally and in partnership with other water corporations across the state. Messaging is consistent with the Victorian Water Efficiency Strategy, Smart Meter Advice and Intelligent Water Networks (water efficiency) initiatives.

From a local perspective, our focus throughout the year has been on delivering social media content that supports the Victorian Government's Target your Water Use campaign along with traditional media coverage and education activities in local schools.

More broadly, we remained an active participant and contributor to sector-wide initiatives as a member of the Victorian and Water Services Association of Australia water efficiency coordination groups.

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 Friends of Drouin's Trees, Sustainability Victoria, Australian Paper and the Water Industry Operators Association of Australia (WIOA) toured a number of sites throughout the year. Our Organics Recycling Facility attracted many visitors, indicating a continued interest in our work to develop compost from organic waste.

Customer Consultative Committee

We launched our new online engagement platform Let's Talk in June 2019, allowing customers to give us valuable feedback on projects, programs and priorities.

Recruitment of a community panel to be hosted on the platform has also commenced, replacing our previous Customer Consultative Committee model.

The Let's Talk portal will give more customers the chance to help inform the work we do in their own time and from the comfort of their own surroundings.

New customer information system

We successfully implemented our new customer information system, putting the customer at the centre of everything we do. The new system delivers a better experience for our customers and provides us with more intelligence through a single view of a customer and their interactions with us – past and present. It will enhance the way we share customer information and processes within our organisation.

Next year, we'll continue on this change journey, working on new online service options for our customers. A new online portal will give customers choice, access and flexibility when interacting with us through innovative and engaging technology as well as self-service options. We expect customers will see online improvements towards the end of 2019.



Community consultation and engagement continued

Case Study

New Holland Mouse expedition



When students from Loch Sport Primary School expressed an interest in learning more about the New Holland Mouse, our Senior Environmental Scientist, Deb Archer was only too happy to oblige.

The students visited Dutson Downs where Deb shared the knowledge she’s gathered about the vulnerable species. They discussed diet, habitat and threats. The group then visited areas known to be home for the tiny rodents and learned more about the revegetation work our team is doing in a bid to link two colonies of the mice at Dutson Downs.

Customer focussed initiatives

We strive to be a leading customer focussed organisation that is valued and trusted by our community. We continue to focus on first point customer enquiry resolution this year with 96 per cent of customer calls being resolved at first point.

Our Contact Centre team’s focus on early identification of customers experiencing financial difficulty saw the number of customers entering our hardship program rise this year – from around 1,228 to 2,164. This is positive as it provides an opportunity to work individually with those customers to help them manage water bills and prevent their water service being restricted. This is supported through ongoing hardship training and a cross-sector approach to assist people in financially vulnerable situations. We’re currently working with other utilities and organisations to provide customers with further assistance.

Payment Plan and Hardship Program Summary

	30 June 2018	30 June 2019
Total Payment plans	12,401	13,717
Percentage of customers on payment plans	18	19
Hardship customers	1,234	1,403
Hardship customers on payment plans	751	828
Percentage of hardship customers on payment plans	61	59

We continue to offer a Customer Incentive Payment Scheme for those in most vulnerable circumstances across 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 2018-19, we supported 314 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. \$60,000 worth of plumbing work has been carried out to assist eligible customers to save water.

We continue to support those affected by family violence with additional training being rolled out ensuring our employees are familiar with our family violence policies.

Community consultation and engagement **continued****Case Study****Supporting customers in hardship****Our support program for customers in hardship has continued to grow this year.**

One customer approached our hardship team after getting in touch with a financial counsellor. The amount owing on their account was so overwhelming that they were unsure where to begin, but with the support of our team, the customer successfully applied for grant applications and other assistance. A leak at their property was also identified, and the team helped them approach their landlord to get it fixed. With help from our team and other local organisations, this customer is now making regular fortnightly payments that are affordable for them and substantially reducing their amount owing.

We also undertook a range of promotional activities to raise awareness and help our customers better understand variations in water quality and pressure – which make up more than 40 per cent of customer complaints.

Energy and Water Ombudsman Victoria

During 2018-19, the Energy and Water Ombudsman Victoria received 23 referrals on behalf of our customers. All of these referrals were handled as enquiries requiring no further action. This is the second year we have resolved enquiries without matters requiring escalation.

Complaints management policy and framework

After successfully embedding our complaints policy and framework in early 2018-19, we have worked hard to grow our people's skills and abilities to ensure a consistent complaint handling approach across the organisation.

Working with the Victorian Ombudsman, we provided customised good complaint handling training for our people who actively deal with complaints. The training was designed to create a culture where complaints are seen as opportunity for change and improvement. Already we've had great improvement in this area.



Community consultation and engagement **continued**

Community service obligations

Value of community service obligation provided	2018-19 \$	2017-18 \$	2016-17 \$	2015-16 \$	2014-15 \$
Provision of concessions to pensioners	5,827,257	5,611,795	5,398,273	5,168,386	4,988,032
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	328,222	272,594	279,443	274,263	273,523
Utility Relief Grant Scheme* payments	121,327	163,446	116,752	92,391	89,048
Water concession on life support machines – Haemodialysis	2,571	1,285	1,607	1,928	2,921

*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



Lead with purpose

Our leadership program in partnership with Swinburne Professional commenced this year.

The programs were officially launched in April. The launch was co-facilitated by our People & Culture department and the Swinburne Professional lead program facilitators and provided the participants with the opportunity to be formally welcomed to the program and to establish understanding and expectations.

Each program caters for 15 participants, made up of a diverse mix of individuals from across our business and will be delivered through a mix of module based workshops and development with coaching from their commencement in May until the end of November.

Equal Employment Opportunity

We work to actively comply 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. The induction program provides information, support and process guidance for employees who feel harassed or bullied at work.

A number of initiatives were developed to raise awareness and support a culture that embraces equal employment opportunities such as Harmony Day, Peer Connect Officer training, and an enhanced Employee Assistance Program.

Case Study

Employee engagement at all-time high



Our people are more engaged than ever before.

Our third Aon Hewitt employee engagement survey took place in November 2018 and we achieved a top quartile result against the Australian and New Zealand benchmark for the first time. Since starting the survey in 2015, engagement has risen by 12 per cent as a direct result from turning employee feedback into initiatives to improve the employee experience. This year, employees rated us positively in the areas of work tasks, diversity and inclusion, customer focus, management satisfaction, and empowerment and autonomy. We're not stopping there, through our new people strategy we're continuing to work on making Gippsland Water an even better place to work.

Our people **continued**

Employment and development opportunities

A leader in the region, we proactively support and promote a number of employment and development initiatives specifically designed for young people or those in marginalised groups to develop lasting skills and competencies. Some of these include:

- A 12-week vacation employment program for tertiary students,
- A dedicated graduate engineering program,
- Work experience placements for secondary school students,
- An Aboriginal traineeship program,
- A water and wastewater industry operator traineeship program which includes formal and on-the-job training over a 24-month period,
- Hosting plumbing apprentices,
- Supporting the local STEM Sisters program which allows young women to make better informed choices about education and careers in the fields of science, technology, engineering and mathematics. We've provided work experience opportunities for students and ambassadors to promote STEM related careers, and
- Partnering with Fulham Correctional Centre's community transition program which resulted in over 60 prisoners gaining workforce experience at our Organics Recycling Facility.

Additionally, five tertiary students obtained temporary casual employment with us during the 2018-19 period as a result of their vacation employment placement.

Inclusion and diversity

We're committed to being a high performing, inclusive workplace that reflects the community we serve. Some highlights of our initiatives and actions included:

- Partnering with a local disability employment service provider to host unemployed local people with disabilities and other barriers to employment as part of their annual Job Shadow Day. Participants gained practical work experience and two of the participants secured further employment opportunities with us.
- Breaking down barriers around mental ill health by raising awareness and providing support to those affected by mental illness. This includes the

provision of our Employee Assistance Program, our Peer Connect Program and participation in R U Ok? Day.

- Actively supporting several women from across the business to attend leadership forums and events specifically aimed at women in the workplace.
- Continuing to raise awareness of the impacts of family violence through guest speakers.
- Celebrating our organisation's cultural diversity and inclusivity on Harmony Day. Our people volunteered to share dishes from their culture or ancestry with colleagues.
- NAIDOC Week celebrations where our Aboriginal trainees took the lead in planning and facilitating the day's activities. All employees had the opportunity to help make and taste traditional foods, with local aboriginal elder Auntie Doris Paton sharing the important contributions local Aboriginal women have made in our community to honour the theme 'because of her, we can'.

As part of our Inclusion & Diversity Framework, and our commitment to the *Disability Act 2006* (Vic), we have continued to build our capability and raise awareness of access and inclusion issues for people with a disability and this has been recognised across the region.









The framework outlines our approach to growing a diverse workforce and inclusive workplace culture. The framework also includes established targets which reflect our local community and we'll continue to work towards achieving these by 2020.

You can view our Inclusion & Diversity Framework in the Appendix or visit <https://www.gippswater.com.au/annual-reports>



Inclusion and diversity **continued**

The following table outlines the targets and progress to date.

Diversity and inclusion data set		% Target	% Actual progress 2018-19	% Actual progress 2017-18	% Actual progress 2016-17
	Women in senior leadership – (Managing Director and general managers)	40	25	13	40
	Women in senior leadership – (Board, Managing Director and general managers)	40	38	31	55
	Identified disability	5.80	3	3	Data not available
	Aboriginal and Torres Strait Islander (ATSI)	1.30	3	1	1.4
	Language Other Than English (LOTE)	9.70	10	6.14	2.4
	Caring responsibilities	35	62.28	62.28	Data not available
	LGBTI	7	3	2.61	Data not available
	Workforce flexibility	25	18.95	16.78	13.5

Case Study

Opportunities for local job-seekers






This year we participated in our first Job Shadow Day as part of our commitment to a high-performing and inclusive workforce that reflects our community.




Job Shadow Day is an initiative coordinated by local organisation Work Solutions Gippsland and provides people with a disability and other barriers to employment the practical experience of working life. Our participation opened up opportunities by shining a light on diversity and equality. Hayden, a participant on the day, has now joined our organisation on a 12 month contract making full use of his tertiary studies in engineering. Our ongoing relationship with Work Solutions Gippsland has given us access to another great source of local talent.

Comparative workforce data

The following table outlines the targets and progress to date.

30 June 2019							
GENDER	ALL EMPLOYEES		ONGOING			FIXED TERM AND CASUAL	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Women	105	86.95	61	29	78.41	15	8.54
Men	201	196.43	191	1	191.67	9	4.76
Prefer not to respond	0	0	0	0	0	0	0



		2018-19	2017-18	2016-17	2015-16
	Executive employees (including Managing Director)	8	8	6	5
	Female	2	1	2	1
	% Female	25	13	33	20
	Male	6	7	4	4
	% Male	75	87	67	80

	Senior managers	16	14	16	18
	Female	2	3	3	2
	% Female	13	21	19	11
	Male	14	11	13	16
	% Male	87	79	81	89

Comparative workforce data **continued**

4

Our people

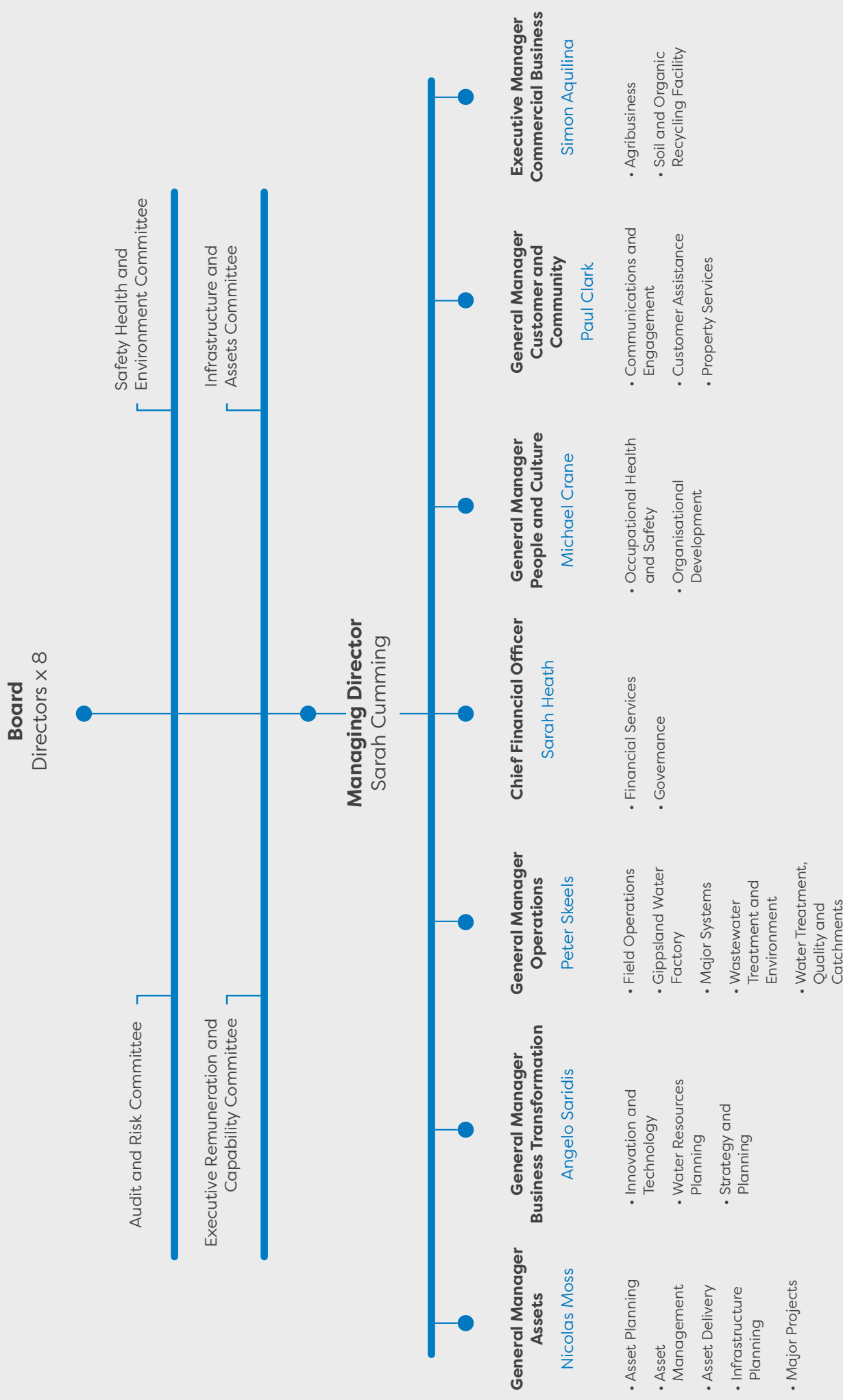
	2018-19	2017-18	2016-17	2015-16
Full-time	252	240	234	239
Part-time	30	31	26	28
Casual/fixed term	24	15	21	11
Total employees	306	286	281	278
FTE [^]	283.38	258.66	255.97	258.52
Executive	3	2	3	8
Assets	39	33	59	59
Commercial Business	25	27		
Finance and Governance	26	25	32	23
People and Culture	11	9		
Customer Service and Communications	56	51	48	51
Business Transformation	28	26	139	137
Operations	118	113		
Total employees	306	286	281	278
 Female	105	97	90	84
% Female	34	34	32	30
 Male	201	189	191	194
% Male	66	66	68	70

[^]FTE is inclusive of casual hours worked in the last full pay period in June.

Note: Organisational structure changed during 2017-18.

Between the 2017-18 and 2018-19 periods our headcount increased by 19. Although some of this increase is a result of new roles being created to assist in the delivery of our strategic and operational objectives, the majority of the increase has resulted from a deliberate move to transition away from consultancy and labour hire arrangements for roles now considered core business. It is worth noting that half of these new roles are fixed term in nature to undertake specific tasks or projects.

Organisational structure as at 30 June 2019



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

PART 5

External relations



We continue to work in partnership with local government agencies, local councils and other stakeholders for the benefit of Gippsland. Attracting new business to Gippsland is one of our goals and we've been involved in regional discussions with local government, the Victorian Planning Authority, Regional Development Victoria and Latrobe Valley Authority to do so. 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're a founding member of the GROW (Growing Regional Opportunities for Work) Gippsland social procurement initiative and our Managing Director has taken on a leadership role with the GROW Gippsland Steering Committee. In December 2018, we signed the GROW Gippsland Compact, strengthening our commitment to this initiative. 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.

We worked with the Latrobe Valley Authority, University of Melbourne Assessment Centre and other key local stakeholders in a Micro credentialing project. This is a Gippsland based initiative to develop an innovative system to assist employers identify enterprise skills and the competency levels to enable recognition of these skills for job seekers and employers.

We've worked in partnership with the Latrobe Health Assembly on an innovative project to make free tap water available at businesses throughout the Latrobe Valley. Already, 40 businesses have signed up to the program and we look forward to promoting this more broadly across the region in 2019-20.

We continue to build stronger networks and streamlined referral pathways with community support organisations. We're driving a cross-sector approach to hardship in Gippsland by engaging with banks, other organisations and utilities. This year, we've been working closely with the Thriving Communities Partnership initiative to explore possibilities for establishing a Gippsland chapter. Thriving Communities Partnerships support cross sector collaboration with a goal that everyone has fair access to modern essential services.

Positive measures to enhance the recreational value of our water and facilities were undertaken during the year. Practical community outcomes included the reopening of the historic Cecil Inn at our Moondarra recreation reserve for a wedding. While we don't manage water ways that are accessible for recreation, we do by arrangement, open our wastewater facilities for bird watching groups to view the bird life. This year, we hosted a field naturalist group for birdwatching at our Trafalgar and Moe wastewater treatment plants.

External relations **continued**

Engaging Aboriginal communities

As a member of the Gippsland Environmental Agencies (GEA) partnership alongside 13 other organisations, we have partnered with the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) to deliver meaningful outcomes for Aboriginal communities in Gippsland. The partnership recognises the vital importance of healthy land and waterways in the traditional culture of the Gunaikurnai and forms the framework for land and water initiatives in the region (refer to Appendix or view the GEA Partnership Agreement at <https://www.gippswater.com.au/annual-reports>). The multi-agency approach recognises that traditional owner groups often don't have the resources or time to negotiate separate agreements with individual agencies. A working party now meets bi-monthly to implement action plans and meet the objectives of the agreement.

Key achievements of the working group this year have been:

- Establishing and delivering a three stage cultural awareness training program for all partners. Our staff are completing the staged training over the next few years, with 20 staff members completing stages 1 and 2 this year;
- Developing practical plans in consultation with GLaWAC to achieve partner agency Aboriginal employment targets; and
- Reviewing tender documentation to promote the inclusion and training for Gunaikurnai people.

In addition to partnership work, we also have an internal working party across our organisation to implement initiatives within our business. They support Aboriginal employment and procurement across Gippsland and work directly with GLaWAC on key projects including:

- Ninde Yan Yarning (Our Water Talk): Aboriginal Water Assessments which will map the cultural values of waterways in our operational area;
- Cultural Heritage Management Planning; and
- Artefact Repatriation.

Number of sponsorships of Aboriginal people

We are committed to providing training and employment opportunities for local Aboriginal people and currently have two Aboriginal trainees employed through our two-year Aboriginal traineeship program. The program provides paid on-the-job experience for our trainees and support to complete a vocational qualification.

Cross-cultural training for our employees

Over 45 per cent of our people have now participated in a dedicated Cultural Awareness Program and we continue to provide cross cultural learning opportunities and experiences. Our annual NAIDOC week celebrations provide an insight to the culture of the local Gunaikurnai, and several of our employees have attended cultural awareness training specifically related to their role.

Case Study

Cecil Inn at Moondarra hosts wedding



In November 2018, the Cecil Inn at Moondarra Reservoir hosted its first wedding in recent years for a couple who had their first date at the site.

The Cecil Inn is a 1890s building relocated to the public reserve at the Moondarra Reservoir from the former township of Gould 60 years ago when the town was flooded by the creation of the reservoir. As the Cecil Inn has been closed to the public for many years, our Governance team worked hard behind the scenes to establish insurance and an agreement for public use. After the wedding, the happy couple called in to see the team with a card and photos of their wedding to say thank you. Their happiness was contagious!

Gippsland Integrated Water Management Forum

Water plays a key role in supporting community health and wellbeing and we're proud to be improving liveability in Gippsland as part of our commitment to the State Government's Water for Victoria plan. As local councils manage stormwater in Gippsland and waterways are managed by the West Gippsland Catchment Management Authority, we need to work together to maximise the benefits of water related planning. This year, we've continued to work closely with our regional partners, including local councils and the West Gippsland Catchment Management Authority, through the Gippsland Integrated Water Management (IWM) Forum. The forum formalises and facilitates close working relationships across the whole water cycle to ensure a coordinated approach. A Strategic Directions Statement has been endorsed by the forum, outlining a range of strategies and projects to be delivered.

We're taking the lead on these two key projects:

- Stormwater pollution management at Willow Grove which seeks to improve stormwater runoff by designing and installing vegetation and cattle excluding fences to intercept and reduce pollutants entering Blue Rock Lake.
- Water for economic growth in central Gippsland to explore high-level opportunities for leveraging water resources of the Latrobe system to benefit the broader Gippsland economy, including the attraction of major industry and high-demand water users. It aims to put water as a key enabler of economic growth, particularly in the Latrobe Valley, where there is a concentration of available water resources.

Drought assistance and water trading

As dry conditions prevailed throughout our region, we worked with local councils and other agencies to provide assistance to impacted farmers and primary producers.

In January, we teamed up with Wellington Shire Council to provide half-priced drinking water to drought-affected farmers, while Council covered the cost of cartage through a Commonwealth Government grant. This initiative was well-received and has now been fully subscribed.

We also commenced water trading for the first time, making surplus entitlements available to farmers and producers in the Sale, Giffard and Moe areas.

Some of the agreements are up to five years in duration, with the majority of demand for trades being from the Sale groundwater resource for use in irrigation. This has provided us with additional revenue, while helping irrigators by increasing market supply. As trades are temporary, we still hold the ongoing entitlement to water once the trade expires, allowing us to cater for long-term growth in our supply systems.

Latrobe Valley Regional Rehabilitation Strategy

The closure of Hazelwood Power Station two years ago has resulted in us having a surplus of water in the Latrobe system. We've been working closely with the State Government and other key stakeholders to progress work on the Latrobe Valley Regional Rehabilitation Strategy – a large project to determine the most sustainable long term rehabilitation plan for the coal mines. A likely long term option is the conversion of the mines to lakes, a proposition that will require large volumes of water over a long period. We expect our water resources may play a significant role.

Social procurement strategy

Our social procurement strategy sets out clear expectations that social procurement is part of our everyday business and ensures that social and environmental outcomes are considered in every procurement activity as part of assessing value for money. This is in addition to the leadership role we have taken with GROW Gippsland which has a strong emphasis on social procurement. We're currently finalising our social procurement strategy for review by the Department of Treasury & Finance Victoria.

Local Jobs First

We're proud to support growth and sustainability in our region. Through Local Jobs First, we have been able to reinvest around \$3.5 million in local content during the 2018-19 reporting year. During the reporting period, another three contracts relating to key projects were awarded under Local Jobs First, resulting in 10 roles and two apprenticeships being created in our local area, supporting future growth.

No completed or commenced projects fell into the Major Projects Skills Guarantee criteria during this financial year.



Local Jobs First Standard Projects

Completed Standard Projects

(Note: No Strategic Projects were commenced or completed during the year)

Number	1
Value (ex GST)	\$3.76 million
Percentage of local content committed to	93.75%
Percentage of local content completed	93.75%

Projected completed	GW446 - Warragul - Moe Water Supply Stage 2 (Pipeline from Darnum - Warragul)
Contractor	Jaydo Constructions Pty Ltd
Completion date	12 October 2018
Project value	\$3.76 million (excluding GST)

	Commitments	Outcomes
Local Content	93.75%	93.75%
SMEs in supply chain	Not applicable	Not applicable
Local Jobs to be Created	0	0
Local Jobs to be Retained	8	8
Apprenticeships to be Created	0	0
Apprenticeships to be Retained (inc traineeships and cadetships)	1	1

Local jobs first **continued**

Commenced projects	
Number	3
Value	\$9.4 million
Percentage of Local content committed to	96%

Commitments	GW455 – Water Main Upgrade Program 2018-23 2022-23	GW469 – Sewer Main Rehabilitation Program 2018-19 2022-23	GW470 – Sale Sewer Pump Station Outfall Civil and Building Works
Contract Awarded	Trenack Excavations & Plant Hire Pty Ltd	Insituform Pacific Pty Ltd	GBG Concrete & Construction Pty Ltd
Project Value	\$2.32 million	\$1.95 million	\$5.13 million
Local Content	100%	91%	98%
SMEs in supply chain	Not available	Not available	Not available
Local Jobs to be created	3	0	7
Local Jobs to be retained	6	21	18
Apprenticeships to be Created (inc. traineeships and cadetships)	1	0	1
Apprenticeships to be retained (inc. traineeships and cadetships)	1	0	3

Grants

Under Local Jobs First, grants that relate to contracts during 2018-19 may require an interaction reference number to be provided by the Industry Capability Network. We did not have any conversations with the Industry Capability Network that correspond with the registration and issue of an Interaction Reference Number for the 2018-19 financial year.

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

PART 6

Optimal asset management



Our annual capital expenditure program reflects the commitments we made in our five year price submission and assists us to deliver on our customer promises.

Priorities are determined based on alignment with the Victorian Government's Water for Victoria plan, asset condition reviews, regional development priorities and risk assessments.

Major capital projects are also prioritised based on their ability to provide increased efficiency to our network and operations.

Key initiatives and projects

Drouin

Wastewater Treatment Plant upgrade

Drouin's population is rapidly growing and we need to expand the capacity of the existing wastewater treatment plant to meet the town's needs. 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, protecting the ecology of local waterways, providing more recycled water for irrigation, and replacing the use of potable water for some social and commercial uses. Planning and preliminary site works for our \$34.4M upgrade to the Drouin Wastewater Treatment Plant progressed during the year. In April, the EPA approved our plans and construction tenders were invited.

We expect construction to start in the second half of 2019 and be completed in 2022-23.

Sale

Outfall Sewer Pump Station

Construction commenced on the new outfall sewer pump station in Foster Street Sale and is on schedule. The project will cater for the growth of Sale, Wurruk and Fulham and is expected to be completed in 2021. The design includes a facade and landscaping that will complement the adjacent tourist and recreational precinct of the Port of Sale. 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.

Key initiatives and projects **continued**

Warragul to Moe Water supply interconnect Stage 2	<p>We completed the final stage of the \$15M Warragul to Moe interconnect project, installing a major pipeline under the railway and highway at Darnum to link the water supply systems of Moe and Warragul. Stage 1 of the project commenced in 2012 and will enable us to more flexibly manage water demand and quality between the two systems and cater for fluctuations.</p> <p>Horizontal drilling through sensitive environmental and cultural areas, as well as under the freeway and rail line allowed stage 2 of the project to be completed with minimal surface disturbance. This technique protects threatened native flora and fauna such as large Strzelecki gum trees, giant Gippsland earthworms and Warragul burrowing crayfish.</p>
Mirboo North Water main replacement	<p>We completed planning to replace the 72-year-old water main which runs along and under the Strzelecki Highway at Mirboo North. Construction to replace 4km of pipeline is scheduled to start in late 2019. This project is significant as not only does it replace an aging pipeline, but the new route reduces potential disruptions on the Strzelecki Highway.</p>

Case Study**New pipeline can transfer 8ML/day between Moe and Warragul**

The final link in our project to interconnect the Moe and Warragul water systems involved constructing an 8.3km pipeline from Darnum to Warragul, improving water supply security for the rapidly growing towns of Warragul and Drouin

This interconnect is one of the ways we're acting to secure the water supply in the west of our region. Once activated, the new pipeline will allow us to transfer up to eight million litres a day between the Moe system (which draws water from Moondarra and other sources) and the Tarago system which supplies Warragul and Drouin. It also provides an alternative water supply source for Moe, Trafalgar, Yarragon and Darnum. The final stage of the project is nearing completion and will be operational for summer 2019.

Future initiatives and projects

Warragul Water supply western ring main upgrade	<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 undertaking a pilot study to “fine tune” the preferred alignment and identify the construction footprint for the main, in preparation for detailed planning and design in 2019-20, with completion of the project expected in 2022-23.</p>
Coongulla to Heyfield Interconnect	<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 its challenges – it can be impacted by poor water quality, low lake levels and bushfires upstream. In recent years there have been a number of occasions where treatment has ceased and treated water transported in to supply the community.</p> <p>A functional design to pipe treated water from the Heyfield Water Treatment Plant to the Coongulla treated water basin has been completed to supply the Coongulla and Glenmaggie townships. Project funding to complete the design and construction has been approved by the Board.</p> <p>Going forward the process will be to complete the design, gain approval from relevant authorities and acquire easements. We expect the tender to be finalised in 2020 with construction to take place in 2020-21.</p>
Traralgon Connect Traralgon and Morwell Water Networks – Stage 1	<p>Currently Traralgon’s water supply relies on a 450mm diameter main that runs through the west side of the central business district. Any failure of this existing pipeline would have significant consequences. A new pipeline will be constructed on the western side of Traralgon with completion expected during 2023-24. This new main will provide an ongoing water supply during any breakdown or maintenance on the existing main and support the future growth of Traralgon. This pipeline is also the first stage of a long-term project to connect the Traralgon and Morwell water systems.</p>
Water and sewer main upgrades	<p>We maintain over 2,000 kilometres of water reticulation pipes of varying age and materials. On average we have renewed 9km of pipes each year. We will spend over \$7M in the next five years continuing this program to replace older and inadequate sections of our network.</p> <p>The renewal program will:</p> <ul style="list-style-type: none"> • replace water mains that are likely to fail; • reduce unplanned water supply disruptions to customers; and • improve water quality and supply flow rates.

PART 7

Other reporting requirements

Governance

Our Board

We operate under a Board of Directors which is appointed by our shareholder, the Victorian State Government.

Therese Ryan (Chair)

LLB, GAICD

Appointed October 2015
Current term expires
September 2019

Therese Ryan, LLB, GAICD is an experienced director and former lawyer. She is presently a non-executive director of listed entity Bapcor Ltd, WA Super, VicForests and Sustainable Timber Tasmania. She is also an independent member of the Audit Committee of the City of Melbourne. She was previously a director of the Victorian Managed Insurance Authority, 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 Practicing Accountant and a Graduate of the Australian Institute of Company Directors.

Our Board **continued****Sarah Cumming (Managing Director)**

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

Sarah commenced as Managing Director of Gippsland Water in April 2017, and is also a Board Member of the Institute of Water Administration.

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, process optimisation and creating enabling cultures.

Having commenced her career as a litigation lawyer with a national law firm, Sarah's leadership experience covers a range of senior positions at the Local Government and Federal Government levels.

Sarah lives in Gippsland and has a very strong connection to her local community. She is passionate about ensuring Gippsland Water plays a positive role in the prosperity of the region.

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

Christopher Badger

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

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 led the Utilities/Energy Business. He has extensive board and senior executive experience in the Electricity, Gas, Telecoms, Water and Waste Industries.

Christopher is Director of the Gippsland Waste and Resource Recovery Group, and formerly South Gippsland Region Water Corporation, the Stormwater Industry Association of Australia, Australasian Corrosion Association, Murray Irrigation Ltd, and Bendigo Community Bank.

He is an independent member of Wellington Council's and South Gippsland Council's Audit & Risk Committee.

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 post graduate leadership and business training from Stanford University Business School (USA), Warwick University Business School (UK), and the London Business School (UK).

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 been appointed as a member of the COAG Energy Council-Independent Energy Appointments Selection Panel for a four year term.

Our Board **continued****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 (2007 – current). The Basslink group owns power and telecoms transmission assets in Australia. He was previously Basslink's Assets and Operations Director (2005-2007).

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

Malcolm has international management experience having led projects and operational businesses in Europe, USA, Asia and Australia. Malcolm has a Master of Science in Electrical Engineering and Management Studies.

He is a Chartered Electrical Engineer (CEng), a member of the Institute of Engineering Technology (UK), a senior member of the Institute of Electrical and Electronic Engineers (US), a member of Australian Institute of Company Directors and a Fellow of the Chartered Management Institute (UK). Malcolm has also completed an Advanced Management Program at Henley Business School (UK) and the Australian Institute of Company Directors course. He is also a qualified health & safety practitioner, holding an International NEBOSH certificate.

Jane Oakley

Dip. Comp. Systems,
GCARLP, GAICD

Appointed October 2015
Current term expires
September 2019

Jane is currently the Chief Executive Officer for Committee for Gippsland. Jane was project manager for a regional procurement project, Executive Manager Communications, Advocacy and Customer Service at Baw Baw Shire and previously the Regional Director Regional Development Victoria Gippsland at the Department of State Development, Business and Innovation.

Having worked in the telecommunications sector for a number of years, Jane has held senior leadership roles with Telstra Corporation primarily in sales and marketing. Jane is a Director with the West Gippsland Catchment Management Authority and has been a Director of Latrobe Regional Hospital.

She has a Graduate Certificate in Regional Leadership; Diploma Practice Management; 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 Ltd. Her professional experience includes employment in local and state government agencies, the mining industry, property development and civil engineering consulting.

Margaret's previous board experience includes membership of the Gippsland Lakes Ministerial Advisory Committee, East Gippsland Shire's Economic Development Advisory Board and East Gippsland Marketing Inc, Company Secretarial roles and community committees.

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

Our Board **continued**

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 NSW Government in relation to its electricity industry privatisation and to the Victorian Government in 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.

Our Executive Leadership Team

Sarah Cumming, Managing Director

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

See Sarah's profile under 'Our Board'.

Simon Aquilina, 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 Organics 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
Master 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.



Our Executive Leadership Team **continued**

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Other reporting requirements

Michael Crane, General Manager People and Culture

B.Bus (Human Resources and Marketing)

A leader in human resource management, safety and organisational development, 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 a 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.

Sarah Heath, Chief Financial Officer

B.A. (Hons) Accounting and Finance, FCA

Sarah is responsible for the Financial Services and Governance teams, which includes the areas of accounting, pricing policy, and economic regulation, as well as resilience, procurement, legal and records management, and overall governance.

Sarah qualified as a chartered accountant with the Institute of Chartered Accountants England and Wales. As well as previously working as an external auditor in both Australia and the UK, Sarah has significant previous experience in financial reporting and economic regulation in the water and sewerage sector, working for the UK's largest listed water company, United Utilities PLC, for ten years prior to joining Gippsland Water.

Sarah has a special interest in how financial management and governance can contribute to an organisational focus on customers and continuous improvement. She believes the expectations of both customers and regulators are rapidly changing and that water utilities must be adaptable and flexible.

Nic Moss, General Manager Assets

B.Eng (Hons) (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 about 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.



Our Executive Leadership Team **continued**

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.

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 38 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.

Safety, Health and Environment (SHE) Board Committee

Our SHE Board Committee helps our Board meet its responsibilities in occupational health and safety, water quality, wastewater treatment and environmental management. They play an important role in strategy, policy, governance, monitoring and evaluation and compliance.

The SHE Board Committee is passionate about ensuring the safety of our people and the wellbeing of our community and environment and do this through an open, constructive and consultative approach.

This year, the SHE Board Committee met four times and its members were:





			
MALCOLM ECCLES (CHAIR)	THERESE RYAN	MARGARET SUPPLITT	CHRISTOPHER BADGER

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; and
- The organisation’s performance with regard to legislative and regulatory compliance.

This year, the Audit and Risk Committee met four times and its members were:

			
GREG HADE (CHAIR)	JO BENVENUTI	JANE OAKLEY	ROD TOUZEL





Executive Remuneration and Capability Committee

The role of the Executive Remuneration and Capability Committee is to assist the Board in fulfilling its responsibilities and ensuring appropriate oversight of:

- Organisational culture;
- Strategic human resource management;
- Organisational and Director capability;
- Executive performance and remuneration; and
- Emerging issues and opportunities.

The Executive Remuneration and Capability Committee provides an important role with respect to strategy, policy, governance, monitoring and evaluation and compliance.

This year, the Executive Remuneration and Capability Committee met twice and its members were:

			
JANE OAKLEY (CHAIR)	THERESE RYAN	CHRISTOPHER BADGER	ROD TOUZEL

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.

This year, the Infrastructure and Assets Committee met three times and its members were:

			
MARGARET SUPPLITT (CHAIR)	GREG HADE	JO BENVENUTI	MALCOLM ECCLES

Director attendance at Board and Committee meetings

Director	Board Meetings		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
Therese Ryan	7	7	4	3	0	3	2	2	0	0
Greg Hade	7	7	0	0	4	4	0	0	3	3
Christopher Badger	7	6	4	4	0	1	2	2	0	0
Jo Benvenuti	7	4	0	0	4	3	0	0	3	2
Sarah Cumming	7	7	0	4	0	3	0	2	3	2
Malcolm Eccles	7	7	4	4	0	1	0	0	3	2
Jane Oakley	7	6	0	0	4	4	2	2	0	0
Margaret Supplitt	7	7	4	3	0	0	0	0	3	3
Rod Touzel	7	6	0	0	4	4	2	2	0	0

Director Jo Benvenuti – approved leave of absence for family health matters – February, March & April Board & Committee Meetings



Consultant services

In 2018-19, there were 19 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2018-19 in relation to these consultancies was \$2,239,797.02 (excl. GST). In 2018-19, there were 28 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2018-19 in relation to these consultancies was \$102,760.69 (excl. GST). Details of individual consultancies (valued at \$10,000 or greater) are noted in the table below.

Purpose of consultancy					(\$ thousand)	
Consultant	Start date	End date	Total approved	Expenditure 2018-19	Future Expend.	
Russell Kennedy Solicitors - (Trust Account)	1/07/2018	30/06/2019	1,138.9	1,138.9	-	
Broadspectrum (Australia) Pty Ltd	1/07/2018	30/06/2019	338.6	338.6	-	
ERM Business Energy	1/07/2018	30/06/2019	126.3	126.3	-	
SMEC Australia Pty. Limited	1/07/2018	30/06/2019	109.1	109.1	-	
CH2M Hill Australia Pty Ltd- Gwf	1/07/2018	30/06/2019	73.7	73.7	-	
Mott Macdonald Australia Pty Ltd	1/07/2018	30/06/2019	73.3	73.3	-	
AAM Pty Ltd	1/07/2018	30/06/2019	61.5	61.5	-	
Severn Consulting Pty Ltd	1/01/2019	30/06/2019	60.5	60.5	-	
GHD Pty Ltd	1/07/2018	30/06/2019	43.6	43.6	-	
Cyient Australia Pty Ltd	1/01/2019	30/06/2019	37.6	37.6	-	
Alvearium Pty Ltd	1/10/2018	30/06/2019	36.6	36.6	-	
Ecos Environmental Consulting	1/02/2019	30/06/2019	23.7	23.7	-	
Baw Baw Shire Council	1/11/2018	30/06/2019	22.7	22.7	-	
South Gippsland Water	1/01/2019	30/06/2019	20.7	20.7	-	
Adra Group Pty Ltd	1/01/2019	30/06/2019	18.6	18.6	-	
Key Energy & Resources Pty Ltd	1/07/2018	30/06/2019	14.8	14.8	-	
Infracorr Consulting Pty Ltd	1/12/2019	30/04/2019	14.7	14.7	-	
Isle Utilities Pty Ltd	1/04/2019	30/06/2019	14.3	14.3	-	
Dept of Environment Land Water And Planning	1/01/2019	30/06/2019	10.7	10.7	-	

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:

(i) Provision of expert analysis and advice; and/or (ii) 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
2018-19	8.7	0.4	0.0	0.4
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

Note: BAU - Business as usual

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 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 (Vic)

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.

Freedom of Information Act 1982 (Vic) continued

In the 2018-19 reporting period, we received one request for information under the *Freedom of Information Act 1982* (Vic).

The request was from the general public and the decision was made within the statutory 30 day time period.

Freedom Of Information (FOI) requests

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

Authorised FOI Officer

Gippsland Water
PO Box 348 Traralgon VIC 3844
Phone: 1800 050 500
Email: 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 2019 is \$29.60.

Statement on 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 corporate records in the course of our work. We use a Victorian Electronic Records Strategy approved 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 Disclosure 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

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 Victoria 3001

Mail: IBAC, GPO Box 24234, Melbourne VIC 3000

Website: www.ibac.vic.gov.au

Phone: 1300 735 135

Email: See the IBAC website for the secure email disclosure process, which also provides for anonymous disclosures.

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 2018-19, 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: <http://vpvc.vic.gov.au/resources/codes-of-conduct>.



Building Act 1993 (Vic)

We comply with the *Building Act 1993* (Vic), the *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 2018-19, 40 formal Essential Safety Measures audits were carried out under the *Building Regulations 2018*.

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

Toby Sparks, Water Quality Technician (1-12 May 2019 – inclusive of travel dates)

Toby along with the WIOA team attended the annual operational tour of New Zealand including attendance at the Water Industry Operations Group of NZ annual conference. The attendance was sponsored by Aqualift as a result of Toby winning the national PASS (Problem Accepted Solution Supplied) field award innovation competition.

Sarah Cumming, Managing Director (27 May – 23 June 2019 – inclusive of travel dates)

Sarah attended the Judge Business School Advanced Leadership Program in the United Kingdom. The Course ran from 3 June to 21 June 2019. Part of Sarah's visit included meetings with an Executive Director of Thames Water and CEO of UK Skills.

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 2018-19 reporting period, we reported against 32 indicators that measure performance for water, wastewater, customer service, safety, and employee availability. These indicators are directly linked to our 2018-23 Pricing Submission and are aligned with the service standards reported annually to the ESC.

Key Performance Indicators **continued**

KPI No	Key Performance Indicator	Unit of measure	2018-19 Target	2018-19 Actual ¹	2017-18 ²	2016-17 ²	2015-16 ²	2014-15 ²
SEWERAGE								
15	Sewerage blockages	Per 100km	18	12.80	17.41	17.09	13.99	14.73
16	Average time to attend sewer spills and blockages	Minutes	40	26.11	20.64	20.42	24.91	27.14
17	Average time to rectify a sewer blockage	Minutes	95	73.82	76.50	72.67	86.20	87.51
18	Spills contained within 5 hours	Per cent	98%	100%	100%	100%	98.46%	100%
19	Customers receiving more than 3 sewer blockages in the year	Number	0	0	0	0	0	0
CUSTOMER SERVICE								
20	Complaints to EWOV	Per 1,000 customers	0.03	0	0	0.06	0.028	0.059
21	Telephone calls answered within 30 seconds	Per cent	88%	96.00%	83.71%	83.76%	88.80%	82.68%
ADDITIONAL SERVICE STANDARDS								
22	Population receiving water meeting E.coli standards	Per cent	100%	100%	100%	100%	88.9%	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 ₂ equivalent emissions	Tonne (000s)	70	43.73 ⁹	37.88	37.55	44.87	42.69
26	Recycled water target	Per cent	10.3%	32.6	9.33%	8.46%	8.48%	7.52%
27	Bio-solids re-use	Per cent	100%	100%	100%	100%	100%	100%



Key Performance Indicators **continued**

KPI No	Key Performance Indicator	Unit of measure	2018-19 Target	2018-19 Actual ¹	2017-18 ²	2016-17 ²	2015-16 ²	2014-15 ²
OUR PEOPLE								
28	No. of significant incidents per month/total number of reports per month	Per cent	< 2%	1%	2%	2%	2%	
29	Lost Time Injury Frequency Rate	Number	≤ 4.6	3	5	9	15	
30	Average severity index for incidents reported	Number	≤ 4	2.93	3	2.96	3.25	
31	No. of reported incidents without injury (near misses) per monthly/total no. of reports per month	Per cent	> 18%	28%	26%	27%	33%	
32	Employee Availability	Hours	≤ 34 annually per employee	31.95	33.85	32.07	30.70	31.47

Notes to Key Performance Indicators

- (1) 2017-18 Actual – Unaudited data.
- (2) Previous years' data – Audited data.
- (3) **KPI 7** – Due to the extremely dry conditions experienced this year, a higher than average number of leaks and bursts (unplanned works) have been experienced particularly during the two months March – April which has impacted this KPI.
- (4) **KPI 9** – Due to the extremely dry conditions experienced this year, a higher than average number of leaks and bursts (unplanned works) have been experienced particularly during the two months March – April which has impacted this KPI.
- (5) **KPI 11** – Due to the extremely dry conditions experienced this year, a higher than average number of leaks and bursts (unplanned works) have been experienced particularly during the two months March – April which has impacted this KPI.
- (6) **KPI 12** – A significant number of planned isolations were required in 2018/19 to install swabbing assemblies to allow for cleaning of the older sections of the Moe to Warragul interconnect pipeline ahead of the commissioning of the Sunny Creek pump station. Due to the large volumes of water that had to be drained and recharged within the transfer main and the complexity of the installations, the duration of each shut was generally in excess of the maximum allowed time frames for this KPI (5 hours). To minimise the “water off” impact on customers these works were all planned as night works, so whilst the time frame was exceeded our customers were minimally impacted.
- (7) **KPI 13** – One aged main previously not scheduled for replacement in the 2018/19 year will be replaced in coming months.
- (8) **KPI 14** – The target of 12% was not achieved this year. Unaccounted for water can comprise real losses from causes such as leaks (e.g. ageing pipelines), watermain breaks, firefighting and mains flushing, as well as apparent losses that arise from metering inaccuracies in customer and bulk system meters.
- (9) **KPI 25** – Over the 2018-19 financial year we produced 43725 tCO₂-e which exceeded the target of 43100 tCO₂-e by 625 tCO₂-e. This can be attributed to the Warragul desludging event which produced roughly 6000 tCO₂-e due to increased volumes of sludge being removed than originally anticipated. This project was required to ensure the treatment plant can continue to treat the wastewater coming into the plant in accordance with our EPA licence requirements.

Corporate water consumption

During 2018-19, our water consumption at the Traralgon head office at 55 Hazelwood Road was 1,532kL.

	Total full-time equivalent (FTE)	Office space (m ²)	Water consumption (kL)	kL/FTE	Water consumption by office space (kL/m ²)
2018-19	216.06	3,335	1,532	7.09	0.46
2017-18	220.51	3,335	1,337	6.10	0.40
2016-17	220.02	3,335	3,365*	15.29	1.01

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

Bulk water entitlement reporting

Bulk Entitlement	Source of supply	Bulk Entitlement volume taken (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with Bulk Entitlement clauses
Boolarra ¹	Walkleys and O'Gradys Creeks	145	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): <ul style="list-style-type: none"> - Environmental Program implemented. - Metering Program not required as no diversions are taking place.
CGRWA - Blue Rock ²	Tanjil River	20,000	2,930 (2,332)	<ul style="list-style-type: none"> • Location and volume of water taken pursuant to clause 10: None • Implementation of programs under sub-clause 12.3 (Metering): <i>Implemented</i> • The Bulk Entitlement for Blue Rock is extracted from 3 points. Specified Point A is extracted directly from the reservoir. Specified Point B is extracted from the Tanjil River pump station. Specified Point C is extracted from the Latrobe River pump station. • Specified point A - Blue Rock Headworks Outlet (supply to Moondarra Reservoir and Willow Grove WTP): 2018-19 Total = 499 ML; 3 yr rolling avg.: = 779 ML. • Specified point B - Tanjil River Pump Station: 2018-19 Total = 1,833 ML; 3 yr rolling avg.: = 2,107 ML. • Specified point C - Latrobe River Pump Station: 2018-19 Total = 0 ML; 3 yr rolling avg.: = 43 ML

Bulk water entitlement **continued**

Bulk Entitlement	Source of supply	Bulk Entitlement volume taken (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with Bulk Entitlement clauses
Erica-Rawson	Trigger Creek	340	71	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Mirboo North	Little Morwell River (North Arm)	270	197	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Moe - Narracan Creek	Narracan Creek	3,884	2,176	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i> Any applications under Making Allowances clause 8: Nil
Moondarra ³	Tyers River	62,000	34,909 (35,241)	<ul style="list-style-type: none"> • Diversion at Tyers River pump station for 2018-19 = 394 ML. • Approval, amendment and implementation of programs under clauses 12 (Environmental Program) & 13 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Noojee ⁴	Deep Creek / Loch River	73	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program not required as no diversions are taking place.</i>
Seaspray	Merrimans Creek	133	21	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>

Bulk water entitlement **continued**

Bulk Entitlement	Source of supply	Bulk Entitlement volume taken (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with Bulk Entitlement clauses
Tarago	Tarago River	4,825	3,699	<ul style="list-style-type: none"> Approval, amendment and implementation of programs under clauses 11 (Environmental Program) & 13 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i> Pederson Weir/Westernport Pipeline diversions 2018-19: 3,468 ML of 4,070 ML entitlement. Labertouche Creek diversions 2018-19: 0 ML of 480 ML entitlement. Tarago Reservoir (Neerim Sth) diversions 2018-19: 231 ML of 275 ML entitlement.
Thomson-Macalister	Thomson River /Macalister River	2,335	1,614	<ul style="list-style-type: none"> Credits granted under clause 11: None Approval, amendment and implementation of programs under clause 12 (Metering Program): Implemented Clause 13.1 (b) <ul style="list-style-type: none"> Extraction at Maffra Weir: 1,301 ML Extraction at Thomson River at Heyfield: 270 ML Extraction at Lake Glenmaggie: 43 ML Extraction at Main Southern Channel: 0 ML Extraction at Cowwarr Weir: 0 ML Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation = 0 ML. Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement: <ul style="list-style-type: none"> 1/7/2018 - 31/7/2018: 85% allocation 1/8/2018 - 30/6/2019: 100% allocation
Thorpdale⁵	Easterbrook Creek	80	0	<p>Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program):</p> <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering no longer required from September 2015 as supply not being used.</i>

1 Boolarra Bulk Entitlement not currently utilised

2 Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2018-19)

3 Bulk Entitlement volume calculated as two year rolling average (figure in brackets is volume for 2018-19)

4 Noojee Bulk Entitlement not currently utilised

5 Thorpdale Bulk Entitlement not currently utilised

General reporting requirements

Temporary or permanent transfer of authority entitlements

Total temporary trades of 980 ML from Sale groundwater licence for 2018-19.
Temporary trade of 50 ML from Blue Rock Bulk Entitlement for 2018-19.

Temporary or permanent transfers of licences or entitlements to Authority

Gippsland Water has access to 400 ML/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 and for the 2018-19 year was extended to 600 ML to provide additional water that was needed due to low river flows in the Tarago River and high demand due to extraordinary hot weather and operational activities. Gippsland Water used 472.4 ML under the BWSA in 2018-19.

Amendments to Bulk Entitlements

No amendments to Bulk Entitlements in 2018-19.

New Bulk Entitlements

No new Bulk Entitlements in 2018-19.

Failure by authority to comply with provisions of Bulk Entitlements

Bulk Entitlement (Moe – Narracan Creek) Conversion Order 1998: Failure to pass required minimum flow as specified in clause 7.1 for a period of four days due to human error. Actual flow diverted from Narracan Creek to Moe Water Treatment Plant during this period exceeded that allowed under the flow sharing requirements of clause 7.1

Difficulties experienced in complying with entitlement and remedial actions

To help prevent a recurrence of this non-compliance, a low passing flow alert has been added to the Moe Water Treatment Plant operator console. This provides a warning that passing flows are at risk of dropping below the required minimum flow rate when extracting water, alerting the operator to reduce or cease diversions from Narracan Creek.

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

PART 8

Financial Sustainability



Financial performance Report for the year ended 30 June 2019

PART 1 – Financial Performance Indicators

KPI no.	Key Performance Indicator	2017-18 result	2018-19 result	2018-19 target	Variance to prior year	Notes	Variance to target	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	3.98	3.69	3.31	-7.4%		11.4%	1a
F2	Gearing Ratio Total Debt (including finance leases) / total assets * 100	23.21%	21.79%	24.10%	-6.1%		-9.6%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	82.08%	79.75%	75.30%	-2.8%		5.9%	
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.34	0.96	0.43	182.8%	2a	122.4%	2b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	1.25%	1.82%	1.20%	45.9%	3a	52.0%	3b
F6	Return on Equity Net profit after tax / average total equity * 100	0.11%	0.86%	0.01%	680.2%	4a	8,482.4%	4b
F7	EBITDA Margin Earnings Before Interest, Tax, Depreciation and Amortisation / total revenue * 100	40.33%	43.56%	39.40%	8.0%		10.5%	5a

PART 2 – Water and Sewerage Performance Indicators

Notes

- 1a** Operating cash flows in 2018-19 were higher than budget, mainly due to higher receipts from debtors (\$0.7M), lower payments to employees (\$0.9m) and lower borrowings costs (\$0.9M) than budgeted.
- 2a** 2018-19 has significant decrease in total current liabilities compared with 2017-18. Short-term borrowings decrease by \$57.5M, leading to a significant improvement for this indicator. Please note, the Corporation has changed its policy on the current and non-current classification of borrowings in 2018-19. All borrowings are classified as non-current liabilities except 11 AM account. For details, refer to note 6.1 of Annual Accounts for 2018-19.
- 2b** 2018-19 has significant decrease in total current liabilities as compared to budget. Short-term borrowings decreased in value by \$34.5M, leading to a significant improvement for this indicator. Please note, the Corporation has changed its policy on the current and non-current classification of borrowings in 2018-19. All borrowings are classified as non-current liabilities except 11 AM account. For details, refer to note 6.1 of Annual Accounts for 2018-19.
- 3a** 2018-19 has significant increase in earnings before interest and tax compared to 2017-18 (\$23.5M compared to \$15.1M) leading to an improvement in outcome for this indicator. The increase in earnings is mainly due to higher gifted assets.
- 3b** 2018-19 has significant increase in earnings before interest and tax compared to budget (\$23.5M compared to \$14.3M) leading to an improvement in outcome for this indicator. The increase in earnings is mainly due to higher gifted assets.
- 4a** 2018-19 has increase in operating profit after tax compared with 2017-18 (profit of \$7.0M compared to profit of \$0.8M) leading to an improvement for this indicator. The increase in earnings is mainly due to higher gifted assets.
- 4b** 2018-19 has a significant increase in earnings after tax compared to budget (profit of \$7.0M compared to loss of \$0.1M) leading to an improvement outcome for this indicator. The increase in earnings is mainly due to higher gifted assets.
- 5a** 2018-19 has an increase in earnings before interest, tax and depreciation compared to budget leading to an improvement outcome for this indicator. The increase in earnings is mainly due to higher gifted assets

PART 2 – Water and Sewerage Service Performance Indicators

KPI no.	Key Performance Indicator	2017-18 result	2018-19 result	2018-19 target	Variance to prior year	Notes	Variance to target	Notes
WS1	Unplanned water supply interruptions No. of customers receiving more than 5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100	0.00%	0.00%	0.00%	0.0%		0.0%	
WS2	Interruption time (minutes) Average duration of unplanned water supply interruptions	85.16	93.37	90.00	9.6%	5b	3.7%	
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	98.62%	98.30%	98.00%	-0.3%		0.3%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers * 100	100.00%	100.00%	98.00%	0.0%		2.0%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	99.65%	100.00%	98.80%	0.4%		1.2%	

Note

- 5b** Due to the extremely dry conditions experienced this year, a higher than average number of leaks and bursts (unplanned works) have been experienced particularly during the two months April-May.

PART 3 – Customer Responsiveness Performance Indicators

KPI no.	Key Performance Indicator	2017-18 result	2018-19 result	2018-19 target	Variance to prior year	Notes	Variance to target	Notes
CR1 (i)	Water quality complaints No. of complaints per 1,000 customers	2.31	2.69	3.58	16.5%	6a	-24.9%	6b
CR4 (i)	Billing complaints No. of complaints per 1,000 customers	1.95	5.39	1.61	176.4%	7a	234.8%	7b

Notes

- 6a** The majority of complaints were associated with dirty water and taste and odour resulting from various system issues associated with increased summer flows scouring pipes and resuspending sediment.
- 6b** The continuation and implementation of the preventative maintenance and asset renewal programs continue to drive aesthetic water quality improvements for improved customer experience.
- 7a** The number of payment issue complaints has increased due to a greater emphasis to capture customer dissatisfaction organisational wide. Our Customer Complaint Policy and Framework was developed in line with Australian/New Zealand Standard AS/NZS 10002:2014 Guidelines for complaint management in organisations and launched in 2018/2019. We engaged extensively and sought feedback from a cross section of employees with the main emphasis to evolve and to better capture complaints and trends. An automated platform to analyse trends to drive process improvements was developed. Gippsland Water implemented a new Customer Information System (CIS) in October 2018 following an extensive and exhaustive testing program. A specific event occurred following 'go live' associated with migration/teething issues of our new billing system which contributed to 176 additional customer complaints.
- 7b** The number of payment issue complaints has increased due to a greater emphasis to capture customer dissatisfaction organisational wide. Our Customer Complaint Policy and Framework was developed in line with Australian/New Zealand Standard AS/NZS 10002:2014 Guidelines for complaint management in organisations and launched in 2018/2019. We engaged extensively and sought feedback from a cross section of employees with the main emphasis to evolve and to better capture complaints and trends. An automated platform to analyse trends to drive process improvements was developed. Gippsland Water implemented a new Customer Information System (CIS) in October 2018 following an extensive and exhaustive testing program. A specific event occurred following 'go live' associated with migration/teething issues of our new billing system which contributed to 176 additional customer complaints.

PART 4 – Environmental Performance Indicators

KPI no.	Key Performance Indicator	2017-18 result	2018-19 result	2018-19 target	Variance to prior year	Notes	Variance to target	Notes
E1	Effluent re-use volume (end use) Percentage recycled	9.33%	32.60%	25.00%	249.4%	8a	30.4%	8b
E2	Total net CO₂ equivalent Net tonnes CO ₂ equivalent	37,881	43,725	43,100	15.4%	9a	1.5%	

Notes

- 8a** The re-use calculation has been amended to be representative of the percentage of the water re-used from the amount available to be re-used (domestic waste only), rather than the total volume of wastewater (including industrial) coming into the treatment system.
- 8b** Due to drought conditions, and the quality of re-use, we were able to use more water via irrigation.
- 9a** The variance between prior and current year can be attributed to a major desludging event producing roughly 6000 tCO₂-e. This project was required to ensure the treatment plant can continue to treat the wastewater coming into the plant in accordance with our EPA licence requirements.



CENTRAL GIPPSLAND REGION WATER CORPORATION

Certificate of Performance Report 2018-19

We certify that the accompanying Performance Report of Central Gippsland Region Water Corporation in respect of the 2018-19 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 2018-19 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



Sarah Heath
Chief Financial Officer
Central Gippsland Region Water Corporation

Dated 23 August 2019

VAGO ATTESTATION



Independent Auditor's Report

To the Board of the Central Gippsland Region Water Corporation

Opinion	<p>I have audited the accompanying performance report of the Central Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2019, which comprises the:</p> <ul style="list-style-type: none"> • financial performance indicators • water and sewerage service performance indicators • customer responsiveness performance indicators • environmental performance indicators • certification of performance report for 2018–19. <p>In my opinion, the performance report of the Central Gippsland Region Water Corporation, in respect of the year ended 30 June 2019 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance 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 APES 110 <i>Code of Ethics for Professional Accountants</i> (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.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of 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 the performance report that is free from material misstatement, whether due to fraud or error.</p>

VAGO ATTESTATION CONTINUED

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. 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
29 August 2019



Paul Martin
as delegate for the Auditor-General of Victoria

CENTRAL GIPPSLAND REGION WATER CORPORATION

Financial Report for the year ended 30 June 2019

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PART 9

Financial performance

Financial performance and business indicators as at 30 June 2019

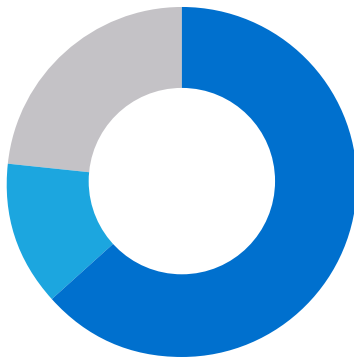
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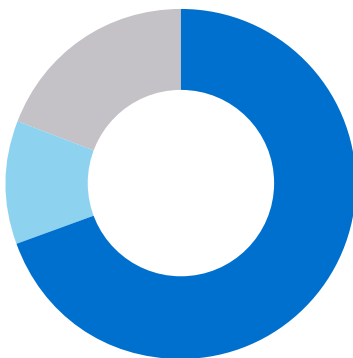
Financial performance and business indicators as at 30 June 2019

Water Income from Service & Usage Charges



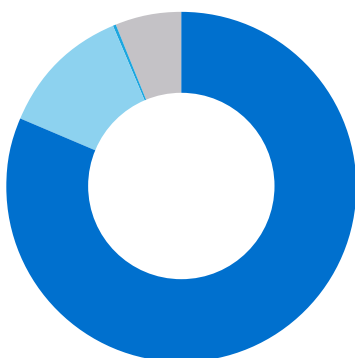
	2019 \$'000
Urban Residential	35,122
Urban Non Residential	7,494
Major Clients	12,777
TOTAL	55,393

Wastewater Income from Service & Usage Charges

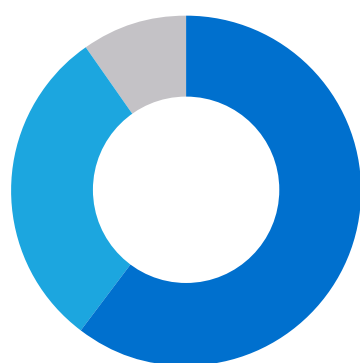


	2019 \$'000
Urban Residential	48,206
Urban Non Residential	7,899
Major Clients	13,174
TOTAL	69,279

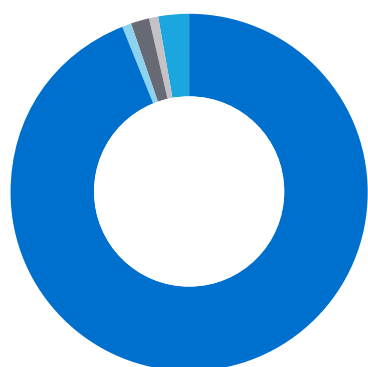
Total Income from all Sources



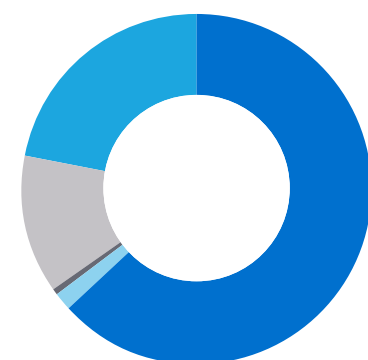
	2019 \$'000
Service & Usage	124,672
Develop't Contributions	18,835
Interest	118
Other	7,604
TOTAL	151,229

Financial performance and business indicators **continued****Total Expenses**

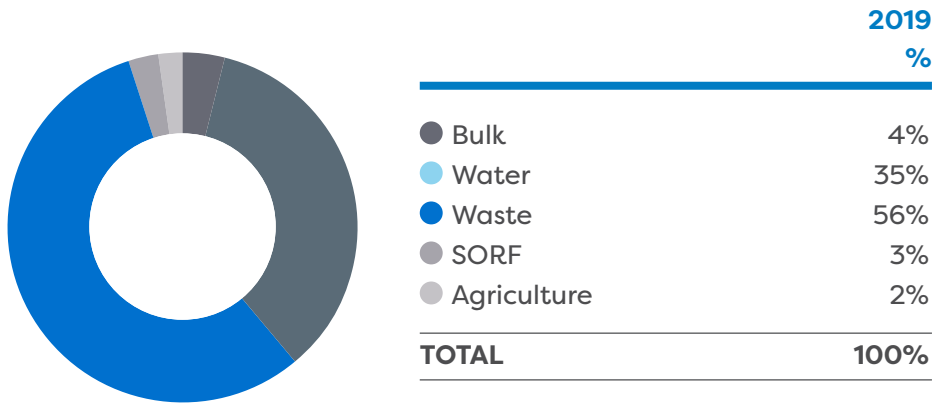
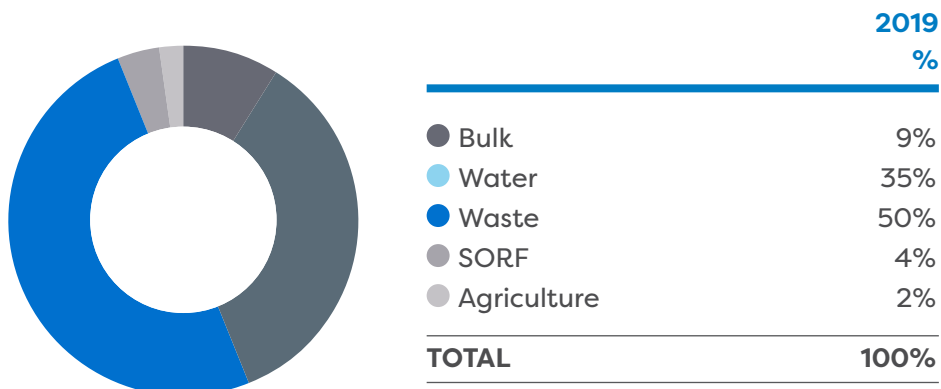
	2019 \$'000
Operations & Maint & Administration	85,241
Depreciation	42,380
Interest	13,655
TOTAL	141,276

Total Assets

	2019 \$'000
Fixed Assets	1,274,606
Cash & Investments	11,230
Debtors & Receivables	23,403
Inventory & Biological	9,126
Other	37,574
TOTAL	1,355,939

Liabilities & Equity

	2019 \$'000
Equity	858,069
Creditors & Accruals	20,020
Provisions	9,961
Deferred Tax Liability	172,389
Borrowings	295,500
TOTAL	1,355,939

Financial performance and business indicators **continued****Business Stream Revenue****Business Stream Expenses**

CENTRAL GIPPSLAND REGION WATER CORPORATION

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

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Financial performance

	Note	2019 \$'000	2018 \$'000
Revenue			
Service charges	2.1.1	83,484	78,817
Usage charges	2.1.1	41,188	39,308
Interest income		118	106
Developer contributions	2.1.2	18,835	12,312
Other revenue	2.1.3	11,478	11,119
Net gain / (loss) on disposal of non-current assets	4.1.6	(3,874)	(5,717)
Total revenue		151,229	135,945
Expenses			
Employee benefits	3.1.1	33,779	31,774
Direct operating	3.1.4	21,704	21,496
Repairs and maintenance	3.1.5	16,498	15,390
Administration	3.1.6	7,893	7,640
Environmental contribution levy	8.2.1	5,181	4,640
Depreciation	4.1.3	41,919	39,046
Amortisation	4.3	461	637
Impairment	4.1.5	186	76
Borrowing costs	6.1.2	13,655	14,040
Total expenses		141,276	134,739
Net result before tax		9,953	1,206
Income tax expense	8.1.1	2,981	362
Net result		6,972	844
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Change in asset revaluation reserve	9.1.2	120,502	10,535
Income tax relating to components of other comprehensive income	9.1.2	(36,151)	(3,160)
Total other comprehensive income		84,351	7,375
Comprehensive result		91,323	8,219

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



CENTRAL GIPPSLAND REGION WATER CORPORATION

BALANCE SHEET AS AT 30 JUNE 2019

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Financial performance

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	6.2	10,230	6,358
Receivables	5.1	22,148	20,643
Prepayments	5.5	584	544
Inventories	5.3	3,660	3,482
Biological assets	4.2.2	571	612
Other financial assets	5.4	217	701
Total current assets		37,410	32,340
Non-current assets			
Receivables	5.1	1,255	1,429
Other financial assets	5.4	1,000	1,000
Infrastructure, property, plant and equipment	4.1	1,269,345	1,130,015
Biological assets	4.2.2	4,895	4,575
Intangible assets	4.3	5,261	5,331
Deferred tax asset	8.1.2	36,773	44,498
Total non-current assets		1,318,529	1,186,848
Total assets		1,355,939	1,219,188
Liabilities			
Current liabilities			
Payables	5.2	20,020	18,910
Interest bearing liabilities	6.1	15,500	53,000
Employee benefits	3.1.2	8,581	8,059
Provisions	5.6	551	551
Total current liabilities		44,652	80,520
Non-current liabilities			
Interest bearing liabilities	6.1	280,000	230,000
Employee benefits	3.1.2	829	940
Deferred tax liability	8.1.2	172,389	140,982
Total non-current liabilities		453,218	371,922
Total liabilities		497,870	452,442
Net assets		858,069	766,746
Equity			
Contributed capital	9.1.1	255,971	255,971
Asset revaluation reserve	9.1.2	273,928	189,577
Accumulated funds	9.1.3	328,170	321,198
Total equity		858,069	766,746

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



CENTRAL GIPPSLAND REGION WATER CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	Equity at 01/07/2018	Total comprehensive income	Transactions with owners	Equity at 30/06/2019
		\$'000	\$'000	\$'000	\$'000
Contributed capital		255,971	-	-	255,971
	9.1.1	255,971	-	-	255,971
Accumulated funds		321,198	-	-	321,198
Net result after tax		-	6,972	-	6,972
	9.1.3	321,198	6,972	-	328,170
Asset revaluation reserve		164,616	-	-	164,616
Revaluation increment/(decrement) (Net of tax)		24,961	84,351	-	109,312
Transfers to accumulated funds		-	-	-	-
	9.1.2	189,577	84,351	-	273,928
Total equity		766,746	91,323	-	858,069

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

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

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

CENTRAL GIPPSLAND REGION WATER CORPORATION
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		123,515	120,352
Interest income		119	106
Goods and Services Tax received from ATO		7,327	5,381
Developer contributions fees received		136	3,427
Other revenue		11,552	9,216
		142,649	138,482
Payments			
Payments to suppliers		(52,950)	(45,995)
Payments to employees		(33,349)	(31,622)
Interest and other costs of finance paid		(13,760)	(13,996)
Goods and Services Tax paid to ATO		(736)	(803)
Environmental contributions levy		(5,181)	(4,640)
		(105,976)	(97,056)
Net cash flows from operating activities	6.2.1	36,673	41,426
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(45,759)	(50,419)
Payments for intangible assets	4.3	(228)	(51)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.6	686	547
Net cash flows from investing activities		(45,301)	(49,923)
Cash flows from financing activities			
Proceeds from new borrowings		12,500	3,000
Net cash flows from financing activities		12,500	3,000
Net increase/(decrease) in cash and cash equivalents		3,872	(5,497)
Cash and cash equivalents at beginning of year		6,358	11,855
Cash and cash equivalents at end of year	6.2	10,230	6,358

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 2019**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:

Lawyers	Russell Kennedy, Herbert Smith Freehills, Meerkins & Apel Lawyers, Mills Oakley Lawyers, DLA Piper
Bankers	Westpac Banking Corporation
Internal Auditors	RSM Australia Pty Ltd
Tax Agents	RSM Australia Pty Ltd
Funding Agency	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 23 August 2019.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Notes to and forming part of the Financial Report for the year ended 30 June 2019

NOTE 1 ABOUT THIS REPORT

1.1 Contents of the Financial Report

This 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 2019.

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

AASB 9 Financial Instruments, which replaces AASB 139 Financial Instruments: Recognition and Measurement, introduces new requirements for recognition, classification and measurement, a new impairment model for financial assets based on expected credit losses, and simplified hedge accounting. The Corporation has adopted AASB 9 as at 1 July 2018 and has applied the new rules on a modified retrospective basis. As a result, comparatives for 2017-18 in our 30 June 2019 accounts will not be restated. Further disclosures in relation to AASB 9 are at notes 5.1 and 9.8 of this report.

During the current year, the Corporation has changed its policy on the current and non-current split of Interest Bearing Liabilities. Refer note 6.1 for further disclosures.

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 (notes 5.1 and 5.2);
- Current tax payable, current tax expense and deferred tax assets and liabilities (notes 8.1.1 and 8.1.2);
- Provisions for future costs of site rehabilitation (note 5.6);
- Employee benefits liabilities (note 3.6);
- Fair values of financial assets and liabilities, including impairment assessments (note 4.1.2);
- Fair values of non-financial assets, including the determination of values used in the asset revaluation undertaken during the reporting period and impairment assessments (note 4.1.2);
- Fair values of biological assets and impairment assessments (note 4.2.4); and
- Fair values of contingent liabilities and assets (note 7.1).

1.4 Accounting Policies

All accounting policies applied are consistent with those of the prior year, unless otherwise stated.

1.5 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.



CENTRAL GIPPSLAND REGION WATER CORPORATION

Notes to and forming part of the Financial Report for the year ended 30 June 2019

1.6 Rounding

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

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 71,000 customers and wastewater services to close to 64,000 customers across an area of approximately 5,000 square kilometres. Our service area spans from Drouin in the west, to Loch Sport in the east, and from Briagolong in the north, to Mirboo North in the south. Gippsland Water's customers also include 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 our 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 aquifers, rivers, creeks, and reservoirs. Our largest storage is Moondarra Reservoir, south of Erica, with a capacity of 30,300ML. We also take water from storages managed by Southern Rural Water (Blue Rock Dam and Lake Glenmaggie) and Melbourne Water (Tarago Reservoir) to supply our customers living near these storages. Gippsland Water also disposes of more than 25,000 million litres of wastewater each year.

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NOTE 2 FUNDING DELIVERY OF OUR SERVICES continued**2.1 Revenue from operating activities****2.1.1 Service and usage charges**

	2019 \$'000	2018 \$'000
Service charges		
Water charges	20,836	20,426
Rebates on tariffs	-	(2,253)
Wastewater charges	62,368	60,367
Trade waste charges	280	277
Total service charges	83,484	78,817
Usage charges		
Water charges	34,557	32,668
Wastewater charges	6,631	6,640
Total usage charges	41,188	39,308

Water and wastewater service charges are recognised as revenue when levied or determined. They are billed three times a year and are recognised evenly throughout the financial year to reflect the pattern of revenue being earned.

Water and wastewater (non-residential customers only) usage charges are recognised as revenue when the services are provided. Meter reading is undertaken progressively throughout the year. An estimate of unbilled usage charges is made in respect of meters which have not been read at the reporting date and is accrued as revenue.

2.1.2 Developer contributions

	2019 \$'000	2018 \$'000
Fees paid by developers	-	1
Assets received from developers	18,831	9,033
Assets funded by developers and contributions received	4	3,278
Total developer contributions	18,835	12,312

Water and wastewater infrastructure assets built by developers in new land subdivisions that on completion are gifted 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.

NOTE 2 FUNDING DELIVERY OF OUR SERVICES continued**2.1.3 Other revenue**

	2019 \$'000	2018 \$'000
Agriculture pursuits	3,570	2,627
Waste charges (prescribed and non-prescribed)	4,463	4,544
Rechargeable works	775	689
Operating fees	1,505	1,652
Liquidated damages	40	59
External service provision	74	114
Diesel fuel rebate	112	107
Salary sacrifice contributions	489	488
WorkCover refunds received	129	109
Other fees	321	730
Total other revenue – operating	11,478	11,119

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

Other revenue also includes a range of miscellaneous revenues such as liquidated damages, salary sacrifice contributions, external service provision, and 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.

Salary sacrifice contributions include employee contributions towards vehicles, superannuation, professional fees and work wear.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Notes to and forming part of the Financial Report for the year ended 30 June 2019**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.

Note contents

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NOTE 3 THE COST OF DELIVERING SERVICES continued**3.1 Our people****3.1.1 Employee benefits – Comprehensive Operating Statement**

	2019 \$'000	2018 \$'000
Salaries and wages, annual leave and long service leave	29,775	28,082
Superannuation expense	2,398	2,254
Other	1,606	1,438
Total employee benefit costs	33,779	31,774

Employee expenses include all costs related to employment including wages and salaries, superannuation costs, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by the Corporation to the relevant superannuation plans, in respect to the services of the Corporation's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that the Corporation is required to comply with.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Corporation is demonstrably committed to terminating the employment of current employees, according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

3.1.2 Employee benefits – Balance Sheet

	2019 \$'000	2018 \$'000
Current provisions		
Employee benefits	252	337
Annual leave		
Unconditional and expected to settle within 12 months	2,195	2,219
Unconditional and expected to settle after 12 months	327	324
Long service leave		
Unconditional and expected to settle within 12 months	508	393
Unconditional and expected to settle after 12 months	4,350	3,844
On-costs		
Unconditional and expected to settle within 12 months	331	346
Unconditional and expected to settle after 12 months	618	596
Total current provisions	8,581	8,059
Non-current provisions		
Employee benefits	732	822
On-costs	97	118
Total non-current provisions employee benefits	829	940
Total provisions	9,410	8,999

NOTE 3 THE COST OF DELIVERING SERVICES continued**Reconciliation of movement in on-cost provision**

	2019 \$'000
Current provisions	
Annual leave and long service leave	
Opening balance	943
Additional provisions recognised	6
Closing balance – current	949
Non-current provisions	
Long service leave	
Opening balance	118
Additional provisions recognised	(21)
Closing balance – non-current	97

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.

3.1.2.1 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.

3.1.2.2 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.

3.1.2.3 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.

3.1.2.4 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



NOTE 3 THE COST OF DELIVERING SERVICES continued**3.1.3 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.

3.1.3.1 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 2019, this was 9.5% as required under Superannuation Guarantee Legislation).

3.1.3.2 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.

3.1.3.3 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 2019 was 105.4%.

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.

3.1.3.4 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 2019, this rate was 9.5%-12.25% of members' salaries (9.5%-12.25% in 2017-18). This rate will increase in line with any increases in the Superannuation Guarantee (SG) contribution rate. SG legislation requires the Corporation to pay a minimum level of super for each employee.

3.1.3.5 The 2019 Interim Actuarial Investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.



NOTE 3 THE COST OF DELIVERING SERVICES continued**3.1.3.6 Super contributions**

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

Fund	Type of scheme	Contribution rate	2019 \$'000	2018 \$'000
Vision Super – Defined Benefits	Defined Benefits	9.50 - 12.25%	164	202
Vision Super – Super Saver	Accumulation	9.50%	1,181	1,100
Other superannuation funds	Accumulation	9.50%	1,037	955
Total			2,382	2,257

There were no contributions outstanding to the above schemes as at 30 June 2019.

3.1.4 Direct operating

	2019 \$'000	2018 \$'000
Routine sampling	1,180	1,235
Chemicals	3,624	3,352
Energy	4,837	3,475
Water purchases	1,091	647
Green waste treatment	803	121
Consultants fees	2,109	784
Fleet	1,118	1,043
Other operating costs	6,942	10,839
Total direct operating	21,704	21,496

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

3.1.5 Repairs and maintenance

	2019 \$'000	2018 \$'000
Planned preventative maintenance	1,206	1,378
Planned corrective maintenance	2,358	2,317
Operational maintenance agreements & contractor payments	1,123	834
Major maintenance	4,279	3,746
Land services	952	942
Other maintenance costs	6,580	6,173
Total repairs and maintenance	16,498	15,390

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.

NOTE 3 THE COST OF DELIVERING SERVICES continued**3.1.6 Administration**

	2019 \$'000	2018 \$'000
Administrative maintenance agreements & contractor payments	1,332	1,553
Licence fees	1,084	1,049
Bill printing services	375	365
Building maintenance	418	486
After hours service centre	412	395
Fleet	153	140
Other administration costs	4,119	3,652
Total administration	7,893	7,640

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.

CENTRAL GIPPSLAND REGION WATER CORPORATION

Notes to and forming part of the Financial Report for the year ended 30 June 2019

**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 carrying values**

Asset class	2019			2018		
	Fair value \$'000	Accumulated depreciation \$'000	Carrying value \$'000	Fair value \$'000	Accumulated depreciation \$'000	Carrying value \$'000
Land	43,315	-	43,315	41,546	-	41,546
Buildings	12,628	(23)	12,605	12,127	(980)	11,147
Water infrastructure	518,693	(1,018)	517,675	481,695	(31,243)	450,452
Wastewater infrastructure	634,548	(1,524)	633,024	605,834	(44,896)	560,938
Plant, equipment and other	18,780	(11,194)	7,586	25,469	(18,616)	6,853
Motor vehicles	8,410	(3,085)	5,325	7,849	(3,210)	4,639
	1,236,374	(16,844)	1,219,530	1,174,520	(98,945)	1,075,575
Capital works in progress			49,815			54,440
Total	1,236,374	(16,844)	1,269,345	1,174,520	(98,945)	1,130,015

Note:

Fair value testing performed for 2018-19 determined that there was a difference of more than 10% between the carrying value and the annual assessment of fair value. This has resulted in a managerial valuation increment in buildings and infrastructure assets (refer note 4.1.2). As a result the accumulated depreciation of such assets has been netted off against costs and fair values have been updated. The netting-off is performed under the provisions of FRD103H.



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 (2018: \$500) and a useful life of more than one year are recognised as non-current asset items. 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 103H *Non-Current Physical Assets* (FRD 103H).

Revaluation

Revaluations are conducted in accordance with FRD 103H, 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 managerial 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.

Fair value testing performed for 2018-19 determined that there is a difference of more than 10% between the carrying value and the annual assessment of fair value. As such a managerial revaluation of buildings and infrastructure has been undertaken.

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 103H.

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.

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**4.1.1 Reconciliation of movements in carrying values**

2018-19		Opening WDV 1 July 2018	Additions	Disposals	Revaluations	Transfers between categories	Impairment	Depreciation	Closing WDV 30 June 2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land									
At fair value		1,125	-	-	-	1,769	-	-	2,894
At independent valuation		40,421	-	-	-	-	-	-	40,421
Total (Fair value)		41,546	-	-	-	1,769	-	-	43,315
Buildings									
At fair value		2,018	-	-	182	827	-	(172)	2,855
At independent valuation	(v)	9,129	-	-	999	-	-	(378)	9,750
Total (Fair value)		11,147	-	-	1,181	827	-	(550)	12,605
Water infrastructure									
At fair value		44,630	3,542	(393)	4,941	22,866	-	(2,251)	73,335
At independent valuation	(v)	405,822	-	(763)	53,468	-	-	(14,187)	444,340
Total (Fair value)	(i)	450,452	3,542	(1,156)	58,409	22,866	-	(16,438)	517,675
Wastewater infrastructure									
At fair value		91,482	15,289	(105)	10,221	19,101	-	(6,570)	129,418
At independent valuation	(v)	469,456	-	(1,966)	51,808	-	-	(15,692)	503,606
Total (Fair value)	(i)	560,938	15,289	(2,071)	62,029	19,101	-	(22,262)	633,024
Plant, equipment and other									
At fair value		6,853	-	(741)	-	3,429	-	(1,955)	7,586
Motor vehicles									
At fair value		4,639	-	(593)	-	1,993	-	(714)	5,325
Capital works in progress									
At cost	(iv)	54,440	46,917	-	(1,117)	(50,425)	-	-	49,815
Total infrastructure, property, plant and equipment	(ii) (iii)	1,130,015	65,748	(4,561)	120,502	(440)	-	(41,919)	1,269,345

Notes

(i) Additions for Water and Wastewater Infrastructure reflect the Owner Cost works (gifted assets by developers & VicRoads).

(ii) \$161,498 has been transferred to Intangibles (refer Note 4.3) in 2018-19.

(iii) Prior year capex of \$281,617 was written off on the Comprehensive Operating Statement in 2018-19.

(iv) Prior year capex of \$11,170M was written off against the Asset Revaluation Reserve for water meters that were part of revaluation during 2017-18.

(v) Managerial Revaluation at Fair Value of Buildings and Infrastructure Assets as at 30 June 2019 increased assets by \$121.6M.

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued
4.1.1 Reconciliation of movements in carrying values (continued)

2017-18	Opening WDV 1 July 2017	Additions	Disposals	Revaluations	Transfers between categories	Impairment	Depreciation	Closing WDV 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land								
At fair value	1,060	-	-	-	65	-	-	1,125
At independent valuation	35,707	-	-	4,714	-	-	-	40,421
Total (Fair value)	36,767	-	-	4,714	65	-	-	41,546
Buildings								
At fair value	2,044	-	-	-	70	-	(96)	2,018
At independent valuation	9,507	-	-	-	-	-	(378)	9,129
Total (Fair value)	11,551	-	-	-	70	-	(474)	11,147
Water infrastructure								
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
Total (Fair value)	454,344	2,577	(3,188)	5,821	6,511	-	(15,613)	450,452
Wastewater infrastructure								
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
Total (Fair value)	569,609	6,456	(2,815)	-	8,438	-	(20,750)	560,938
Plant, equipment and other								
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
Capital works in progress								
At cost	27,303	45,495	-	-	(18,358)	-	-	54,440
Total infrastructure, property, plant and equipment	1,111,029	54,528	(6,590)	10,535	(441)	-	(39,046)	1,130,015

Notes (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 4.3 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 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

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY
 continued

4.1.2 Fair value determination - non-financial physical assets

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**Non-financial physical assets**

Fair value measurement hierarchy for assets as at 30 June 2019

	Carrying amount	Fair value measurements at end of reporting period using:		
	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Non-specialised land	1,378	-	1,378	-
Specialised land	41,937	-	-	41,937
Total of land at fair value	43,315	-	1,378	41,937
Buildings at fair value				
Non-specialised buildings	8,655	-	8,655	-
Specialised buildings	3,950	-	-	3,950
Total of buildings at fair value	12,605	-	8,655	3,950
Water infrastructure at fair value				
Headworks	117,942	-	-	117,942
Water transfer	86,025	-	-	86,025
Water storage	21,302	-	-	21,302
Water treatment	58,526	-	-	58,526
Water pump stations	4,709	-	-	4,709
Water reticulation	229,171	-	-	229,171
Water spares	-	-	-	-
Total of water infrastructure at fair value	517,675	-	-	517,675
Wastewater infrastructure at fair value				
Waste transfer	96,335	-	-	96,335
Waste storage	12,699	-	-	12,699
Waste treatment	214,161	-	-	214,161
Waste pump stations	73,304	-	-	73,304
Waste reticulation	236,525	-	-	236,525
Waste spares	-	-	-	-
Total of wastewater infrastructure at fair value	633,024	-	-	633,024
Plant, equipment and vehicles at fair value				
Vehicles	5,325	-	5,325	-
Plant and equipment	7,586	-	-	7,586
Total of plant, equipment and vehicles at fair value	12,911	-	5,325	7,586
Total infrastructure, property, plant and equipment at fair value	1,219,530	-	15,358	1,204,172

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**Non-financial physical assets (continued)**

Fair value measurement hierarchy for assets as at 30 June 2018

	Carrying amount	Fair value measurements at end of reporting period using:		
	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'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**Non-Specialised Land and Buildings**

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

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

A fair value assessment has been conducted at 30 June 2019. In relation to non-specialised buildings, 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. As such, a managerial revaluation of non-specialised buildings has been undertaken. This has resulted in a managerial valuation increment of \$878,724 (2018: Nil) from the 2016 valuation. In relation to non-specialised land, the assessment has determined that no management revaluation is required at 30 June 2019.

Specialised Land and Buildings

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

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

A fair value assessment has been conducted at 30 June 2019. In relation to specialised buildings, 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. As such, a managerial revaluation of specialised buildings has been undertaken. This has resulted in a valuation increment of \$302,510 (2018: Nil) from the 2016 valuation. In relation to specialised land, the assessment has determined that no management revaluation is required at 30 June 2019.

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 2019. In relation to water and wastewater infrastructure, 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. As such, a managerial revaluation of these assets has been undertaken. This has resulted in a valuation increment of \$120,438,408 (2018: Nil) from the 2016 valuation.

Plant, Equipment & Other

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

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

A fair value assessment has been conducted at 30 June 2019. 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 Two 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.

2018-19		Opening balance 1 July 2018	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 2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Special purpose land		40,168	1,769	-	-	-	-	-	41,937
Specialised buildings		3,053	827	-	-	303	(233)	-	3,950
Water infrastructure									
Headworks		105,093	991	-	(7)	14,937	(3,072)	-	117,942
Water transfer		76,622	893	-	(39)	10,781	(2,232)	-	86,025
Water storage		16,956	3,009	-	(130)	2,152	(685)	-	21,302
Water treatment		57,663	2,577	-	(862)	3,437	(4,289)	-	58,526
Water pump stations		3,154	1,359	-	(34)	463	(233)	-	4,709
Water reticulation		190,964	17,578	-	(84)	26,639	(5,926)	-	229,171
Water spares		-	-	-	-	-	-	-	-
Total of water infrastructure at fair value		450,452	26,407	-	(1,156)	58,409	(16,437)	-	517,675
Wastewater infrastructure									
Waste transfer		74,682	12,844	-	(533)	11,209	(1,867)	-	96,335
Waste storage		11,217	292	-	(78)	1,535	(267)	-	12,699
Waste treatment		203,788	7,755	(22)	(811)	12,693	(9,242)	-	214,161
Waste pump stations		58,645	8,955	-	(232)	8,681	(2,745)	-	73,304
Waste reticulation		212,606	4,565	-	(417)	27,912	(8,141)	-	236,525
Waste spares		-	-	-	-	-	-	-	-
Total of wastewater infrastructure at fair value		560,938	34,411	(22)	(2,071)	62,030	(22,262)	-	633,024
Plant and equipment		6,853	3,240	22	(574)	-	(1,955)	-	7,586
Total Level 3 assets		1,061,464	66,654	-	(3,801)	120,742	(40,887)	-	1,204,172

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

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
Special purpose land	35,389	65	-	-	4,714	-	-	40,168
Specialised buildings	2,394	854	-	-	-	(195)	-	3,053
Water infrastructure								
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)	-	-	-	-	-	-
Total of water infrastructure at fair value	454,344	8,952	-	(3,052)	5,821	(15,613)	-	450,452
Wastewater infrastructure								
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)	-	-	-	-	-	-
Total of wastewater infrastructure at fair value	569,609	14,672	-	(2,593)	-	(20,750)	-	560,938
Plant and equipment	6,994	1,135	-	198	-	(1,474)	-	6,853
Total Level 3 assets	1,068,730	25,678	-	(5,447)	10,535	(38,032)	-	1,061,464

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		
Water transfer		
Water storage		
Water treatment		
Water pump stations		
Water reticulation		
Water spares	Depreciated replacement cost	Cost per unit Useful life of the infrastructure, plant and equipment
Waste transfer		
Waste storage		
Waste treatment		
Waste pump stations		
Waste reticulation		
Waste spares		
Plant and equipment		

4.1.3 Depreciation

Charge for the period	2019 \$'000	2018 \$'000
Buildings	550	474
Water infrastructure	16,438	15,613
Wastewater infrastructure	22,262	20,750
Plant, equipment and other	1,955	1,474
Motor vehicles	714	735
Total depreciation	41,919	39,046

Non-current physical assets

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

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

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

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**4.1.4 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
Infrastructure			
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
Renewable energy		10-40	
Other assets			
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		
Intangibles			
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**4.1.5 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.

	2019 \$'000	2018 \$'000
Impairment of fixed assets	-	-
Impairment of receivables	186	76
Total impairment of assets	186	76

4.1.6 Net gain/(loss) on disposal of non-current assets

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

	2019 \$'000	2018 \$'000
Proceeds on sale	686	547
Written down value	(4,560)	(6,264)
Net gain/(loss) on disposal of non-current assets	(3,874)	(5,717)

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, and bulls located at the Corporation's various farming properties.

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**4.2.1 Crops and plantations**

	2019 \$'000	2018 \$'000	2019 Qty	2018 Qty
Consumable assets				
Mature assets				
Fodder				
Silage (bales)	83	84	1,048	1,400
Cereal and legume silage (tonnes)	-	-	-	-
Hay (bales)	23	9	295	180
Crops				
Feed wheat (tonnes)	-	18	-	60
Feed mixed grain (tonnes)	-	129	-	380
Total consumable assets (CA1)	106	240	1,343	2,020
Non-bearer assets				
Immature assets (plantation)				
Softwood pinus radiata (ha)	3,572	3,203	542	542
Total non-bearer assets (NCA1)	3,572	3,203	542	542

4.2.2 Livestock

	2019 \$'000	2018 \$'000	2019 Qty	2018 Qty
Consumable assets				
Immature assets				
Mixed sex calves and weaners	392	298	413	284
Mature assets				
Heifers	45	71	41	47
Bullocks	28	3	22	2
Total consumable assets (CA2)	465	372	476	333
Bearer assets				
Immature assets				
Heifers	284	359	315	378
Mature assets				
Cows and bulls	1,039	1,013	863	812
Total bearer assets (NCA2)	1,323	1,372	1,178	1,190

	2019 \$'000	2018 \$'000
Total current biological assets		
Crops and fodder (CA1) and livestock (CA2)	571	612
Total non-current biological assets		
Plantations (NCA1) and livestock (NCA2)	4,895	4,575

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

These assets are recognised at fair value less costs to sell in accordance with the requirements of Australian Accounting Standard AASB141 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 2019 and previously at 30 June 2018.

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 Practicing Valuers completed an independent valuation of the plantations at 30 June 2019 and at 30 June 2018.

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

Crops

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

4.2.3 Reconciliation of movement in carrying amounts

	2019 \$'000	2018 \$'000
Movement in carrying amount		
Carrying amount at 1 July	5,187	7,384
Increases due to:		
Purchases	35	131
Natural increase	291	352
New crops	-	-
Fair value increase – livestock and plantations	826	-
Decreases attributable to:		
Sales	(669)	(1,912)
Deaths	(20)	(49)
Movement in crops	(50)	(65)
Fair value decrease – livestock and plantations	(134)	(654)
Carrying amount at 30 June	5,466	5,187

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**4.2.4 Fair value determination of biological assets**

Biological asset type	2019			2018		
	Carrying amount \$'000	Fair value measurement at end of reporting period using:		Carrying amount \$'000	Fair value measurement at end of reporting period using:	
		Level 1 \$'000	Level 2 \$'000		Level 1 \$'000	Level 2 \$'000
Crops and fodder	106		106	240		240
Animals	1,788		1,788	1,744		1,744
Plantations	3,572		3,572	3,203		3,203
Total of biological assets at fair value	5,466		5,466	5,187		5,187

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.

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**4.2.5 Cost of biological assets sold**

	2019 \$'000	2018 \$'000
Cost of biological assets sold – plantations	-	-
Cost of biological assets sold – livestock	669	1,912
Total cost of biological assets sold	669	1,912

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.

2019	Opening WDV 1 July 2018 \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Amortisation \$'000	Closing WDV 30 June 2019 \$'000
Software at cost	12,559		(7,202)	298		5,655
Water entitlements at cost	4,500					4,500
Accumulated amortisation	(11,795)		7,202		(461)	(5,054)
Sub-total	5,264		-	298	(461)	5,101
Software development (work in progress)	67	228		(135)		160
Total intangible assets	5,331	228	-	163	(461)	5,261

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			(11,795)
Sub-total	5,861		(34)	74	(637)	5,264
Software development (work in progress)	156	51		(140)	(637)	67
Total intangible assets	6,017	51	(34)	(66)	(637)	5,331

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.



NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**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 (Bulk water entitlement in Blue Rock Lake) 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	2019 \$'000	2018 \$'000
Computer software	461	637
Total amortisation	461	637

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

CENTRAL GIPPSLAND REGION WATER CORPORATION

Notes to and forming part of the Financial Report for the year ended 30 June 2019**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**

	2019 \$'000	2018 \$'000
Current receivables		
<i>Contractual receivables</i>		
Private schemes unmatured capital	92	91
Services and usage charges	14,462	12,321
Allowance for expected credit loss	(499)	(313)
Loans to third parties	41	38
Accrued revenue	6,440	6,220
<i>Statutory receivables</i>		
Goods and Services Taxation refund due	1,612	2,286
Total current receivables	22,148	20,643
Non-current receivables		
<i>Contractual receivables</i>		
Private schemes unmatured capital	1,061	1,195
Loans to third parties	194	234
Total non-current receivables	1,255	1,429
Total receivables	23,403	22,072

Receivables recognised in the Balance Sheet consist of:

- Contractual receivables, classified as financial instruments and measured at amortised cost. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment; 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. Loans to third parties can arise from new water supply pipelines and sewerage systems, where customers have long term payment arrangements.

Usage 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 usage 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 the reporting date of \$3,449,196 (2018: \$3,330,579) for residential customers and \$1,110,415 (2018: \$1,209,701) for non-residential customers, by multiplying the number of days since the last reading by each customer's average service usage.

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.

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 Impairment of contractual receivables**

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables.

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for receivables – service and usage charges.

30 June 2019	\$'000 Current	91-120 days	121-180 days	181-365 days	366-730 days	More than 730 days	Total
Expected loss rate -weighted average	0%	5%	18%	31%	30%	12%	
Gross carrying amount of contractual receivables	12,147	296	484	585	548	402	14,462
Loss allowance	-	16	89	184	164	46	499

1 July 2018	\$'000 Current	91-120 days	121-180 days	181-365 days	366-730 days	More than 730 days	Total
Expected loss rate -weighted average	0%	8%	20%	28%	21%	9%	
Gross carrying amount of contractual receivables	10,673	170	338	417	421	302	12,321
Loss allowance	-	14	67	116	88	28	313

Receivables from service and usage charges are written off when there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments on the accounts for a period of greater than six months after all reasonable debt recovery avenues have been exhausted.

Loss allowance on receivables from service and usage charges are presented in Impairment within the Comprehensive Operating Statement. There is no increase in loss allowance on receivables from service and usage charges at 1 July 2018 due to adoption of AASB 9, therefore no adjustment is required in opening balance of Retained Earnings in Statement of Changes in Equity.

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

	2019 \$'000	2018 \$'000
Current		
Contractual payables		
Trade creditors	3,291	3,121
Accrued expenses	10,534	9,415
Other		
Security deposits	1,451	1,330
Retentions	713	976
Overpaid rates and charges	3,755	3,654
Unclaimed monies	-	-
Other	34	29
Total	19,778	18,525
Statutory payables		
GST payable	142	271
Other government payables	100	114
Total	242	385
Total current payables	20,020	18,910

Total payables do not include any foreign currency denominated liabilities (2018: Nil).

Payables consist of:

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

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

- Trade creditors;
- Accrued expenses;
- 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 rates and charges 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.

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.

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

2019	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
Trade creditors	3,291	3,291	-	-	-	-
Accrued expenses	10,534	10,534	-	-	-	-
Other payables	5,953	5,953	-	-	-	-
Total payables	19,778	19,778	-	-	-	-

2018	Carrying amount \$'000	Less than six months \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	5+ years \$'000
Trade creditors	3,121	3,121	-	-	-	-
Accrued expenses	9,415	9,415	-	-	-	-
Other payables	5,989	5,989	-	-	-	-
Total payables	18,525	18,525	-	-	-	-

5.3 Inventories

	2019 \$'000	2018 \$'000
Stores and consumables – at cost	3,660	3,482
Total inventories	3,660	3,482

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

	2019 \$'000	2018 \$'000
Current		
Other	217	701
Total current	217	701
Non-current		
TCV deposit – environmental bond	1,000	1,000
Total non-current	1,000	1,000
Total other financial assets	1,217	1,701

NOTE 5 OTHER ASSETS AND LIABILITIES continued**Other**

Renewable Energy Certificates (RECs) accounted for \$211,092 of total other current financial assets (2018: \$691,097). 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. During 2019 the Corporation sold RECs with total sales proceeds of \$235,000 (2018: \$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. 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

	2019 \$'000	2018 \$'000
Current		
Prepayments	584	544
Total other non-financial assets	584	544

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

	2019 \$'000	2018 \$'000
Current		
Bioremediation Pond rehabilitation	304	304
Landfill site rehabilitation	247	247
Total current other provisions	551	551
Total other provisions	551	551

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.



NOTE 5 OTHER ASSETS AND LIABILITIES continued

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.

Land Fill 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, recent survey data and re-design of the rehabilitation cap the landfill has an estimated remaining life of 3-4 years (2023-24). 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 and will be approved by an EPA appointed auditor.

5.6.1 Reconciliation of movements in other provisions

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

CENTRAL GIPPSLAND REGION WATER CORPORATION

Notes to and forming part of the Financial Report for the year ended 30 June 2019**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**

	2019 \$'000	2018 \$'000
Current secured		
Borrowings – TCV	15,500	53,000
Total current interest bearing liabilities	15,500	53,000
Non-current secured		
Borrowings – TCV	280,000	230,000
Total non-current interest bearing liabilities	280,000	230,000
Total interest bearing liabilities	295,500	283,000

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.

During the current year, the Corporation has changed its policy on the current and non-current split of Interest Bearing Liabilities. The change in policy relates to classifying borrowings which mature within 12 months of the balance sheet date as non-current liabilities on the basis that the Corporation expects to, and has discretion to, refinance or rollover these loans with the Treasury Corporation of Victoria. The classification of borrowings in the previous year has been amended to reflect the updated policy. For 2017-18 an amount of \$20M has been reclassified from current liabilities to non-current liabilities. No adjustment is required in opening balance of accumulated funds.

Borrowings known as 11AM Account are classified as current borrowings.

6.1.1 Maturity analysis of interest bearing liabilities

	2019 \$'000	2018 \$'000
Less than 1 month	15,500	53,000
1 - 3 months	-	-
3 months - 1 year	50,000	20,000
1 - 5 years	130,000	120,000
5+ years	100,000	90,000
Total	295,500	283,000

6.1.2 Borrowing costs

	2019 \$'000	2018 \$'000
Interest on TCV borrowings	9,605	9,825
Financial accommodation levy	4,050	4,215
Total borrowing cost	13,655	14,040

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.

	2019 \$'000	2018 \$'000
Cash on hand	1	1
Cash at bank	10,229	6,357
Total cash and cash equivalents	10,230	6,358

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

	2019 \$'000	2018 \$'000
Net result	6,972	844
<i>Add/(less) non-cash flows in operating activities</i>		
Loss on sale and impairment of property, plant and equipment	3,874	6,264
Depreciation and amortisation	42,380	39,684
Assets received from developers (Note 2.1.2)	(18,831)	(9,033)
Provision for impaired receivables	-	76
Plantations revenue non-cash	-	(65)
Other revenue non-cash	-	(46)
Income tax expense/(benefit)	-	362
Net cash provided by operating activities before change in assets and liabilities	34,395	38,086
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade receivables	(661)	(2,812)
(Increase)/decrease in other current assets	1	-
(Increase)/decrease in inventory and biological assets	(458)	1,620
(Increase)/decrease in deferred tax liabilities / assets	2,981	2,975
(Decrease)/increase in payables	(14)	1,405
(Decrease)/increase in provisions	-	-
(Decrease)/increase in employee benefits	429	152
Net cash flows from operating activities	36,673	41,426

6.2.2 Financing facilities

Credit standby arrangements	2019 \$'000	2018 \$'000
Total facilities – TCV	5,000	5,000
Used at balance date	-	-
Unused at balance date	5,000	5,000
 Bank loan facilities	 2019 \$'000	 2018 \$'000
Total facilities – TCV	5,000	5,000
Used at balance date	-	-
Unused at balance date	5,000	5,000



NOTE 6 HOW WE FINANCED OUR OPERATIONS continued**6.3 Commitments for expenditure****6.3.1 Operating Lease Commitments**

Commitments for future expenditure include operating commitments arising from contracts entered into. Operating commitments are recorded below at their nominal value and exclusive 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.

	2019 \$'000	2018 \$'000
Non-cancellable operating lease commitments		
<i>Operating leases for access to roads and infrastructure:</i>		
within 1 year	18	18
later than 1 year but not later than 5 years	19	22
later than 5 years	50	46
Total operating lease commitments	87	86

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.

6.3.2 Capital commitments

Capital commitments for future expenditure arise from contracts entered into at 30 June 2019 but no asset or service has been provided. These commitments are recorded below at their nominal value and are exclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

	2019 \$'000	2018 \$'000
Capital commitments		
<i>Infrastructure, property, plant and equipment:</i>		
within 1 year	4,032	1,241
later than 1 year but not later than 5 years	-	-
later than 5 years	-	-
Total capital commitments	4,032	1,241

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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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 2018-19 year.

NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued

Contingent Liabilities

Dutson Downs has been used for waste management and waste disposal activities since 1956. This includes historic and current landfill activities. The introduction of the amended Environment Protection Act 2017 from 1 July 2020 includes a new general environmental duty, which will require businesses and individuals conducting activities that pose a risk to human health and the environment to understand those risks and take reasonably practicable steps to eliminate or minimise them. As a result of this significant change in the Act, there is a possibility that additional costs associated with remediation will be incurred by Gippsland Water. (2018: 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.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables: For supplies and services Other payables
Receivables: Sale of goods and services Other receivables	Interest bearing liabilities: Borrowings

Due to the short-term nature of the financial assets and liabilities held by the Corporation, their carrying value is assumed to approximate their fair value.

Classification 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. Financial assets are initially measured at fair value plus or minus any direct transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The following assets are held with the objective to collect the contractual cash flows:

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

Financial liabilities are initially recognised at fair value, plus or minus 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 the profit and loss, over the period of the interest bearing liability using the effective interest rate method. The Corporation recognises the following liabilities:

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

NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS**Offsetting financial instruments**

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Corporation concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the Corporation does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

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.

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.

Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the comprehensive operating statement on equity instruments classified as available for sale are not reversed through comprehensive operating statement.

7.2.1 Financial Risk Management Objectives and Policies**Introduction**

The Corporation's 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

NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS**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 program 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 a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Corporation's receivables.

The Corporation measures credit risk on a fair value basis and monitors credit risk continually. The Corporation's Customer Assistance team 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.

With the introduction of a new customer billing system in late September 2018, some changes in collection patterns were identified during the reporting period. The total value of outstanding debt also increased. Based on assessments at the reporting date, collection patterns are expected to improve, while total debt is expected to reduce, as billing cycles and debt management activities return to normal.

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

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

Credit quality of contractual financial assets that are neither past due nor impaired(i)

2019	Financial institutions (AA- credit rating) \$'000	Government agencies (AAA credit rating) \$'000	Other	Total \$'000
Cash and cash equivalents	10,230	-	-	10,230
Receivables	-	-	20,749	20,749
Other financial assets	-	1,000	-	1,000
Total contractual financial assets				31,979
2018	Financial institutions (AA- credit rating) \$'000	Government agencies (AAA credit rating) \$'000	Other	Total \$'000
Cash and cash equivalents	6,358	-	-	6,358
Receivables	-	-	19,053	19,053
Other financial assets	-	1,000	-	1,000
Total contractual financial assets				26,411

Notes:

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



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

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 2019 and at 30 June 2018 for comparative purposes.



NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued

9

Financial performance

2019 Financial instruments	Carrying amount	Rate change of -0.25%		Rate change of +0.50%	
		Net result	Equity	Net result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents (i)	10,230	(26)	(26)	51	51
Trade receivables (ii)	13,963	-	-	-	-
Other receivables (ii)	6,786	-	-	-	-
Other receivables – TCV deposit	1,000	(3)	(3)	5	5
Financial liabilities					
Payables (ii)	19,778	-	-	-	-
Interest bearing liabilities - fixed	230,000	-	-	-	-
Interest bearing liabilities - maturing	50,000	125	125	(250)	(250)
Interest bearing liabilities - variable	15,500	39	39	(78)	(78)
Total		135	135	(272)	(272)

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

(ii) Receivables and payables balances at 30 June 2019 are not subject to interest rate risk.

2018 Financial instruments	Carrying amount	Rate change of -0.25%		Rate change of +0.50%	
		Net result	Equity	Net result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents (i)	6,358	(16)	(16)	32	32
Trade receivables (ii)	12,007	-	-	-	-
Other receivables (ii)	7,046	-	-	-	-
Other receivables – TCV deposit	1,000	(3)	(3)	5	5
Financial liabilities					
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)
Total		164	164	(328)	(328)

(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**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 2.55% to 7.56% (2018: 3.77% to 7.56%).

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	10,230	10,230	6,358	6,358
Trade receivables	13,963	13,963	12,007	12,007
Other receivables	6,786	6,786	7,046	7,046
Deposits at TCV	1,000	1,005	1,000	1,005
Total	31,979	31,984	26,411	26,416
Financial liabilities				
Payables	19,778	19,778	18,525	18,525
Interest bearing liabilities	295,500	312,577	283,000	291,353
Total	315,278	332,355	301,525	309,878

CENTRAL GIPPSLAND REGION WATER CORPORATION
Notes to and forming part of the Financial Report for the year ended 30 June 2019

NOTE 8 STATUTORY OBLIGATIONS

Introduction

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

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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.

	2019 \$'000	2018 \$'000
Comprehensive Operating Statement		
Current income tax expense (paid or payable)	2,981	362
Adjustments to prior years	-	-
Deferred income tax expense		
Temporary differences	-	-
Adjustment for prior years	-	-
Income tax reported in the Comprehensive Operating Statement	2,981	362
Statement of Changes in Equity		
Current tax – credited/(debited)	-	-
Net deferred tax – debited/(credited) directly to equity	36,151	3,161
Income tax reported in equity	36,151	3,161

	2019 \$'000	2018 \$'000
Reconciliation of income tax to prima facie tax payable		
Net result before income tax expense	9,953	1,207
Tax at the Australian tax rate of 30% (2018: 30%)	2,986	362
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	4	10
Expenditure not allowable for income tax purposes	-	-
Benefit of tax losses not brought to account	-	-
Other permanent adjustment	(9)	(10)
Income tax expense as reported in the Comprehensive Operating Statement	2,981	362

NOTE 8 STATUTORY OBLIGATIONS continued

	2019 \$'000	2018 \$'000
Tax expense (income relating to items of other comprehensive income)		
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	36,151	3,161
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	-	-
Potential tax benefit @ 30%	-	-

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.

	2019 \$'000	2018 \$'000
Deferred tax asset		
<i>This balance comprises temporary differences attributable to:</i>		
Amounts recognised in the Comprehensive Operating Statement		
Provisions and accrued expenditure not deductible	6,126	6,018
Other	182	161
Tax losses	30,465	38,319
Deferred tax assets	36,773	44,498
Movements:		
Opening balance at 1 July	44,498	50,387
Credited / (charged) to the Comprehensive Operating Statement	138	(14)
Tax losses	(7,863)	(5,875)
Closing balance at 30 June	36,773	44,498
Deferred tax assets to be recovered after more than 12 months	36,773	44,498

NOTE 8 STATUTORY OBLIGATIONS continued

	2019 \$'000	2018 \$'000
Deferred tax liabilities		
<i>This balance comprises temporary differences attributable to:</i>		
Amounts recognised in the comprehensive operating statement		
Depreciation	51,100	55,750
Other	3,891	3,985
Amounts recognised in equity	-	-
Asset revaluations	117,398	81,247
Deferred tax liabilities	172,389	140,982
Movements:		
Opening balance at 1 July	140,982	143,348
Credited/(charged) to the comprehensive operating statement	(4,035)	(5,527)
Credited/(charged) to the equity	35,442	3,161
Closing balance at 30 June	172,389	140,982
Deferred tax liabilities to be recovered after more than 12 months	172,389	140,982

8.2 Environmental contribution

The *Water Industry Act 1994 (Vic) (Environmental Contributions Act 2004 as amended)* establishes an obligation for water corporations to pay annual environmental contributions into the Consolidated Fund in accordance with a prescribed schedule of payments for each corporation. The initial contribution period has been extended to include the period 1 July 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 2019, the Corporation had outstanding environmental contribution commitments, to be paid as follows:

	2019 \$'000	2018 \$'000
Environmental contribution		
- within one year	5,181	5,181
- later than one year but not later than five years	-	5,181
- later than five years	-	-
Total environmental contribution commitment	5,181	10,362

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. No dividend was paid on the 2017-18 result.



CENTRAL GIPPSLAND REGION WATER CORPORATION

Notes to and forming part of the Financial Report for the year ended 30 June 2019

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 STATUTORY OBLIGATIONS continued**9.1 Equity****9.1.1 Contributed capital**

	2019 \$'000	2018 \$'000
Opening balance at 1 July	255,971	255,971
Capital contributions	-	-
Closing balance at 30 June	255,971	255,971

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 surplus

	2019 \$'000	2018 \$'000
Asset revaluation surplus		
– Land (net of tax)	19,526	19,526
– Buildings (net of tax)	3,031	2,204
– Infrastructure (net of tax)	251,371	167,847
Total reserves	273,928	189,577

Movements during the reporting period

Asset revaluation surplus		
Opening balance at 1 July	189,577	182,202
Revaluation increment/(decrement) on non-current assets (gross)	120,502	10,535
– less tax on revaluation increments/(decrement)	(36,151)	(3,160)
Closing balance at 30 June	273,928	189,577

9.1.3 Accumulated surplus

	2019 \$'000	2018 \$'000
Opening balance at 1 July	321,198	320,354
Net result for the period	6,972	844
Closing balance at 30 June	328,170	321,198

9.2 Ex-gratia expenses

	2019 \$'000	2018 \$'000
Trade receivables written-off	159	114
Property damage payments	10	6
Other	-	-
Total ex-gratia expenses	169	120

NOTE 9 OTHER DISCLOSURES continued**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. Individual amounts are typically less than \$1,000.

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 2018-19 included no claims associated with a major treated sewer overflow or a major water overflow (\$nil and \$nil) (2018: \$nil, \$nil) with all seven claims being less than \$5,000 each. Where incurred, these cost have been included in administration expenses in the comprehensive operating statement.

Other

Other represents a termination arrangement with employees who have left the Corporation. In 2018-19, there were no instances (2018: nil). Where incurred, these costs are included in employee benefits in the comprehensive operating statement.

9.3 Remuneration of auditors

	2019 \$'000	2018 \$'000
Audit of financial statements – VAGO	92	90
Internal audit – RSM	155	185
Total remuneration for auditors	247	275

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 2018 - 30 June 2019
Board Members	
Therese Ryan (Chair)	1 July 2018 - 30 June 2019
Greg Hade (Deputy Chair)	1 July 2018 - 30 June 2019
Jane Oakley	1 July 2018 - 30 June 2019
Margaret Supplitt	1 July 2018 - 30 June 2019
Jo Benvenuti	1 July 2018 - 30 June 2019
Malcolm Eccles	1 July 2018 - 30 June 2019
Christopher Badger	1 July 2018 - 30 June 2019
Rod Touzel	1 July 2018 - 30 June 2019
Sarah Cumming (Managing Director)	1 July 2018 - 30 June 2019

Remuneration of responsible persons

The compensation of responsible persons 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* and is reported within the Department of Parliamentary Services' Financial Report.

Appointments as acting Managing Director during the financial year

Angelo Saridis was appointed as acting managing director and held associated delegated authority for the period from 21 September to 5 October 2018; and for the period from 10 June to 25 June 2019. Michael Crane was appointed as acting managing director and held associated delegated authority for the period from 27 May to 9 June 2019. These temporary/relieving arrangements have not been included as part of the remuneration disclosure due to the short-term nature of the arrangements and given remuneration of the substantive Key Management Personnel has already been reported.

NOTE 9 OTHER DISCLOSURES continued

Income bands (\$)	Total remuneration	
	2019 \$'000	2018 \$'000
20,000 - 29,999	-	7
30,000 - 39,999	7	-
50,000 - 59,999	-	1
60,000 - 99,999	1	-
280,000 - 289,000	-	1
310,000 - 319,999	1	-
Total numbers	9	9

9.5 Related parties

The Corporation is a wholly owned and controlled entity of the State of Victoria.
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 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.

NOTE 9 OTHER DISCLOSURES continued**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.

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	2019 \$'000	2018 \$'000
Short-term employee benefits	559	516
Post-employment benefits	45	42
Other long-term benefits	7	7
Termination benefits	-	-
Total	611	565

9.5.2 Transactions with key management personnel and related parties

Given the breadth and depth of Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the Corporation, there were no related party transactions that involved Key Management Personnel and 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	2019 \$'000	2018 \$'000
Department of Human Services	Refund of concession rebates	5,173	5,642
Department of Human Services	Payment of fixed charge on properties	2,778	2,699
State Revenue Office	Refund of charities rebates	305	280
Latrobe Regional Hospital	Rates and charges	269	294
West Gippsland Hospital	Rates and charges	183	165
VicRoads	Rates and charges	5	99

Government-related entity receivables

Entity name	Brief description of main activity	2019 \$'000	2018 \$'000
Department of Human Services	Refund of concession rebates	596	546
Department of Human Services	Payment of fixed charge on properties	162	166

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

Entity name	Brief description of main activity	2019 \$'000	2018 \$'000
Treasury Corporation Victoria	Interest on borrowings	9,702	9,815
Department of Environment, Land, Water and Planning	Environmental contribution	5,354	4,752
Department of Treasury and Finance	Financial accommodation levy	4,204	4,241
Southern Rural Water	Storage management and recreation facilities fees	766	600
Environment Protection Authority	Licence fees and levies	435	339
VicRoads	Registration fees	103	200

Government-related entity payables

At 30 June 2019 there were no Government-related Entity Payables.

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 section 9.5.1 above.

Total remuneration	2019 \$'000	2018 \$'000
Short-term employee benefits	1,236	985
Post-employment benefits	116	91
Other long-term benefits	28	23
Termination benefits	-	-
Total remuneration (i)	1,308	1,099
Total number of executives	7	8
Total annualised employee equivalents (ii)	7	7

(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.

9.7 Events occurring after the balance date

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



NOTE 9 OTHER DISCLOSURES continued**9.8 Changes in accounting policies****AASB 9 Financial Instruments**

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting, as reflected in note 7.1.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements (refer to Note 5.1 above). In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), the Corporation has applied a modified retrospective approach, therefore, comparative figures from FY2018 have not been restated.

(i) Classification and measurement under AASB 9

On 1 July 2018 (the date of initial application of AASB 9), the Corporation's management has assessed which business models apply to the financial assets held by the Corporation and has classified its financial instruments into the appropriate AASB 9 categories.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2018 or 30 June 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. The movement in the loss allowance for contractual receivables at 1 July 2018 was not material, hence no adjusted adjustment was required in the opening balance of the Total Comprehensive Income in the Statement of Changes in Equity. No transition adjustment was required as the new loss allowance was not materially different.

On the date of the initial application, the financial instruments of the Corporation were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (AASB 139)	New (AASB 9)	Original \$'000	New \$'000	Difference* \$'000
Financial Assets					
Cash and cash equivalents	Loans and receivables	<i>Amortised cost</i>	6,358	6,358	-
Trade receivables	Loans and receivables	<i>Amortised cost</i>	12,007	12,007	-
Other receivables	Loans and receivables	<i>Amortised cost</i>	7,046	7,046	-
Other receivable – TCV deposit	Loans and receivables	<i>Amortised cost</i>	1,000	1,000	-
Total Financial Assets			26,411	26,411	-
Financial Liabilities					
Payables	Other financial liabilities	Other financial liabilities	18,525	18,525	-
Interest bearing liabilities	Other financial liabilities	Other financial liabilities	283,000	283,000	-
Total Financial Liabilities			301,525	301,525	-

*The difference noted in this column are the result of the new expected credit loss model. Refer to section 5.1 for the application of the Expected Credit Loss model. The reclassifications of the financial instruments on adoption of AASB 9 did not result in any changes to measurements.

NOTE 9 OTHER DISCLOSURES continued**Reconciliation of impairment allowance balance from AASB 139 to AASB 9**

The following table reconciles the prior period's closing impairment allowance measured in accordance with the AASB 139 incurred loss model to the new impairment allowance measured in accordance with the AASB 9 expected loss model at 30 June 2019.

Measurement category	Amount at 30 June 2018 (\$'000) AASB 139	Re- classification (\$'000)	Re- measurement (\$'000)	Amount at July 2018 (\$'000) AASB 9
Loans and Receivables				
Cash and cash equivalents	6,358	(6,358)	-	-
Trade receivable	12,320	(12,320)	-	-
Impairment loss allowance	(313)	313	-	-
Other receivable	7,046	(7,046)	-	-
Other receivable – TCV deposit	1,000	(1,000)	-	-
Amortised Cost				
Cash and cash equivalents	-	6,358	-	6,358
Trade receivable	-	12,320	-	12,320
Impairment loss allowance	-	(313)	-	(313)
Other receivable	-	7,046	-	7,046
Other receivable – TCV deposit	-	1,000	-	1,000
Total Financial Assets	26,411	-	-	26,411
Other Financial Liabilities				
Payables	18,525	-	-	18,525
Interest bearing liabilities	283,000	-	-	283,000
Total Financial Liabilities	301,525	-	-	301,525

9.9 Australian Accounting Standards issued that are not yet effective

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

At 30 June 2019 there are a number of new or changed Australian Accounting Standards and interpretations that may have future applicability for the Corporation. The impact of such changes on the Corporation's financial reports in future years are assessed on an ongoing basis and any changes that are assessed as potentially significant are disclosed in the financial report as soon as the assessment is concluded.

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



NOTE 9 OTHER DISCLOSURES continued

Topic	Key requirements	Effective date for the entity	Estimated impact
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 July 2019	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.
AASB 2016-7 <i>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.
AASB 16 <i>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 as 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.
AASB 1058 <i>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 2018-19 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) and the Assistant Treasurer, 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 2019 and the financial position of the Corporation as at 30 June 2019.

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



Sarah Heath

Chief Financial Officer

Central Gippsland Region Water Corporation

Dated 23 August 2019

VAGO ATTESTATION



Independent Auditor's Report

To the Board of the Central Gippsland Region Water Corporation

Opinion	<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"> • balance sheet as at 30 June 2019 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • statutory certification. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2019 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>
Basis for Opinion	<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 APES 110 <i>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>
Board's responsibilities for the financial report	<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>

VAGO ATTESTATION CONTINUED



Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, 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.

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:

- 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.
- 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- 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.
- 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.

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
29 August 2019

Paul Martin
as delegate for the Auditor-General of Victoria

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 Assistant Treasurer under the *Financial Management Act 1994* (Vic) and Instructions.

For the year ending 2019, there were no Material Compliance Deficiency identified.

A handwritten signature in black ink, appearing to be 'TR' with a long horizontal stroke extending to the right.

Therese Ryan

Board Chair

Central Gippsland Region Water Corporation

Dated 23 August 2019

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

PART 10

Disclosure index

10

Disclosure index

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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
	CO₂ equivalent	A variety of atmospheric gas compounds, collectively known as greenhouse gases. As each component has a different level of impact on the environment, greenhouse gas emissions are converted to CO ₂ equivalents, which is the concentration of carbon dioxide (CO ₂) that would contribute an equivalent degree of impact as the total amount of greenhouse gases emitted.
	CTWSS	Country Towns Water Supply and Sewerage
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 <i>Financial Management Act 1994</i> (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

I	IWM	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.
K	KPI	Key Performance Indicator
	Kilolitres (kL)	1,000 litres
L	LoE	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.
	LTIFR	Lost Time Injury Frequency Rate
M	Megalitres (ML)	1 million litres
	M	Million
	MRD	Ministerial Reporting Direction – a Ministerial reporting direction issued by the Department of Treasury and Finance under the <i>Financial Management Act 1994</i> (Vic).
N	NAIDOC	National Aboriginal and Islanders Day Observance Committee Week – celebrating the history, cultural and achievements of Aboriginal and Torres Strait Islander people.
O	Ocean outfall	A pipeline that carries effluent to the ocean where it is dispersed and diluted. Gippsland Water’s two ocean outfalls are strictly monitored in accordance with EPA licence regulations to ensure water quality.
	OHS	Occupational health and safety
P	Price Submission	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.
R	Regional Outfall System (ROS)	The ROS pipeline transports approximately 50 per cent of central Gippsland’s wastewater to the Dutson Downs wastewater treatment facility.
S	Saline Wastewater Outfall Pipeline (SWOP)	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	<i>Victorian Industry Participation Policy Act 2003</i> (VIPPA) is an Act administered by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR). <i>Local Jobs First</i> – 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	WGCM	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 https://www.gippswater.com.au/annual-reports .	

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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**Gippsland
Water**

PO BOX 348
55 Hazelwood Road
Traralgon VIC 3844

Account enquiries 1800 050 500
Faults and emergencies 1800 057 057

contactus@gippswater.com.au
www.gippswater.com.au

ABN 75 830 750 413

