



East Gippsland **Water**

# Annual Report

2012/13





# At a Glance

## East Gippsland Water's Region

East Gippsland Water serves an area of 21,000 square kilometres in the east of Victoria, which boasts some of Australia's most diverse and spectacular scenery and a population of around 45,000 people.

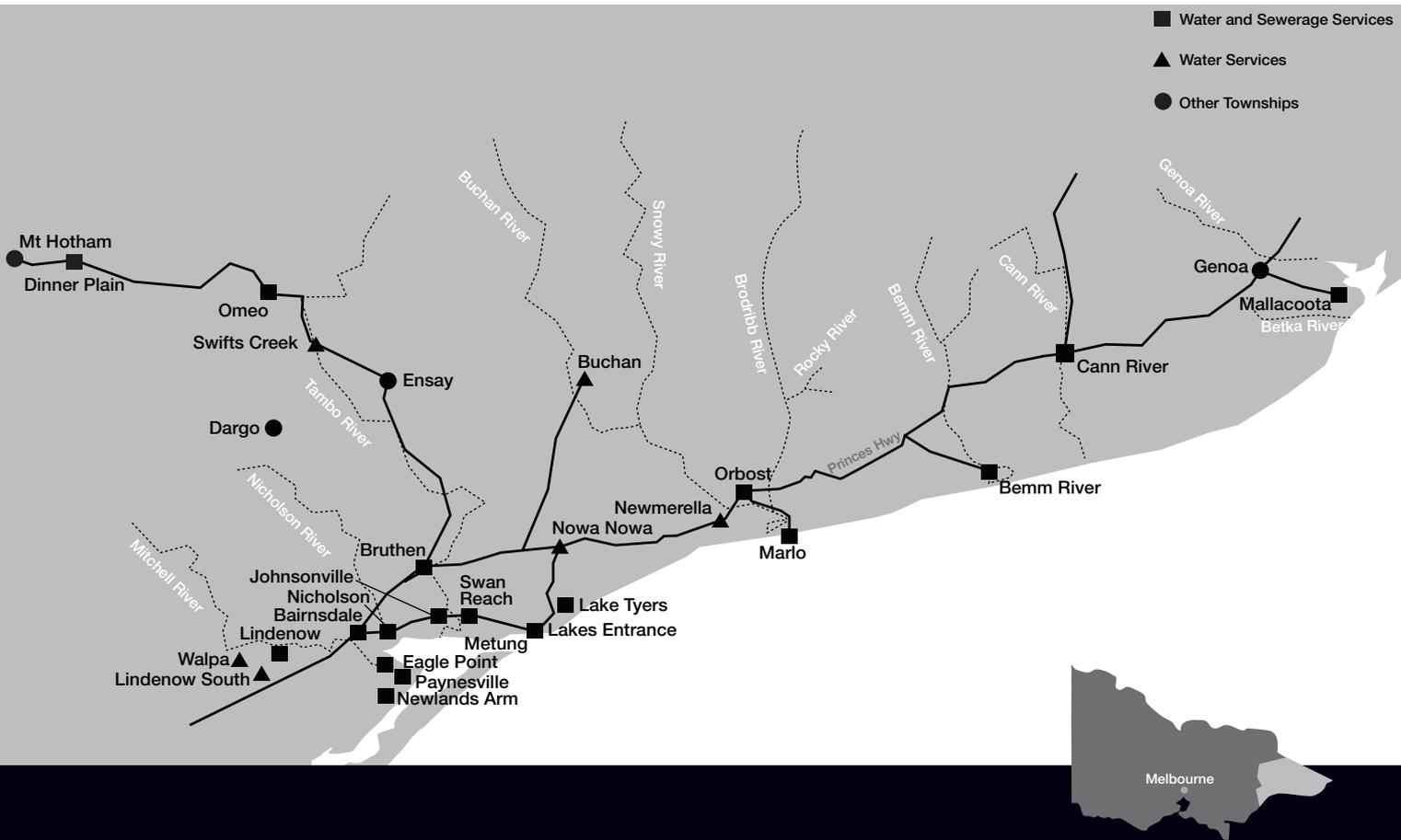
The region's world renowned beaches, lakes, high country and national parks are a natural draw-card for those seeking a lifestyle change, as well as for the many tourists that swell the region's population numbers over the busy holiday periods.

East Gippsland Water serves more than 36,400 people. Its service area extends east from Lindenow, through to the region's capital Bairnsdale, the holiday centres of Paynesville and Lakes Entrance, and on to the wilderness coast and Mallacoota near the New South Wales border. It also serves as far north as Dinner Plain in the High Country of the Victorian Alps.

The corporation has nine separate water supply systems that serve the communities of Bairnsdale, Bemm River, Bruthen, Buchan, Cann River, Dinner Plain, Eagle Point, Johnsonville, Lakes Entrance, Lake Tyers Aboriginal Trust, Lake Tyers Beach, Lindenow, Lindenow South, Mallacoota, Marlo, Metung, Newlands Arm, Newmerella, Nicholson, Nowa Nowa, Omeo, Orbost, Paynesville, Raymond Island, Sarsfield, Swan Reach and Swifts Creek.

Eleven individual wastewater systems serve Bairnsdale, Bemm River, Bruthen, Cann River, Dinner Plain, Eagle Point, Johnsonville, Lakes Entrance, Lake Tyers Beach, Lindenow, Mallacoota, Marlo, Metung, Newlands Arm, Nicholson, Omeo, Orbost, Paynesville, Raymond Island and Swan Reach.

Water services are provided to some 25,100 account holders (assessments) with wastewater services also provided to around 21,400 account holders.



## Fact File (as at 30 June 2013)

### Water

Serviced properties	
- domestic assessments	22,030
- non domestic assessments	3,105
Volume of water consumed (ML/y)	4,812
Length of water mains (km)	923.5
Water treatment plants	9
Water disinfection plants	11
Separate water supply systems	9

### Wastewater

Serviced properties	
- domestic assessments	19,162
- non domestic assessments	2,258
Volume of wastewater collected (ML/y)	2,763
Length of sewer mains (km)	659.3
Wastewater treatment plants	11
Water recycled (%)	99
Separate wastewater systems	11

## Our Vision

For East Gippsland Water to be recognised as a premier and trusted water corporation.

## Our Mission

We provide quality and sustainable water and wastewater services in a responsive, cost effective, safe and environmentally sensitive manner.

## Our Objectives

- To meet the requirements of customers, government and stakeholders
- To innovate and achieve sustainability in all aspects of our business
- To improve the delivery of our services
- To develop and maximise the potential of our people

## About this Report

This Annual Report details East Gippsland Water's performance and achievements in all areas of its operations during 2012/13. It has been prepared in accordance with the Financial Reporting Direction *FRD 30A - Standard requirements for the design and print of annual reports*. This defines the design and print specifications of annual reports to ensure consistency, cost minimisation and low environmental impact.

Further information and previous annual reports are available at [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au).

## The Corporation

East Gippsland Region Water Corporation was initially established as East Gippsland Region Water Authority on 1 January 1995, by Ministerial Order and under powers conferred by the Water Act 1989. It trades as East Gippsland Water.

The responsible Minister during the 2012/13 reporting period was The Hon. Peter Walsh MLA, Minister for Water.

In accordance with the Water Act 1989, East Gippsland Water delivers the full range of retail water services, including water harvesting, storage and drinking water supply. It also provides wastewater collection and treatment services, recycled water for rural and recreational uses, as well as trade waste services to industrial and commercial customers.

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## Report from the Chairperson and Managing Director

East Gippsland Water continued to be very proactive in addressing the needs of the local community and Victorian Government in the 2012/13 financial year, recording some notable achievements.

### Financial Position

The corporation recorded a surplus before tax of \$3.979 million for 2012/13, which was above budget expectations of \$2.6 million. This supports the financial sustainability of East Gippsland Water, as the surplus will assist with investments in new and replacement works, minimising the need for future borrowings.

The underlying improvement in profit was primarily due to above average water consumption by customers during the relatively hot and dry summer. The amount of water delivered to customers totalled 4,812ML, compared with 4,260ML the previous year.

We also experienced higher than budgeted wastewater revenue, largely due to the Bemm River Sewerage Scheme being completed by June 2013 and the related customer contributions to the scheme.

### Water Consumption and Restrictions

For the sixth year running we ensured no water restrictions in our region.

The increase in water consumption experienced was a situation reflected by other water corporations across Victoria. Factors helping to drive up consumption levels included:

- Victoria's and East Gippsland's hottest, driest summer on record
- an increase of more than six percent in tourist numbers for East Gippsland over summer, compared to the previous year
- more than 340 additional customers

Average residential consumption rose from 138kL to 158kL – an increase of 14.5 percent.

### Major Infrastructure

The reporting period marked the final phase of Water Plan 2 and with it completion of a five year, \$67 million capital works program to ensure secure, high quality drinking water supplies for all customers well into the future.

Highlights for the year included the work undertaken to

install a shade cloth cover over the corporation's 45ML treated water storage at Orbost, to boost long-term water security for the local community and maintain water quality. The project, worth around \$640,000, is due for completion early in 2013/14 and has been supported by more than \$270,000 from the Victorian Government's Small Towns Water Quality Fund.

In addition, work got underway on-site to replace a key section of water supply pipeline into Bairnsdale. The project, due for completion in 2013/14, involves replacing 350 metres of ageing steel water main lying close to the Lind Bridge at WyYung, including a 70 metre section running across the bed of the Mitchell River. A tunnel up to 1.5 metres in diameter will be drilled under the river bed to take the replacement pipe.

This project is a high priority to ensure that a reliable drinking water supply into Bairnsdale is maintained for the long-term future. The pipeline section targeted has suffered under the impact of some major flood events. Its replacement will be more resilient and constructed from high density polyethylene.

### The Environment

The much-needed sewerage scheme completed at Bemm River included construction of reticulation sewers, pump stations and a wastewater treatment plant. This will benefit the environment of the local waterways and protect public health by removing risks associated with septic tank effluent.

The scheme utilises an innovative subsurface irrigation system for the recycled water generated, which is a first for the corporation.

The reporting period saw the completion of a \$3 million upgrade to the sewerage system at Lake Tyers Aboriginal Trust. This addresses the community's present and future sewerage requirements.

East Gippsland Water was commissioned and funded by the Department of Families, Housing, Community Services and Indigenous Affairs to coordinate the project, which also provided employment for local community members.

Work progressed on upgrading the Metung Wastewater Treatment Plant to cater for population growth from the Kings Cove development and new customers coming online at Tambo Bluff. This initiative includes construction of a 50ML winter storage dam and expansion of the irrigation system, with completion of stage one expected early in 2013/14. Further expansion of the irrigation system is planned over the next ten years.

In addition we maintained our position as a leader in the Victorian water industry for water recycling, with a reuse level of 99 percent achieved from our wastewater treatment plants.

We also continue to collaborate actively with our catchment partners on environmental issues such as the management of cattle access to rivers and streams in drinking water catchments.

### Maintenance

More than 70km of water mains (around ten percent of the total network) were pressure-cleaned to ensure the efficiency of the supply network and maintain drinking water quality. Customer supply systems targeted included Metung, Lakes Entrance and Dinner Plain.

In addition 18km of sewer mains were cleaned via tree root cutting work, and more than 900 manholes inspected, as part of a proactive program to prevent blockages, overflows and unplanned interruptions to customers' wastewater services.

### Water Plan 3

Customers and other stakeholders were invited to comment on the final draft of Water Plan 3, our business plan for 2013-18, before it was submitted to the Essential Services Commission for final price determination and implementation from 1 July 2013.

The plan will see East Gippsland Water bills for the average residential customer capped close to the rate of inflation over the next five years, with an overall increase of 1.39 percent (excluding inflation) for the period.

There is also a new billing structure to give customers more control over their bill, with an increasing emphasis placed on the water usage component and reducing the fixed charge component.

The typical bill for non-residential customers will increase by 2.7 percent over the next five years (excluding inflation), while water and wastewater charges for not-connected, vacant land have been reduced to half of the full services charge.

Water Plan 3 allows for approximately \$9 million a year to be invested in essential major capital projects including a significant upgrade to the Bairnsdale Wastewater Treatment Plant and upgrades to the Bairnsdale, Lakes Entrance and Omeo sewer systems. Around \$17 million a year will be invested to maintain and operate water and sewerage infrastructure, ensuring services are kept to a high standard.

In addition we have introduced Guaranteed Service Levels as part of our commitment to delivering a very high level of service. It means that any customer receiving a significantly poor level of service in one of five key areas will be compensated.

### Bill Changes and Incentives

Responding to customer feedback, we implemented changes to our billing process on 1 July 2012, shifting from three bills to four bills a year.

This move to quarterly bills, with each covering a shorter period of 13 weeks, means customers receive more up-to-date information about their water usage, making it easier to compare bills and to budget effectively.

In addition from 1 July 2013 we will be introducing a free prize draw, aimed at rewarding residential customers paying their East Gippsland Water bill on time. This will run on a quarterly basis, with everyone paying their bill by the due date automatically entered in the draw for that period, with the chance to win an iPad or \$750 credited to their East Gippsland Water account. The expected reduction in the number of bill reminder notices that need to be issued, and the related savings involved, should more than offset the cost of the prize.

### Managing Director Retires

Following a distinguished career in the water industry spanning some 30 years, East Gippsland Water Managing Director Les Mathieson retired at the end of 2012.

Les served the corporation for 17 years, the last 11 of them as Chief Executive Officer and Managing Director. Prior to East Gippsland Water he was Chief Executive Officer for the Orbost Water Board.

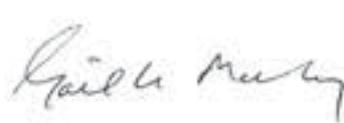
Shortly before his retirement he received the prestigious Barry E Leach Award from the Institute of Water Administration, acknowledging his exceptional service to the Institute and Victorian water industry.

### Attestations

We certify that East Gippsland Water has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000-2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Audit & Risk Committee of the corporation verifies this assurance and also that the risk profile of East Gippsland Water has been critically reviewed within the last 12 months.

In accordance with the Financial Management Act 1994, we are pleased to attest that East Gippsland Water's annual report is compliant with all statutory reporting requirements.

We would also thank the management and staff located across East Gippsland for their ongoing commitment to the success and achievements of the corporation.



Gail Morley  
Chairperson  
East Gippsland Water

28 August 2013



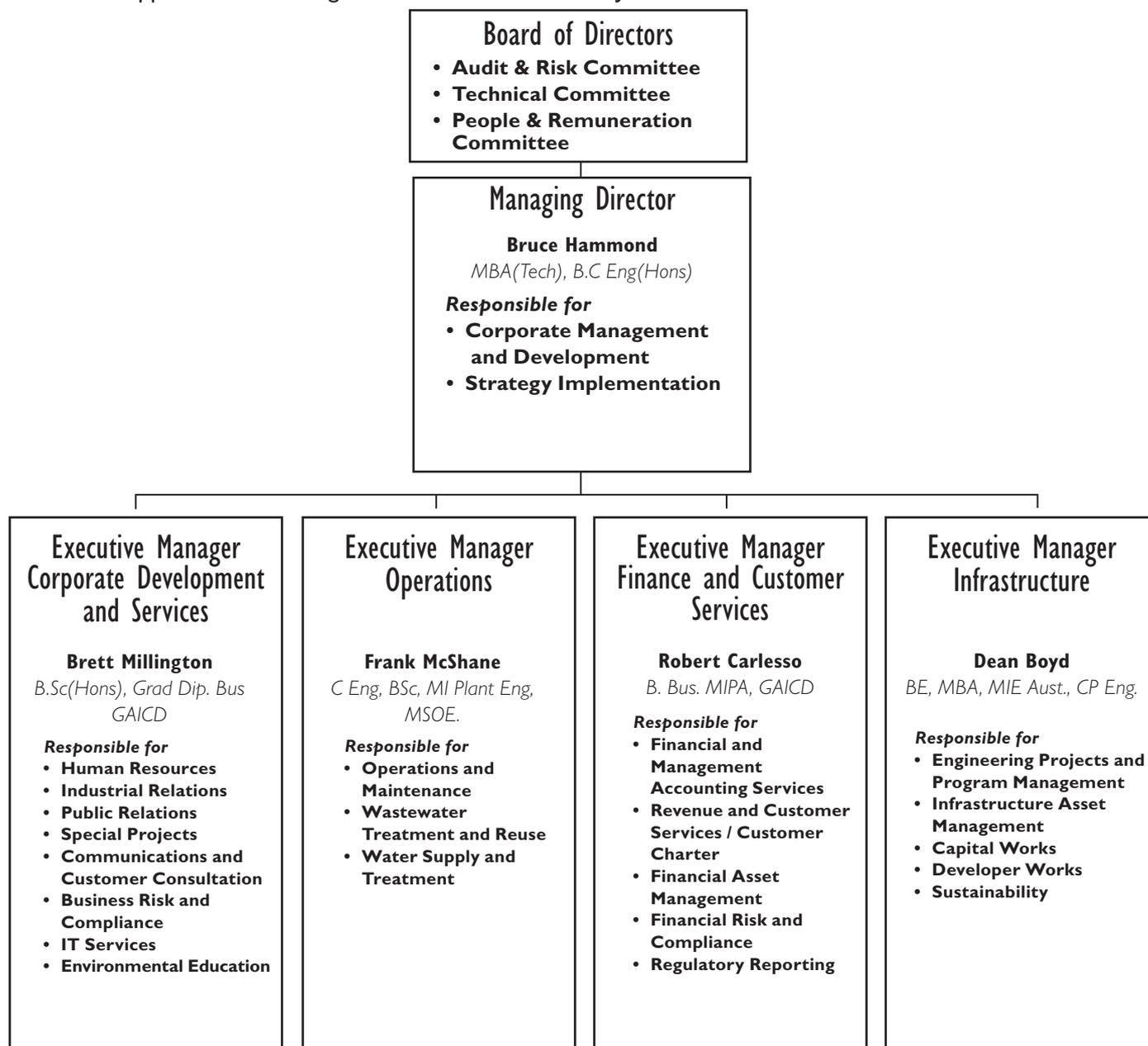
Bruce Hammond  
Managing Director  
East Gippsland Water

28 August 2013

# Corporate Governance

## Organisation Structure

East Gippsland Water's organisation structure as at 30 June 2013:



### Meeting Attendance 2012/13

Director	Board		Audit & Risk Committee		Technical Committee		People & Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Gail Morley	12	11	-	-	-	-	4	4
Richard Elkington	12	10	1	0	4	4	4	4
Eric Sjerp	12	12	-	-	5	4	-	-
Joanne Booth	9	9	3	3	-	-	-	-
Michelle Dowsett	12	12	4	2	-	-	3	3
Geoff Ellis	12	10	-	-	5	5	-	-
Samuel Logan	12	9	4	4	-	-	-	-
John Rudge	3	2	-	-	-	-	1	0
Robert Supplitt	3	1	-	-	1	1	-	-
Bruce Hammond	7	7	-	-	-	-	-	-
Les Mathieson	5	3	-	-	-	-	-	-

## The Board

In accordance with the Water Act 1989, the Board of East Gippsland Water consists of eight non-executive Directors appointed by the Minister for Water, based on their skills.

The Managing Director is a Director on the Board.

The Board is responsible for the establishment of corporate strategy and the oversight of policies and business objectives to achieve that strategy. It is committed to performing its role in accordance with the highest standards of corporate governance.

### Gail Morley - Chairperson

Appointed Chairperson: July 2010

Gail Morley is a Fellow of the Australian Institute of Company Directors and was first appointed to the Board of East Gippsland Water in 2005. She holds a Bachelor of Arts, a Bachelor of Education and a Graduate Diploma in Office Systems.

Gail is Managing Director of a consultancy business and has expertise in organisational development, vocational education and training, business management and corporate governance. She has also served as a Director on the Board of Gippsland Ports from 2003 to 2011.

Gail is Chairperson for East Gippsland Water's People & Remuneration Committee.

### Richard Elkington - Deputy Chairperson

Reappointed as Director: October 2012

Richard Elkington joined the East Gippsland Water Board in 2007. He worked for more than 40 years in the Latrobe Valley power generation industry and held a number of senior positions at General Manager level. He is currently providing management and strategic planning consultancy services to a range of Gippsland businesses.

Richard is the Chair of the Regional Development Australia-Gippsland Committee. He is also a member of the Clean Coal Victoria Advisory Committee and Gippsland Tertiary Education Council, and a long term member of the Executive Council of the Victorian Employers' Chamber of Commerce and Industry. In addition Richard is engaged in a range of community activities including community radio.

Having also chaired neighbouring water corporation Gippsland Water for a number of years, Richard has invaluable water industry expertise and is a member of the Technical, and People & Remuneration committees.

### Eric Sjerp - Deputy Chairperson (from November 2012)

Reappointed as Director: October 2012

Eric Sjerp is an Environmental Scientist with a Bachelor of Science degree (Geology and Geography), and is Managing Director and Principal Consultant of Ethos NRM Environmental Planning Consultants.

He is a member of: the East Gippsland Catchment Management Authority's Board Advisory Committee; the East Gippsland Environmental Sustainability Advisory Board; the Australian Institute of Company Directors; the Environmental Institute of Australia and New Zealand; and, the Victorian Planning and Environmental Law Association.

Eric, who joined the East Gippsland Water Board in 2004, has extensive professional experience in the fields of environmental impact assessment, natural resource and conservation management, strategic land use planning and government liaison.

He is Chairperson for East Gippsland Water's Technical Committee.

### Joanne Booth

Appointed: October 2012

Joanne Booth is an experienced non-executive director and former chief executive officer. She has worked extensively in the health, public and not-for-profit sectors in diverse leadership and management roles. She currently operates a governance and management consultancy in East Gippsland and Melbourne.

Joanne is a Graduate of the Australian Institute of Company Directors (AICD) and has completed Governing for Non-Profit Excellence at Harvard Business School (USA). Her current directorships include: Chair, Gippsland Lakes Community Health; Director, Victorian Healthcare Association; and, Director, Workways Australia. She is the Independent Chair of the Central Gippsland Region Water Corporation Audit Committee and a member of East Gippsland Water's Audit & Risk Committee.

Her qualifications include a Master of Public Health, Graduate Diploma in Occupational Health, Bachelor of Arts and Practitioners Certificate in Mediation. She is an active member of the AICD and Women on Boards.

### Michelle Dowsett

Appointed: October 2011

Michelle Dowsett is a Principal Consultant of CFO Assist and has worked for property, engineering and accounting companies in business management and senior accountancy roles. She was a casual appointment to the Board of Central Gippsland Health Service in 2011/12 and is a member of the Audit Committee of Workways Australia Ltd and the Audit & Risk Committee of the Municipal Association of Victoria.

Michelle has a Bachelor of Business and Commerce (Accounting), Certificate in Governance Practice and Administration, a Diploma from the Australian Institute of Company Directors and is a Certified Practising Accountant. She also holds an MBA from the Graduate College of Management, Southern Cross University.

Michelle is a member of East Gippsland Water's Audit & Risk and People & Remuneration committees.

### Geoff Ellis

Appointed: October 2011

Geoff Ellis is the Chief Executive Officer of the Eastern Zone Abalone Industry Association. He is also a member of Seafood Industry Victoria and Chair of its Finance & Audit Committee.

In addition, he is a member of the Racing Appeals and Disciplinary Tribunal and a Board Member of Gippsland Secured Investments.

Geoff is a former partner of the legal firm of Warren, Graham & Murphy and a past President and Life Member of the Lakes Entrance Community Health Centre. He has a Bachelor of Laws and is a member of East Gippsland Water's Technical Committee.

## Samuel Logan

Reappointed: October 2012

Samuel Logan is a Director and Principal of Riviera Accounting & Taxation Services Pty Ltd, a Chartered Accountant and Registered Tax Agent, who was first appointed to the Board in 2008.

His professional experience includes business advisory services in management improvement, budgeting and financial reporting. He provides accounting and taxation compliance advice to a diverse range of business industries, including primary production, transport, manufacturing, retail, and professional organisations.

Samuel is Chairperson for East Gippsland Water's Audit & Risk Committee.

## John Rudge

Until September 2012

John served as a member of East Gippsland Water's People & Remuneration Committee.

## Robert Supplitt

Until September 2012

Robert was Chairperson for East Gippsland Water's Technical Committee.

## Les Mathieson – Managing Director

Appointed: July 2007 - Retired: December 2012

## Bruce Hammond – Managing Director

Appointed: December 2012

Bruce Hammond holds a Masters in Business Administration and a Bachelor of Civil Engineering.

He boasts a wealth of engineering and management experience in the water industry, having up until December 2012 served as General Manager of Technical Services at Goulburn Valley Water.

Bruce is a member of the Institute of Water Administration (IWA) and fellow of the Fairley Leadership Program. He chairs the VicWater Biosolids Task Group and is an executive member of the Australian Water Association Victorian Branch Committee, chairing the Planning Sub-committee. Bruce is also a member of the Smart Water Fund Investment Review Committee and water industry representative for the Department of Health Regulatory Review Stakeholder Reference Group.

## Board Meetings

The Board meets formally once a month, with invited members of the executive management attending as necessary. Additional meetings are held, as required, to consider specific issues.

## Board Committees

The Board has constituted the following committees to assist in meeting its governance obligations, both statutory and to the community -

## Audit & Risk Committee

The Audit & Risk Committee is chaired by a Board Director, other than the corporation Chairperson, and includes three members of the Board and two independent persons with appropriate business acumen and experience. The Board has also appointed an Internal Auditor who reports directly to the committee.

The committee develops and oversees a systematic internal audit program. This looks at internal processes and controls with a view to testing these processes for minimisation of system, financial and operational risk, and promoting efficiency and effectiveness.

Members:

- Samuel Logan (Chairperson)
- Michelle Dowsett
- Richard Elkington (until September 2012)
- Joanne Booth (independent member for August 2012 and Board member from October 2012)
- John Howson B.Bus, CA (independent member, reappointed May 2013 for two years)
- Chris Trotman (independent member, appointed February 2013 for three years)

## Technical Committee

This committee focuses on effective management of technical, operational and environmental risks, compliance with laws and regulations and the capital works program.

Members:

- Robert Supplitt (Chairperson until September 2012)
- Eric Sjernp (as a member until September 2012 and Chairperson from October 2012)
- Geoff Ellis
- Richard Elkington (from October 2012)

## People & Remuneration Committee

The corporation's People & Remuneration Committee reviews and makes recommendations to the Board concerning the performance and remuneration of the Managing Director and members of the senior executive team.

Members:

- Gail Morley (Chairperson)
- Richard Elkington
- John Rudge (until September 2012)
- Michelle Dowsett (from October 2012)

## Ethical Standards

The Board of East Gippsland Water recognises the need for the highest standards of corporate governance practice and ethical conduct by all Directors, employees and contractors of the corporation. The Board has adopted the Directors' Code of Conduct as issued by the Public Sector Standards Commissioner.

## Declaration of Pecuniary Interests

All Board members and senior executives have completed a register of interests form for the reporting period.

# Environmental Sustainability

The East Gippsland region is a key natural asset in Victoria and is highly valued by permanent residents and tourists alike.

East Gippsland Water recognises the link between a healthy environment supporting numerous industries and a wide spread community. As a result water and wastewater services are managed to minimise their environmental impact and ensure resources are sustained into the future.

During 2012/13 the corporation's ongoing commitment to sustainability and protecting the environment was reinforced through:

- a reduction in total energy usage for the Bairnsdale office, from 717,537MJ to 602,045MJ;
- 99 percent reuse from wastewater treatment plants - maintaining East Gippsland Water's position as a leader in the Victorian water industry for water recycling;
- continued high performance of the Environmental Management System, demonstrated during the surveillance audit conducted by an independent, external auditor.

## Water Consumption Report

The reporting period saw an increase in water usage by residential and non-residential customers, with a total of 4,812ML consumed compared with 4,259.8ML in 2011/12. This situation was reflected by other water corporations across Victoria.

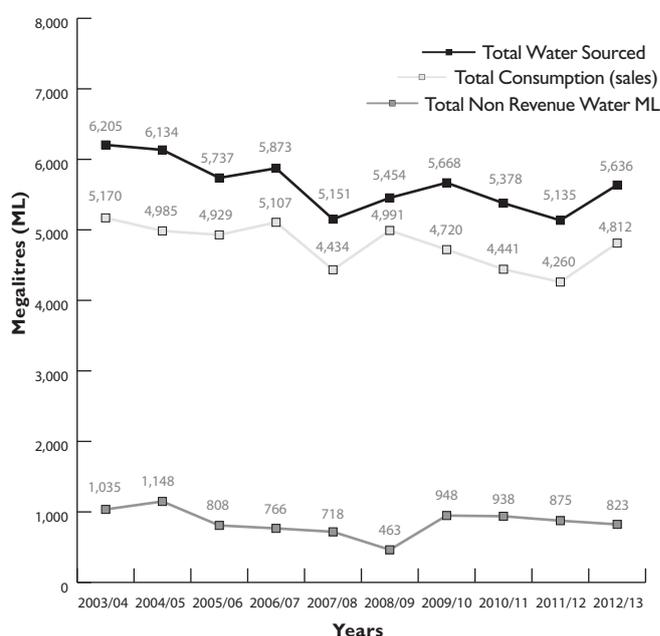
Factors helping to drive up the level of consumption included:

- Victoria's and East Gippsland's hottest, driest summer on record
- a 6.4 percent increase in tourist numbers for East Gippsland over summer, compared to the previous year
- more than 340 additional customers.

Average residential consumption rose from 138kL to 158kL in 2012/13 – an increase of 14.5 percent – with East Gippsland Water harvesting 5,636ML of water to meet customer demand, compared with 5,135ML in 2011/12.

This was the sixth year in a row with no water restrictions anywhere in East Gippsland. A major reason for this was the corporation's five year, \$67 million capital works program; initiated in 2008/09 to ensure secure, high quality drinking water supplies for all customers well into the future.

## Water Consumption Trends 2003/04 to 2012/13



## Water Consumption Statistics by District/System 2012/13

District/ System	Assessment Numbers (= Customer Numbers)			Non-Revenue Water (ML)			Water Consumption (ML)			Average Annual Water Consumption (ML) – based on last 3 years (2011-2013)
	Residential	Non-Residential	Total	Unaccounted Water #1	Accounted Water not Billed #2	Total	Residential	Non-Residential	Total #3	
Bemm River	91	10	101	1.9	-6.632	1.3	10	6	16	14.9
Buchan	86	33	119	3.9	0.083	4.0	11	8	19	19.1
Cann River	150	66	216	4.1	-0.827	3.2	17	14	31	25.5
Dinner Plain	495	49	544	11.0	4.942	15.9	17	9	26	30.6
Mallacoota	958	105	1,063	10.4	-3.935	6.4	91	48	140	98.8
Mitchell	18,243	2,347	20,590	548.0	159.062	707.0	2,620	1,259	3,896	2,478.4
Omeo	220	77	297	5.2	6.065	11.3	25	16	41	1,181.2
Orbost	1,686	385	2,071	62.4	7.268	69.7	251	368	619	406.2
Swifts Creek	101	33	134	4.1	0.367	4.5	15	10	26	241.8
<b>Total 2012/13</b>	<b>22,030</b>	<b>3,105</b>	<b>25,135</b>	<b>651.0</b>	<b>172.4</b>	<b>823.4</b>	<b>3,058</b>	<b>1,738</b>	<b>4,812</b>	<b>4,496.4</b>

Notes:

#1 Unaccounted Water includes water lost through leakage because of pipe breaks and any water not calculated.

#2 Accounted Water not Billed includes water used for mains flushing, scouring of tanks and basins, bleeds for disinfection, and where storages may have been emptied for augmentation.

#3 Total Water Consumption excludes Non-Revenue Water.

## Sustainable Water Use

During 2012/13 the corporation continued to progress a number of initiatives in line with the Victorian Government's objectives for sustainable water use. Achievements included:

### Efficient Use of Water

East Gippsland Water has an ongoing program to utilise water supplies more efficiently and reduce impact on the environment. Activities in the last year included reducing unaccounted water by replacing old meters, and investigating pipelines and property connections to pinpoint and reduce leaks under the leak detection program.

The corporation's 2012/13 meter replacement program resulted in 1,338 meters being replaced. Five bulk meters were replaced, so that losses in the supply network could be more readily identified and the installation of a shade cloth cover at Orbost clear water storage will reduce evaporation.

### Community education and water awareness

East Gippsland Water employs a range of strategies to communicate key messages to all age groups in the community. The emphasis is on using water efficiently, awareness that water is a finite resource, the impact of extreme weather events and changes in climate and the drive for long-term security of drinking water supplies.

An important message is the corporation's commitment to sustainability as a basic requirement of all operations in relation to water, wastewater and water recycling.

In 2012/13 East Gippsland Water continued to publicise water efficiency incentives available to customers, including the State Government's Living Victoria Water Rebate Program for purchasing water efficient products such as rainwater tanks and washing machines.

Further information can be found in the Community Engagement section of this annual report (pages 19-20).

### Working with businesses

East Gippsland Water maintains a record of non-residential customers consuming more than 5ML of drinking water a year and encourages them to prepare and implement water saving plans under the Victorian Government's WaterMAP initiative.

The corporation continues to work with all these customers on the implementation and monitoring of water efficiency measures. It encourages eligible small businesses to apply for rebates through the Victorian Government's Living Victoria Water Rebate Program when purchasing water-efficient products, and for funding support through the Victorian Government's Small Business Grants Scheme. During the financial year East Gippsland Water coordinated the scheme locally on the Government's behalf and allocated \$17,469.

In 2012/13 East Gippsland Water had no customers meeting or exceeding the water consumption threshold of 200ML per year and classified as 'major non-residential water users' under Section 122ZJ of the Water Act 1989.

## Assisting Local Government

The corporation has been actively involved with the development and implementation of East Gippsland Shire Council's Environmental Sustainability Strategy. A corporation executive manager continues on the Council's Environmental Sustainability Advisory Board, providing specialist input in relation to water efficiency and management.

In addition, East Gippsland Water has a Memorandum of Understanding with East Gippsland Shire Council, committing to work together on projects and issues of common interest, including water efficiency initiatives.

## Other Statutory Obligations

### River Health

The corporation actively works to ensure that compliance with river health requirements set out in its Statement of Obligations is consistent with the Victorian River Health Strategy - in particular East Gippsland Catchment Management Authority's (EGCMA) Regional River Health Strategy.

Harvesting drinking water to supply East Gippsland Water customers is undertaken with minimal impact on existing environmental flows from the region's waterways.

The corporation has no major on-stream dams. The small, Nicholson River dam is no longer in use and opportunities are being explored for its decommissioning.

The corporation is actively involved in initiatives to protect and improve wetland and river health including:

- investigation of the impact that East Gippsland Water infrastructure and operations may have on local river health, and using the results to minimise any impact
- monitoring and ensuring compliance with Bulk Entitlement obligations
- participation in the Gippsland Regional Water Monitoring Partnership Group, which monitors water flows across Gippsland streams and estuaries. The group's information is crucial in monitoring catchment health and the corporation contributes funds, staff and other resources
- working with the EGCMA to successfully acquire funding support for East Gippsland Water's river health program on the Tambo River at Swifts Creek
- ongoing water conservation measures and implementing a leak detection program designed to minimise the volume of bulk water diverted from the region's streams and aquifers
- actively working with VicWater, DEPI, the Victorian Farmers Federation, the Department of Health, and a number of catchment management authorities and water corporations, to advance a risk management approach to cattle access along waterways in drinking water catchments. This not only protects drinking water quality, but also provides for wider river health benefits.

## Regional Catchment Strategy

The latest Gippsland Regional Catchment Strategy covering the years 2012-18 was implemented and includes priorities for natural resource management.

East Gippsland Water is a member of the EGCSMA's Program Working Group, whose purpose is to coordinate various activities to meet the objectives of the strategy and supporting plans.

The corporation also works with Parks Victoria, East Gippsland Shire Council, Alpine Shire Council, Wellington Shire Council and DEPI on catchment-related projects. It acts as a referral authority for works that occur in its water supply catchments.

East Gippsland Water continues to contribute more broadly to strategy and biodiversity management across the region.

## Victorian Biodiversity Strategy

The corporation complies with the Victorian Biodiversity Strategy through implementation of the East Gippsland Water Biodiversity Management Plan and maintenance of its Biodiversity Asset Register.

East Gippsland Water assets/sites have been assessed for biodiversity significance values, and risks to these, as well as those posed by any new works, to ensure they are managed in accordance with the Biodiversity Management Plan.

The corporation's plan is designed to minimise any potential harm to threatened and endangered species by identifying the locations of any previously recorded sensitive species or vegetation types. The plan also involves training field staff to identify potentially sensitive species and raising biodiversity awareness within the corporation.

## Water Entitlements

### East Gippsland Water Entitlement Reporting 2012/13

Supply System	Source	Annual Amount Of Water Taken (ML)	Total Entitlement (ML/year)	Volume Unused (ML/year)	Any Temporary or Permanent Transfer of all of Part of Bulk Entitlement (ML)	Any Bulk Entitlement or Licence in Respect of the Waterway Temporarily or Permanently Transferred to the Corporation	Any Amendment to the Bulk Entitlement	Any Failure by the Corporation to Comply with any Provision of the Bulk Entitlement	Any Difficulties Experienced or Anticipated by the Corporation in Complying with the Bulk Entitlement and any Remedial Action Taken or Proposed	Passing Flow Compliance Clause
Bairnsdale	Mitchell River	4,956.7	9,208	4,251.3	0	N/A	N/A	No	No	Cl.8
Bemm River	Bemm River	17.2	100	82.8	0	N/A	N/A	No	No	Cl.7
Cann River	Cann River	33.0	192	159	0	N/A	N/A	No	No	Cl.7
Mallacoota	Betka River	84.3	330	245.7	0	N/A	N/A	No	No	Cl.7
Nowa Nowa*	Boggy Creek	0	118	118	0	N/A	N/A	No	No	Cl.7
Swifts Creek	Tambo River	30.6	224	193.4	0	N/A	N/A	N/A	No	Cl.7
Buchan	Buchan River	22.9	170	147.1	0	N/A	N/A	No	No	Cl.7
Orbost	Brodribb River / Rocky River	702.1	2,031	1,328.9	0	N/A	N/A	No	No	Cl.7
Omeo	Butchers Creek	43.4	77	33.6	0	N/A	N/A	No	No	Cl.7
Mallacoota	Groundwater	61.7	220	158.3	0	N/A	N/A	No	No	N/A
Dinner Plain	Groundwater	41.7	120	78.3	0	N/A	N/A	No	No	N/A
Mitchell System**	Groundwater	108.6	186.78	78.18	0	N/A	N/A	No	No	N/A

Notes:

\* All the infrastructure to enable harvesting from Boggy Creek has been decommissioned.

\*\* Groundwater on the Mitchell System is part of a managed aquifer recharge project. During the reporting period 74.2ML was injected into a deep group of aquifers and 66.2ML extracted.

N/A Not applicable

The Minister for Water has approved all the corporation's Bulk Entitlement Water Metering Programs.

## Aquifer Storage and Recovery

In accordance with the Water Supply Demand Strategy for the Mitchell River Water Supply System, East Gippsland Water has continued to utilise the innovative water storage technique known as Aquifer Storage and Recovery (ASR).

Under a licence issued by the groundwater regulator, Southern Rural Water, bulk quantities of fresh river water for drinking are being stored underground in a group of deep aquifers. The water is available to be extracted at a later date, as required, and is fully treated to help supply tens-of-thousands of customers along the Mitchell River system including those in major centres like Bairnsdale, Paynesville and Lakes Entrance.

During the reporting period East Gippsland Water successfully injected and extracted a volume of high quality fresh water, with monitoring demonstrating minimal impact on other groundwater users. As a result the corporation is seeking an amendment to the existing groundwater licence to further enhance the operation of the scheme.

ASR will help ensure long-term water security for customers on the Mitchell River Water Supply System. Using aquifer storage reduces the potential for water loss from evaporation and maintains high quality drinking water, free from risks of algal and airborne contamination.

The licence with Southern Rural Water comes with strict environmental conditions and monitoring requirements. Water quality samples and groundwater levels are measured constantly in East Gippsland Water, State and where possible private bores, to ensure minimal impact on existing groundwater users.

## Drinking Water Quality

The delivery of safe drinking water to the community is fundamental and East Gippsland Water monitors drinking water quality regularly in all its water supply systems to comply with the *Safe Drinking Water Act 2003*, *Safe Drinking Water Regulations 2005* and its Customer Charter.

The corporation complied fully with the Act and Regulations during the reporting period in the provision of drinking water services, with the exception of one exceedance for aluminium in the Orbost region.

East Gippsland Water operates a Drinking Water Quality Management System, which has certification in accordance with the *Safe Drinking Water Act 2003* and includes specific compliance standards for quality and frequency of sampling.

Regulatory audits are undertaken biennially by certified auditors appointed by the Department of Health (DoH) to ensure the integrity of this system. East Gippsland Water undertook such a regulatory audit in February 2012, and passed, receiving zero non-conformances.

*Opportunities for Improvement* were also identified during the audit, which East Gippsland Water has implemented to further develop and improve its Drinking Water Quality Management System.

## Water Quality Compliance Incidence

In 2012/13, no Section 22 notifications were made to the Department of Health.

One Section 18 notification was lodged in relation to an aluminium exceedance detected in a reticulation sample. A subsequent system-wide program of flushing and monitoring in the Orbost region resulted in compliant levels of acid soluble aluminium.

## 2012/13 Compliance with the Water Quality Standards Specified in the Safe Drinking Water Act 2003

Water quality location	E.coli (< 1 organism in 98% of samples taken)	Aluminium (Acid Soluble; <=0.2mg/L)	Turbidity (<= 5 NTU) <sup>1</sup>	Disinfection By-products <sup>2</sup>
Bairnsdale	✓	✓	✓	✓
Bemm River	✓	✓	✓	✓
Buchan	✓	✓	✓	✓
Cann River	✓	✓	✓	✓
Dinner Plain	✓	N/A <sup>3</sup>	✓	N/A <sup>3</sup>
Eagle Point / Paynesville	✓	✓	✓	✓
Kalimna	✓	✓	✓	✓
Lindenow	✓	✓	✓	✓
Lindenow South	✓	✓	✓	✓
Mallacoota	✓	✓	✓	✓
Merrangbaur	✓	✓	✓	✓
Metung	✓	✓	✓	✓
Nicholson / Swan Reach	✓	✓	✓	✓
Nowa Nowa	✓	✓	✓	✓
Omeo	✓	✓	✓	✓
Orbost	✓	X <sup>4</sup>	✓	✓
Sarsfield / Bruthen	✓	✓	✓	✓
Sunlakes / Toorloo	✓	✓	✓	✓
Swifts Creek	✓	✓	✓	✓

<sup>1</sup>95% upper confidence limit of the mean.

<sup>2</sup>Trihalomethanes: <0.25 mg/L; Chloroacetic acid: <0.15 mg/L; Di-Tri-chloroacetic acid: <0.1 mg/L.

<sup>3</sup>N/A = not applicable.

<sup>4</sup>One routine water quality sample from Orbost water sampling locality was found to contain acid soluble aluminium levels >0.2 mg/L; a program of flushing was implemented, resulting in compliant sampling results.

## Maintaining and Improving Water Quality

During 2012/13, the corporation implemented and continued a number of major initiatives to maintain and improve water quality for customers, including:

- a \$180,000 electrical upgrade of the Omeo water treatment plant to improve its operational performance
- continuation of an Aquifer Storage and Recovery scheme research initiative at Woodglan
- on-going liaison with the DEPI, EPA and Department of Health for management of cattle access to rivers and streams in drinking water catchments;
- outsourcing of all East Gippsland Water's water quality sampling and related scheduling to an independent NATA-(National Association of Testing Authorities) accredited external laboratory
- high-pressure cleaning water mains across the water distribution network (refer to Assets Maintenance and Renewals section for more details).

## Water Recycling

The corporation maintained its position as a leader in the Victorian water industry for water recycling, achieving 99 percent reuse across its eleven wastewater treatment plants. The 100 percent reuse target was hampered by the ongoing impact of unusually high rainfall experienced in 2011/12, which restricted opportunities to use recycled water for irrigation purposes at Cann River.

### Recycled Water Performance

	Volume (ML)			
	2009/10	2010/11	2011/12	2012/13
Wastewater Collected	2,674.7	2,775.3	2,867	2,763
Recycled Water Produced	2,152.6	2,530.0	2,748	2,984*
Recycled Water Used	2,152.6	2,511.3	2,469	2,959
Recycled Water Used (%)	100%	99.3%	90%	99%
<b>Target</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*The volume of recycled water produced was greater than the amount of wastewater collected due to a carry-over of recycled water held in storages from the previous year and reused in 2012/13

### Volume of Recycled Water Used per Town/System - 2012/13

Town/System	Number of Assessments	Annual Wastewater Volume Re-used (ML)
Bairnsdale	7,107	1,228.85
Cann River	172	26.38
Dinner Plain	544	52.68
Lakes Entrance	4,670	911.92
Lindenow	184	12.92
Mallacoota	1,014	107.34
Metung / Bruthen	1,931	118.77
Omeo	245	26.13
Orbost / Marlo	1,695	326.04
Paynesville	3,761	145.2
Bemm River	97	3.11
<b>Total</b>	<b>21,420</b>	<b>2,959</b>

### How Reuse is Achieved

Location	Reuse Purpose						
	Wetlands	Alpine Woodland	East Gippsland Water Pasture	East Gippsland Water Tree Plantations	Racecourse	3rd Party Pasture	Golf Courses
Bairnsdale	✓			✓	✓		
Lindenow	✓						
Paynesville			✓			✓	
Metung			✓				
Lakes Entrance, Kalimna West and Swan Reach			✓	✓		✓	✓
Omeo						✓	
Dinner Plain		✓					
Orbost and Newmerella			✓	✓		✓	
Mallacoota				✓			✓
Cann River						✓	
Bemm River			✓				

All the recycled water produced by the corporation's wastewater treatment facilities is directed at beneficial reuse, with a priority on protecting the environment. It is utilised on East Gippsland Water properties in Newmerella, Mallacoota, Metung, Paynesville, Bairnsdale and Bemm River, and at its Bruce's Track Farm near Swan Reach to irrigate pasture, tree plantations and open areas. Third parties to benefit from the recycled water include three golf courses and the Bairnsdale Racecourse, as well as farmers in Newmerella, Swan Reach, Paynesville, Omeo, Cann River and Kalimna West.

The Bemm River Sewerage Scheme, which was completed in 2012/13, is utilising an innovative subsurface irrigation system for the recycled water generated, which is a first for the corporation.

### Macleod Morass

Under an EPA licence, and a Memorandum of Understanding with Parks Victoria, East Gippsland Water's Bairnsdale Wastewater Treatment Plant supplies high-quality, recycled freshwater to the Macleod Morass, via a series of constructed wetland cells.

As part of Water Plan 3 (2013-18) the corporation will progress a major upgrade to the plant, sections of which are nearly 80 years old. Consideration will be given to the long-term requirements of the morass from a water quality and quantity perspective.

East Gippsland Water has continued to work with representatives from 13 stakeholder organisations to enhance the environmental values of the Morass. During 2012/13 funding was provided for vegetation management trials to control the overgrowth of Cumbungi.

### Office Impacts

Parameter	Quantity 2011/12	Quantity 2012/13	Units
<b>Energy</b>			
Energy used per full time employee	14,291.04	13,087.93	MJ/FTE*
Energy per square metre of office space	568.92	477.43	MJ/m <sup>2</sup>
Total energy usage	717,537	602,045	MJ
Greenhouse gas emissions	241.17	195.66	t CO <sub>2</sub> -e
<b>Waste Production</b>			
Total units of waste produced	71.87	77.85	Kg/FTE
Total units of waste recycled	1,834.90	1,827.70	Kg
<b>Paper Use</b>			
Units of paper used per employee	9.48	7.70	Reams/FTE
Total units of paper used	476	354	Reams
<b>Water Consumption</b>			
Units of water used per employee	5.44	5.50	kL/FTE
Total units of water consumed	273	253	kL
Units of water used per square metre of office space	0.22	0.20	kL/ m <sup>2</sup>
<b>Transport</b>			
Total energy consumption	710.42	754.67	GJ
Total CO <sub>2</sub> equivalent	48.34	52.13	t CO <sub>2</sub> -e
Energy consumption per employee	14	16	GJ / FTE
CO <sub>2</sub> equivalent/per employee	0.96	1.13	t CO <sub>2</sub> -e / FTE
Kilometres travelled per employee	4,540	5,401	km / FTE
Total kilometres travelled (not private or commuting)	227,920	248,437	km
Percentage of employees using public transport, car pool, cycling or walking to work.	12	20	%

Note: \* FTE = Full time equivalent staff

### Office Based Environmental Impacts

The corporation continued to review office-based activities, as part of a commitment to continually improve resource efficiency and lessen environmental footprint.

Total energy usage for the Bairnsdale office was 602,045 MJ, which represents a reduction from the 717,537 MJ recorded the previous year and 729,778MJ in 2010/11.

The amount of energy used per member of staff decreased from around 14,300MJ/FTE in 2011/12 to some 13,000MJ/FTE.

Fewer mass mail outs to customers also led to a notable reduction in paper usage.

### Corporate Water Consumption

Total water consumption was calculated for the corporation's Bairnsdale office and decreased from 273kL to 253kL in 2012/13.

The volume of water consumed per member of staff in the office increased slightly from 5.44 kL/FTE to 5.50 kL/FTE due to a reduction in staff numbers.

Water consumption is not calculated for East Gippsland Water's other sites such as depots, water and wastewater treatment plants as the majority is utilised as part of operational processes.

## Overall Greenhouse Gas Emissions

Over recent years the corporation has set out to minimise energy use and greenhouse gas emissions, with a commitment to reduce the environmental impact of operations.

Initiatives implemented include:

- an ongoing program to replace old and worn pumps with new, energy-efficient models;
- rationalisation of distribution systems and improvements in water quality, allowing a number of water disinfection stations to be taken out of service
- replacement of existing IT servers with virtual servers to help reduce the carbon footprint in future years

- continually raising awareness of energy saving practices that can be applied daily across all staff areas.

Despite energy savings achieved at a number of sites, and a notable reduction in fuel required for transport, the corporation's overall level of greenhouse gas emissions has nonetheless increased. Net greenhouse gas emissions increased from 8,378 in 2011/12 to 8,442 tonnes of CO<sub>2</sub>-e equivalent (t CO<sub>2</sub>-e) in 2012/13.

The main contributing factor to the increase was electricity consumption, which rose as the corporation harvested, treated and supplied more drinking water to meet greater customer demand, and also pumped and treated more wastewater.

### Greenhouse Gas Emissions 2012/13

	Electricity Usage	Fuel		Direct Emissions
		ULP / Diesel	LPG	
	t CO <sub>2</sub> -e			
Water Treatment and Supply	4,217.56	17.95	0	0
Sewage Treatment and Management	2,467.20	46.47	0.52	1,202.59
Transport	0	249.43	7.20	0
Other (ie office buildings)	232.99	0	0	0
<b>Total</b>	<b>6,917.75</b>	<b>313.85</b>	<b>7.714</b>	<b>1,202.59</b>

<b>Total Greenhouse Gas Emissions</b>	=	<b>8,442</b>	<b>t CO<sub>2</sub>-e</b>
<b>Offsets</b>	=	<b>0</b>	<b>t CO<sub>2</sub>-e</b>
<b>Net Greenhouse Gas Emissions</b>	=	<b>8,442</b>	<b>t CO<sub>2</sub>-e</b>

### 5 Year Comparison

Greenhouse Gas Emissions	t CO <sub>2</sub> -e				
	2008/09	2009/10	2010/11	2011/12	2012/13
Electricity Usage	7,148	7,399	7,255	6,716.53	6,917.75
Fuel (ULP, Diesel, LPG)	374	390	393	387.98	321.56
Direct Emissions	1,008	952	1,044	1,273.28	1,202.59
<b>Total</b>	<b>8,530</b>	<b>8,741</b>	<b>8,692</b>	<b>8,378</b>	<b>8,442</b>
Offsets	4.82	4.82	5	0	0
<b>Net Greenhouse Gas Emissions</b>	<b>8,525</b>	<b>8,736</b>	<b>8,687</b>	<b>8,378</b>	<b>8,442</b>

## Environmental Management System

East Gippsland Water's Environmental Management System (ISO 14001) continues to drive conscientious environmental stewardship and performance management. It again performed consistently well in all areas during the surveillance audit conducted by external auditors NCS International.

## Biosolids Management

East Gippsland Water is committed to the sustainable reuse of biosolids produced during the wastewater treatment process.

In 2012/13 the corporation implemented its *Biosolids Management Plan*, which covers the management of current and forecast levels of biosolids.

East Gippsland Water continues to reuse biosolids as an environmentally beneficial soil-conditioner at a number of its reuse farms across East Gippsland.

# Asset Management

East Gippsland Water is responsible for delivering quality water and wastewater services to its customers through the operation and maintenance of an extensive range of infrastructure assets. These assets comprise water and sewerage networks and include pipes, pumps, storages, treatment plants and equipment, as well as depots and office buildings.

The commitments contained in the corporation's Asset Management Policy are aimed at achieving a safe, reliable, cost effective and high quality of service to both existing and new customers.

During the reporting period East Gippsland Water continued work to ensure that assets were being managed safely, effectively, efficiently; and with minimal environmental impact. Key asset management initiatives progressed during the 2012/13 financial year are outlined below.

## New Assets and Projects

A number of significant projects were either progressed or commissioned during the reporting period to improve services to customers, ensuring they receive secure, high quality water supplies and wastewater services well into the future. A key focus was addressing long term risks associated with extreme weather events, changes in climate and population growth. Significant initiatives included:

### Bairnsdale Main Supply Pipeline

Work commenced to replace a key section of water supply pipeline into Bairnsdale.

The project involves replacing a 350m length of ageing steel water main lying close to the Lind Bridge at WyYung, including a 70m section running across the bed of the Mitchell River. A tunnel up to 1.5m in diameter will be drilled under the river bed to take the replacement pipe.

This project is a high priority to ensure that a reliable drinking water supply into Bairnsdale is maintained for the long-term future. The pipeline section targeted has suffered under the impact of some major flood events. Its replacement will be more resilient and constructed from high density polyethylene.

The work is due for completion by late 2013.

### Orbost Water Storage Cover

Work got underway to install a shade cloth cover over Orbost's 45ML clearwater storage, to boost long-term water security for the local community and maintain their water quality. The shade cloth will greatly reduce any risk of soil, algal or airborne contamination of water held in the clearwater storage, while also cutting evaporation from the storage by up to 90 percent.

The project, worth around \$640,000, has been supported by more than \$270,000 from the Victorian Government's Small Towns Water Quality Fund. It is due for completion early in 2013/14.

### Metung Wastewater Treatment Plant

Work progressed on upgrading the Metung Wastewater Treatment Plant to cater for population growth from the Kings Cove development and new customers coming online at Tambo Bluff. The project includes construction of a 50ML winter storage dam and expansion of the irrigation system, with completion of stage one expected early in 2013/14. Further expansion of the irrigation system is planned over the next ten years.

### Bemm River Sewerage Scheme

A much-needed sewerage scheme for the town was completed. This is designed to benefit the environmental health of the local waterways and protect public health by removing risks associated with septic tank effluent. The project involved construction of reticulation sewers, pump stations and a wastewater treatment plant.

### Lake Tyers Aboriginal Trust

A major upgrade to the sewerage system at Lake Tyers Aboriginal Trust was completed.

East Gippsland Water had been commissioned and funded by the Department of Families, Housing, Community Services and Indigenous Affairs to coordinate the \$3 million project, to address the community's present and future sewerage requirements. Work included the provision of upgraded sewers and two pump stations. In addition, 6km of sewer pipeline connecting Lake Tyers Aboriginal Trust to the East Gippsland Water sewerage system was installed.

Local community members were also employed by contractors working on the initiative.

### Greene Street Sewerage Pump Station and Rising Main Upgrade

Work got underway to upgrade the sewerage pump station and rising main to cater for population growth and an associated increase in wastewater flows. The project is due for completion early in 2013/14.

### Bairnsdale Wastewater Treatment Plant Upgrades

During 2012/13 the ageing sludge digester at the plant was emptied to enable refurbishment and upgrade work that will reduce odours and improve operational efficiency. This is due to be completed in 2013/14. Further upgrades at the plant are planned during the next few years.

### Water Main Renewals

Around 700m of ageing water mains were replaced in central Bairnsdale, with the \$350,000 program conducted in parallel with road and stormwater drainage works being undertaken by East Gippsland Shire Council.

Replacing the pipework will help ensure the long-term reliability and efficiency of the water mains well into the future. It also means that East Gippsland Water staff will have improved access to the pipework and associated valves when required, minimising any future disruption to customers.

## Asset Maintenance System Enhancements

During 2012/13 East Gippsland Water continued work to enhance the computer software used to manage the maintenance of mechanical, pipeline and electrical assets, including its Geographic Information System.

This software is now used to manage breakdown as well as preventative maintenance.

A review of the asset database to further enhance the management of maintenance is due to be completed during 2013/14.

## Supervisory Control and Data Acquisition (SCADA)

Using remote monitoring, SCADA operates continuously and provides early warning of faults or performance issues at water treatment plants, and key wastewater treatment facilities and pump stations. The focus is on maximising operational efficiency, monitoring equipment reliability and compliance, and improving customer service.

During the reporting period East Gippsland Water continued the roll-out of its SCADA system across wastewater facilities. Three pump stations were brought on-line at Lakes Entrance Wastewater Treatment Plant, Lake Tyers Aboriginal Trust Sewer Pump Station and Bemm River Wastewater Treatment Plant.

Dual communications are now installed at 80 percent of critical sites, enabling automatic changeover to backup communications should the primary communications path fail.

Additional backup SCADA alarms have been installed to support alarm diallers if phone lines fail.

## Developer Works and Subdivisions

A total of 330 new allotments were serviced during 2012/13, compared with 545 the previous year. The value of owner-financed works involving water and wastewater assets was \$700,000, compared with \$2.1 million in 2011/12.

## Maintenance and Renewal of Assets

East Gippsland Water is committed to maintaining the reliability and efficiency of its water and wastewater services, and minimising service interruptions to customers.

The corporation operates a very proactive regime when it comes to inspecting and maintaining its water and wastewater assets, using dedicated teams and the latest in technology. This has brought reductions in the number of burst mains and sewer pipeline blockages, which in turn has cut the level of reactive work required.

Work undertaken as part of ongoing proactive programs in 2012/13 included:

- pressure cleaning 73.3km of water mains (around ten percent of the total network) to ensure the efficiency of the supply network and maintain drinking water quality. Customer supply systems targeted included Metung, Lakes Entrance and Dinner Plain;
- pressure scouring sewer mains to reduce odour issues;

- proactive pipeline inspection using CCTV and cleaning 18km of sewer mains via tree root cutting work as well as inspecting 915 manholes (ten percent of the total network). This prevents blockages, overflows and interruptions to customers' wastewater services and has been a key driver in East Gippsland Water's ability to reduce unplanned interruptions in its wastewater network;
- refurbishing aged and deteriorated sewer manholes to significantly extend their useable life. The technology used avoids the need for excavation work and service interruptions;
- scrutinising sections of sewer pipeline to pinpoint any stormwater infiltration of the network caused by leaks or illegal stormwater pipe connections. Areas targeted included West Bairnsdale, Lucknow, Eastwood, Lakes Entrance and Mallacoota, with a number of illegal connections and inappropriately located Overflow Relief Gullies (ORGs) identified. A number of ORG savers were installed to combat infiltration into the sewerage network during significant rain events and floods.

## Asset Planning

The review and refinement of East Gippsland Water's ten year capital works expenditure program was completed.

This program focuses on investment initiatives and is incorporated into Water Plan 3, which runs from 2013-18, and Water Plan 4 (2018-2023).

Water Plan 3 sets out the corporation's challenges, objectives and targets for the next five years with specific projects included to upgrade the Bairnsdale Wastewater Treatment Plant, as well as the Bairnsdale and Lakes Entrance sewerage networks and renewing ageing pipe network infrastructure.

In formulating the plan, consideration has been given to East Gippsland Water's recently revised Water Supply Demand Strategies, Sewer Asset Master Plan and Water Asset Master Plan. The feedback from community engagement initiated during 2011/12 also helped to clarify community expectations with regard to the reliability of services provided.

## People and Culture

### Our Philosophy

East Gippsland Water continues to provide a safe and respectful working environment where the personal and professional development of staff is actively encouraged. These principles, along with the application of safe working practices, are of the utmost importance to enhance the operation of the organisation and lead to ongoing improvements in service delivery.

### Risk Management

East Gippsland Water applies risk management to all areas of its work, including: business operations; the evaluation and management of new projects; and stakeholder management.

East Gippsland Water's Risk Management Team comprises the four executive managers and the Manager Business Risk and Compliance. This team meets quarterly to review and discuss risk issues.

Responsibility for the management of risk is clearly defined within each executive manager's portfolio and the team approach allows for 'top level' visibility across the organisation. The interaction and interdependence of the portfolios is also recognised.

The corporation's risk management system is based on International Standard ISO 31000 and continued to be enhanced during 2012/13 to include a formal risk appetite statement, risk tolerance levels and the incorporation of 'opportunity risk'.

The key systems that currently assist in the management of risk are the:

- Drinking Water Quality Management System
- Environmental Management System
- Occupational Health & Safety Management System, including the Contractor Health, Safety and Environment Management System
- Emergency Incident Response System, which includes the Emergency Incident Response Manual, business continuity and pandemic plans, as well as the Security Risk Management Plan
- Dam Safety Management System
- Asset Management System, which includes the capital works and project planning processes
- Financial Management System, which incorporates the Financial Management Compliance Framework, Accounting Manual and Audit Plan.

Effective risk management requires the identification of relevant stakeholders and an understanding of their needs, issues, concerns and interests. This aids the development of marketing and communication strategies, as stakeholder consultation is an integral part of the risk management process.

The corporation is a member of several special interest groups and networks which allow the sharing of ideas and solutions to common issues. One of these is the DEPI Water Security Continuity Network, which focuses on the management of critical infrastructure.

## Public Liability and Property Risk Management Audit

East Gippsland Water is regularly assessed by its insurer for public liability and property risk management. There was a change of insurers at the start of the financial year, with the new insurers conducting their first property and liability audit in April 2013. Unlike previous audits, no 'scores' were awarded, but a high achievement was noted.

## Staff Training and Achievements

The corporation invests significant resources in staff training and development to enhance skills and promote personal advancement. There is a clear focus on safe working practices.

During 2012/13, many staff commenced or successfully completed accredited training at various levels, as well as pursuing a diverse range of short courses. East Gippsland Water continued to provide ongoing training and assessments for operations and maintenance staff in relation to Certificate II/III & IV in Water Industry Operations.

A significant number of operations and maintenance staff also completed and received various certificates and licences relating to occupational health and safety, new work skills and further personal development.

## Staff Undertaking Accredited Training 2012/13

Water Industry Operations Cert II/III	8
Water Industry Operations Cert IV	4
Certified Practising Accountant	1
Graduate Diploma of Accounting	1
Diploma of Accounting	1
Advanced Diploma of Management	1
Masters (IT)	1
Diploma in Information Technology / Project Management	1
Training and Assessment Cert IV	4
IT Infrastructure Library Course	2
HSE Lead Auditor	1
Difficult Conversations Training	16
The New Manager Course	1
Fleet Management Certificate	1
Water Treatment	2
Dam Safety Course	2
<b>TOTAL</b>	<b>47</b>

## Staff Health and Wellbeing

A key element of the corporation's Occupational Health & Safety (OH&S) Management System is linking personal wellbeing and working life via regular health and wellbeing initiatives.

A staff wellbeing working group managed a number of key projects during the reporting period, aimed at maximising employee involvement in health and fitness related initiatives. These were captured in a staff health and wellbeing handbook launched in February and included:

### Monthly Events

Important health themes profiled in the handbook were launched each month. Fund raising and factual information formed an integral part of these events.

### Sports and Team-based Activities

The corporation entered five teams in the East Gippsland Corporate Teams Triathlon and four teams participated in the Fit 'n' Healthy Steps Challenge. A number of field and office staff also registered in the East Gippsland Soccer League.

### Australian Red Cross Blood Service

The availability of the mobile blood donation service was actively promoted with a number of staff donating on a regular basis.

### November and Pink Ribbon

East Gippsland Water once again combined these annual fundraising events and staff raised more than \$800. This money went directly to cancer research and mental health campaigns.

### Employee Assistance Program

This ongoing initiative offers staff confidential counselling and support for personal and workplace issues that may impact on their wellbeing and work capability. The corporation employs the services of a qualified independent counsellor, who regularly visits work sites to discuss any issues with staff in the strictest confidence. This counsellor also provides executive management with an independent overview of the psychological health of the workforce, highlighting any areas of concern.

## Public Administration Values, Employment Principles and Trademark Behaviours

East Gippsland Water recognises the influence that staff behaviour has on productivity, internal relationships, the work environment, public relations and relationships with customers, clients, contractors and the wider community.

In accordance with the principles of Equal Employment Opportunity and the Victorian Charter of Human Rights and Responsibilities, all staff are expected to actively promote a workplace that abides by this Charter and are provided with appropriate training to inform them of this obligation.

East Gippsland Water also has an identified Equal Opportunity Officer, and two trained Equal Employment Opportunity Contact Officers, who can provide informal counselling to staff.

To complement its code of conduct for staff, which is consistent with the Code of Conduct for Victorian Public Sector Employees, the corporation has also established a set of trademark behaviours that staff have identified as important for the effective functioning of the business. These behaviours have been built into East Gippsland Water's annual review process and continue to be the focus of workplace culture.

Staff receive updates on the Victorian Charter of Human Rights, and all new staff receive an introduction to the Charter and the Equal Opportunity Act as part of their overall induction to East Gippsland Water.

## Staff Satisfaction

Surveys help the corporation identify where it is performing well in the management of its people, as well as identifying opportunities for improvement in workplace practices.

Along with other water corporations, East Gippsland Water participates in the State Services Authority (SSA) People Matter Survey to assess staff satisfaction with the organisation and its employment practices. This is held every two years and was most recently conducted in March 2012.

The results from this survey provide an invaluable tool for measuring staff perceptions and act as a useful comparison with other Water Industry employees. Satisfaction continues to remain particularly high within East Gippsland Water.

To further monitor staff satisfaction, East Gippsland Water also collects and considers feedback as part of its annual review process.

An internal staff satisfaction survey is also conducted in alternate years to the People Matter Survey, and was most recently undertaken in May 2013. The survey revealed 85% of respondents expressed satisfaction with their role at East Gippsland Water and almost all respondents (96%) indicated that they were proud to work at the corporation.

## Workplace Relations

East Gippsland Water's Employee Consultative Committee provides an invaluable means of communication and information flow within the corporation. Its primary role is to monitor the contribution made by staff to the corporation's performance and its adherence to key performance indicators, as identified in the East Gippsland Water Enterprise Agreement. It also provides feedback on the quality of staff training and participates in the identification of continuous improvement programs.

Staff continued to operate effectively and efficiently under the East Gippsland Water Enterprise Agreement in 2012/13.

## Workforce Data

As at June 30, 2013 the Corporation employed 86 people. The breakdown of staff was as follows:

Staff classification	Total		Male		Female	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Managing Director and Executive Staff	5	5	5	5	0	0
Technical and Administrative Staff (full time)	41	44	23	27	18	17
Technical and Administrative Staff (part time & temp)	4	3	0	0	4	3
Field Staff (full time)	38	34	38	34	0	0
<b>Total</b>	<b>88</b>	<b>86</b>	<b>66</b>	<b>66</b>	<b>22</b>	<b>20</b>

## Occupational Health & Safety (OH&S)

Managing risks in the workplace and ensuring staff are able to return home every day without injury remain essential goals, as the staff are the corporation's most important asset.

To this end, the corporation maintains an OH&S management system externally certified against Australian/New Zealand Standard 4801:2011, to manage the safety of staff, contractors and the public across all areas of the business. The original certification was achieved in 2005.

The basis of the safety management system continues to be:

- open consultation on workplace safety
- relevant and current OH&S training (including staff OH&S induction and in-house training by qualified staff, as well as nationally accredited formal and industry-specific training)
- safe and competent staff, and
- a suite of tailored work instructions and procedures.

Procedures are developed using a risk assessment process, with the aim of minimising risk, if not eliminating it.

East Gippsland Water's Contractor Health, Safety and Environment Management System is an integral component of the overall OH&S management system. The corporation regularly provides or sponsors relevant in-house and external HSE training to contractors and other East Gippsland organisations, to enable greater participation and reduce overall training costs.

Safety remained a key focus in all contract works during 2012/13, with contractor safety incidents reported to the corporation so that lessons could be learnt and applied as a continuous improvement activity.

Safety-related key performance indicators are embedded within the corporation's Enterprise Agreement and these are reported to the Employee Consultative Committee on a quarterly basis.

### Performance for 2012/13

	Audits/Inspections Conducted	External Audit Compliance	Safety meetings conducted	Incidents reported on time
Target (%)	90	100	90	90
Result (%)	90	100	90	79

In relation to the below-target result for *Incidents reported on time*, there were a total of 14 incidents, of which 11 were reported on time and three outside the expected time-frame. Notwithstanding, the need for timely incident reporting continues to be a high priority and is emphasised within the corporation.

East Gippsland Water staff continued to provide leadership of the East Gippsland OH&S Network during 2012/13, as they have done since the network's inception in 2000. This forum brings high quality presentations at no direct cost to the businesses attending. East Gippsland Water also continued its involvement with, and leadership of, the Victorian Water Industry OH&S Network, which has operated since 2002.

Significant achievements in OH&S for 2012/13 included:

- continued certification of the corporation's OH&S Management System against AS/NSZ 4801:2011 and compliance across all management system elements
- continuation of the corporate health and wellbeing program, with an emphasis on monthly, theme-focused activities, including social and sporting events
- continued management of OH&S workplace inspections via an asset management system and the Geographic Information System (GIS), which enables staff to complete workplace inspections on-line using a laptop computer. This process has been expanded to other types of inspection across the corporation including dam surveillance and water quality inspections
- ongoing management of the newly integrated OH&S and environmental management systems
- continued close collaboration with local emergency services - with their involvement in an annual emergency exercise
- continued leadership role in the East Gippsland OH&S Network
- ongoing participation in the Victorian Water Industry as a member of the VicWater OH&S steering committee.

## OH&S Statistics

### Number of Incidents/Lost-Time Incidents

Incident reporting, including the reporting of near misses, reflects the effectiveness of East Gippsland Water's safety system and, therefore, the reporting of all incidents is encouraged.

All incidents are tabled at regular committee and board meetings and, depending on their severity, subject to investigation in order to determine the cause and prevent a repeat.

There were a total of 14 incidents for 2012/13. 'Near miss' incidents that did not cause an injury continued to make up the majority of the total.

Medical treatment incidents are those that result in treatment by a registered medical practitioner, not just referral to a doctor. Lost-time incidents are those that result in a person being absent from work for at least one full shift due to a workplace injury.

Incidents	2008/09	2009/10	2010/11	2011/12	2012/13
Total Incidents Reported	12	9	24	24	14
Medical Treatment Incidents	1	0	1	1	0
Lost-time Incidents	1	1	1	1	1
Working Days Lost	2	3	2	2	49

### Average Time Lost

Average Time Lost is the average time lost from work, per incident, in days. For the purpose of this indicator 12 months (220 days) is the maximum time for any single incident. It is calculated against total incidents recorded, as well as against lost time incidents.

Average Time Lost =  $\frac{\text{Number of Working Days Lost}}{\text{Number of Incidents in the Period}}$

Average Time Lost	2008/09	2009/10	2010/11	2011/12	2012/13
Days Lost per Total Incidents	0.17	0.33	0.08	0.08	2.64
Days Lost per Lost-Time Incident	2	3	2	2	49

## Community Engagement

### Communication and Consultation

East Gippsland Water uses a variety of communication and consultation tools to actively engage with its residential and business customers, as they are spread across a vast geographic area spanning some 21,000 square kilometres.

Tools utilised include:

- media releases, advertisements and articles published in local newspapers - on the corporation's website and broadcast on local TV and radio, often inviting public feedback
- the corporation's *Pipeline* newsletter (targeted at a selection of key stakeholders) and *On Tap* news sheet (mailed to all account holders), again often inviting public comment
- a monthly, full page advertorial in the East Gippsland News, titled *In the Flow*;
- information brochures covering a wide range of topics
- Customer Reference/Advisory Committees (Groups) where appropriate

- customer service follow-up calls
- monthly regional visits/consultative meetings where customers are invited to discuss East Gippsland Water issues with senior management
- an annual, independently conducted customer satisfaction survey to assess how well corporation services are being delivered.

East Gippsland Water recognises its responsibility to communicate key messages to all segments of the community. The emphasis is on using water efficiently, awareness that water is a finite resource, the impact of extreme weather events and the drive for long term security of drinking water supplies.

A major message is the corporation's commitment to sustainability as a fundamental requirement of all its operations in relation to water, wastewater and water recycling.

Consultation is conducted on specific issues and proposed projects as well as draft East Gippsland Water strategies and policies, where there is a significant potential impact on customers and the community.

The corporation is keen to expand the level of community engagement, to ensure that customers are informed and, where appropriate, involved in the shaping and implementation of initiatives, programs and services that have an impact on them.

During the financial year customers were invited to register their interest to participate in consultation activities.

### Water Plan 3

Customers and other stakeholders were invited to provide feedback on the final draft of East Gippsland Water's Water Plan 3, before it was submitted to the Essential Services Commission for the final price determination (delivered in June 2013).

Comments were invited in writing and by email. Regular publicity was provided through the local media, particularly printed media, with a dedicated page also provided on the East Gippsland Water website.

This program of community engagement replaced the usual monthly regional consultative meetings as a means to encourage customer discussion of issues relating to East Gippsland Water.

### Newsletters/News sheets/Advertorials

Two issues of East Gippsland Water's *Pipeline* newsletter were published during the reporting period. This is designed to inform key stakeholders of significant corporation activities and projects. It is mailed out and is also available on the corporation's website and over the counter at East Gippsland Water offices.

Four issues of the *On Tap* newsheet were published in 2012/13. This is mailed out to all account holders with their bill, to inform them about East Gippsland Water services and projects.

Full page advertorials were run monthly in the East Gippsland News to update customers on services and initiatives, including progress with Water Plan 3. Called *In the Flow*, this is a response to customer requests for more information highlighted in the annual customer satisfaction survey and identified in the Victorian Water Industry "The Victorian Water Customer – Water Services Needs and Values" survey.

A survey was conducted to gauge the usefulness of *In the Flow* to customers, including its readability. On a scale of 1 to 5, where 1 is poor and 5 is excellent –

- 99 percent of customers responding rated the page 3 or greater in terms of providing useful information; with 88% rating it at least 4 and 42% a 5
- 99 percent of customers responding rated the page 3 or greater for being easy to read; with 89% rating it at least 4 and 58% a 5.

East Gippsland Water's extensive brochure range includes customer service, water efficiency and environmental information, as well as Permanent Water Saving Rules, water restrictions and information about the corporation's water and wastewater systems. These are available at East Gippsland Water offices and on its website.

## Website

East Gippsland Water's website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au) aims to provide customers with easy access to information about the corporation and its services, as well as direct links to other water-related websites.

## Tours/Presentations/Events

East Gippsland Water handled more than 50 requests from local community groups and schools for tours and presentations relating to its infrastructure and various aspects of its operations, including wastewater treatment and water recycling.

Locations of particular interest were Glenaladale off-take and pump station, Woodglan Water Treatment Plant and storages, Bairnsdale Wastewater Treatment Plant, Macleod Morass and the Lakes Entrance Wastewater Treatment Plant.

Ten school-based presentation/activity sessions were conducted at Bairnsdale Primary School, seven at Lucknow Primary School and two at the Alpine School, Dinner Plain.

The corporation is also a member of the Victorian Water Educators' Network, which is invaluable for sharing ideas and strategies to advance water education in schools.

Information stands were operated at the Seafarers Festival in Lakes Entrance, Orbost Sustainability Festival, Cann River Careers Expo, Bairnsdale Home Show and Lakes Entrance Careers Expo.

In addition, East Gippsland Water operated a float in the Bairnsdale Christmas Parade to proactively publicise its commitment to the local community.

## National Water Week

National Water Week in October each year provides a focus for sustainable water issues at national, state and regional level.

As in previous years, East Gippsland Water promoted the National Water Week Primary Schools Poster Competition, receiving entries from schools across the region.

Students from Cann River P-12 College, Buchan and Lindenow primary schools came out as East Gippsland region winners, with one student also finishing a runner-up at State level.

## Sponsorship

East Gippsland Water provides financial, merchandise and in-kind sponsorship to a number of local organisations and community groups for activities with a focus on water use, water efficiency, employee healthy lifestyles and environmental sustainability.

## Promotional Items

East Gippsland Water provides promotional items to the community which are practical and include messages promoting the value and efficient use of water.

## Customer Satisfaction Survey

Annual customer satisfaction surveys are a useful tool to measure the perception of East Gippsland Water customers, including where the corporation is delivering services well and any areas that may require action and improvement.

Taking on board customer feedback, the 2012 survey (conducted over two weeks in October and November) was much shorter than previous years, with a designed duration of six minutes, compared with the previous 17 minutes. There were fewer questions and subject areas were targeted to East Gippsland Water's core areas of business.

In a break from the previous eight years, East Gippsland Water commissioned the Australian Survey Research Group to carry out the survey. This was conducted by telephone with a random sample of 600 customers.

While a direct comparison with previous results is difficult, the aim was to gain a better understanding of the state of the corporation's business from customers.

They were asked to rate their satisfaction with East Gippsland Water's provision of services over the previous 12 months, with 96.5 percent providing a rating of at least 7 out of 10.

The vast majority of water customers (93.6 percent) and wastewater customers (94.3 percent) did not experience any issues with these services over the previous 12 months.

Some 90 percent of customers rated the taste, smell and clarity of their drinking water at least 7 out of 10.

Nearly one third of respondents (30.9 percent) said *Cleanliness* was the most important aspect of the water supply, followed by *Quality* (22.6 percent) and having a *Constant supply* (14.5 percent).

## Water Trailer

East Gippsland Water's mobile drinking water trailer creates a highly visible and positive image for the corporation at community events. Operating under the slogan *Preserving our environment – Naturally*, it is available free of charge to community and not-for-profit regional organisations.

During 2012/13 the water trailer attracted 27 bookings and was utilised at a variety of events including community festivals, major sporting events and field days with hundreds of people benefitting across the region.

# Social Sustainability

The corporation employs a triple bottom line approach to its decision making and strategic planning. This recognises that the provision of water and wastewater services has the potential for both positive and negative social, economic and environmental impacts.

In relation to social sustainability:

- East Gippsland Water is committed to the provision of high quality drinking water to all communities, not just the larger population centres.
- It is committed to a 100 per cent environmentally beneficial, affordable and sustainable reuse of wastewater.
- The revegetation and passive use of East Gippsland Water land for public purposes is another focus for enhancing environmental and social capital. The corporation is actively involved with Landcare groups in rehabilitating wetlands.

## Billing Arrangements

On 1 July 2012 East Gippsland Water implemented changes to its billing process, shifting from three bills to four bills per year.

This move to quarterly bills, with each covering a shorter period of 13 weeks, means customers receive more up-to-date information about their water usage, making it easier to compare bills and to budget effectively.

The corporation took the opportunity to publicise the availability of Easyway interest-free instalment plans as an option to make bill payments. These plans offer the flexibility to pay weekly, fortnightly or monthly and are designed to enable customers to control the family or business budget on their terms.

In addition customers have been encouraged to consider using their email as a more convenient way to receive their account. The number receiving their account in this way has increased from 68 to 283.

## Showerheads and Trigger Nozzles

East Gippsland Water continued to provide the opportunity for residential customers to replace inefficient showerheads with three-star rated, water-efficient models, free of charge.

To assist with water efficient gardening efforts, East Gippsland Water also offered water-efficient trigger nozzles free to customers on a 'first come first served' basis, with a limit of one per household.

## Water Leaks, Exceptional Circumstances

East Gippsland Water policy allows for dispensation on high water usage accounts in instances where customers cannot reasonably have been expected to be aware of a water leak.

Each case is considered on merit and a total of \$15,201 was adjusted on accounts during the reporting period.

To be eligible, customers must have engaged a licensed plumber to confirm the leak, the circumstances surrounding it and the repair undertaken.

## Living Victoria Water Rebate Program

East Gippsland Water supports the Victorian Government's Living Victoria Water Rebate Program. During the reporting period the corporation used its *On Tap* newsheet (mailed to all account holders), *Pipeline* newsletter (distributed to key stakeholders) and monthly *In the Flow* page in the East Gippsland News to publicise the initiative.

The program makes rebates on water-efficient products accessible to all Victorian households, including those not connected to a reticulated water supply, as well as to small businesses.

## Living Victoria Water Rebates 2012/13

Rebate Type	Applications Approved	Applications Received	Applications Granted \$
Rainwater Tank	3	5	\$2,550
Large Rainwater Tank	10	11	\$14,800
Greywater System	0	0	\$0
Tank to Toilet	2	2	\$1,000
Basket Offer	205	221	\$6,150
Dual Flush Toilet	8	9	\$800
Shower Rose	7	7	\$120
Pool Cover and Roller	3	3	\$600
Washing Machine	1	1	\$150
Small Business Grant	7	1	\$7,712
<b>Total</b>	<b>246</b>	<b>260</b>	<b>\$33,882</b>

## Community Concessions Provided

East Gippsland Water provides concession relief to some members of the community as part of its community service obligations.

Value of Community Service Obligation Provided	2011/12	2012/13
Concessions to Pensioners	\$1,699,350	\$1,649,615
Rebates to Not-For-Profit Organisations under the Water & Sewerage Rebate Scheme	\$177,010	\$163,683
Utility Relief Grant Scheme Payments	\$7,478	\$7,184
Water Concessions on Life Support Machines - Haemodialysis	\$0	\$0
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0
<b>Total</b>	<b>\$1,883,838</b>	<b>\$1,820,482</b>

In addition, the corporation granted \$16,075 in hardship incentive payments.

# Summary of Financial Results

<b>Financial Result</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
Core Business Revenue	19,637	21,636	23,422	25,244	28,815
Government Contributions	0	0	815	2,185	103
Other Revenue	3,826	2,908	3,578	4,848	3,605
<b>Total Revenue</b>	<b>23,463</b>	<b>24,544</b>	<b>27,815</b>	<b>32,277</b>	<b>32,523</b>
Operating Expenditure	13,189	13,267	13,948	15,856	15,925
Depreciation Expenditure	5,951	6,382	7,145	9,352	9,452
Finance Costs	1,285	2,023	2,448	2,519	2,144
Other Expenditure	567	2,500	4,518	823	1,023
<b>Total Expenditure</b>	<b>20,992</b>	<b>24,172</b>	<b>28,059</b>	<b>28,550</b>	<b>28,544</b>
<b>Net Result Before Tax</b>	<b>2,471</b>	<b>372</b>	<b>-244</b>	<b>3,727</b>	<b>3,979</b>
Current Assets	8,601	6,860	8,555	8,832	11,918
Non-Current Assets	203,256	216,677	335,562	336,072	332,506
<b>Total Assets</b>	<b>211,857</b>	<b>223,537</b>	<b>344,417</b>	<b>344,904</b>	<b>344,424</b>
Current Liabilities	12,583	8,442	10,679	16,649	12,650
Non-Current Liabilities	24,395	39,494	76,377	68,039	69,781
<b>Total Liabilities</b>	<b>36,978</b>	<b>47,936</b>	<b>87,056</b>	<b>84,688</b>	<b>82,431</b>
Net Cash Flows From Operations	7,697	4,859	7,610	8,453	12,410
Payments For Property, Plant And Equipment (Including Infrastructure)	18,876	20,360	10,569	7,901	7,050

# Summary of Financial Performance

<b>Performance indicator</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Internal Financing Ratio	38%	23%	64%	105%	176.03%
Gearing Ratio	10.38%	15.66%	10.6%	9.13%	8.71%
Interest Cover (EBIT) Times	3.09	2.06	2.58	3.18	3.01
Interest Cover (Cash) Times	7.83	3.61	4.93	4.38	7.28
Return on Assets	1.83%	1.09%	0.81%	1.74%	1.73%
Return on Equity	0.84%	0.15%	-0.08%	0.97%	1.07%

## Overview

The corporation recorded a surplus before tax of \$3.979million for 2012/13, which was above budget expectations of \$2.6 million.

This supports the financial sustainability of East Gippsland Water, as the surplus will assist with investments in new and replacement works, minimising the need for future borrowings.

The major factor underlying the improvement in profit was higher than budgeted revenue from water sales. This was due to above average water consumption by customers during the relatively hot and dry summer. Increased water sales, amounting to \$1 million, were recorded across our water supply systems, with overall consumption increasing from 4,260ML in 2011/12 to 4,812ML in 2012/13.

We also recorded higher than budgeted wastewater income. This was largely due to completion of the Bemm River Sewerage Scheme, which was officially brought online in June 2013. As a result we were required to recognise related customer contributions to the scheme of \$690,000 during the reporting period.

An expense was also incurred with the commissioning of the sewerage scheme, which was associated with the customer connection costs covered by East Gippsland Water. This amounted to \$571,000.

There were additional operating costs incurred during the reporting period, which related to the increase in the quantity of water delivered to customers and the corporation's Water Plan 3 submission.

# Other Information

## Consultants to the Corporation

### Consultants costing below \$10,000 in the 2012/13 financial year

Number: 33

Total cost of consultants engaged: \$215,000 (excl. GST)

### Consultants costing over \$10,000 in the 2012/13 financial year

Number: 10

Total expenditure on consultants during the reporting period: \$344,389 (excl. GST)

Consultant	Purpose of consultancy	Start date	End date	Expenditure 2012/13 (excl. GST)	Future expenditure (excl. GST)
Marsden Jacob Associates	Engineering services review	1/07/12	30/06/13	\$43,717	\$0
Dodo Environmental	Nicholson Dam study	1/07/11	30/12/12	\$18,400	\$0
Moroka Pty Ltd	Nicholson Dam study	1/07/12	30/06/13	\$44,200	\$0
Karoo Consulting	Nicholson Dam study	1/07/12	30/06/13	\$15,385	\$0
Lend Lease iPower Solutions	Omeo electrical upgrade specification development	1/07/12	30/06/13	\$16,100	\$0
Parasyn Controls	SCADA service level agreement, engineering support	1/07/12	30/06/13	\$132,890	\$0
SACS Consulting	Recruitment	1/07/12	30/06/13	\$22,115	\$0
Russell Kennedy Solicitors	Legal advice	1/07/12	30/06/13	\$11,229	\$0
Thinking Windows	Aquarate (rating package)	1/07/12	30/06/13	\$23,553	\$0
Australian Survey Research Group	Customer satisfaction survey	1/07/12	30/06/13	\$16,800	\$0

## Contracts

East Gippsland Water engages AECOM to provide engineering design and project management services and has done so for a number of years.

The corporation and AECOM have a contractual arrangement in place for engineering services covering the provision of feasibility studies, detailed design, project management and construction supervision. This arrangement is independently assessed, benchmarked and validated to ensure that East Gippsland Water receives value for money and that the appropriate governance issues are upheld.

The agreement is monitored against ongoing and annual performance indicators. There are provisions in the agreement and the corporation's policies to ensure conflict of interest issues are avoided and the Board of East Gippsland Water also actively oversees the ongoing arrangement.

The total fees paid to AECOM for design, project management and construction work undertaken on behalf of the corporation in 2012/13 was \$1.411 million.

The contractual arrangement is non-exclusive and the corporation may also engage other consulting engineers who have expertise in specialist areas.

## Major Contracts

East Gippsland Water did not enter into any contracts greater than \$10 million during the reporting period.

## Financial Management Compliance Framework

The Financial Management Compliance Framework was implemented on 1 July 2003. The Department of Treasury and Finance developed the framework in response to the Government's initiative of promoting responsible financial management in the public sector. The framework provides a vehicle for the Department of Treasury and Finance to monitor and report on East Gippsland Water's financial management obligations. The annual certification for 2012/13 assessed the corporation's compliance at 98%.

## Freedom of Information

The Freedom of Information Act 1982 allows public access to documents held by government entities, which includes right of access to documents held by East Gippsland Water.

A decision to release information is made by an Authorised Officer. Freedom of Information requests need to be made in writing to:

Mr Brett Millington,  
Freedom of Information Officer,  
East Gippsland Water,  
PO Box 52,  
Bairnsdale, Victoria, 3875.

The telephone number is 1800 671 841 and enquiries can also be e-mailed to [foi@egwater.vic.gov.au](mailto:foi@egwater.vic.gov.au).

The fee for requests from 1 July 2013 is \$25.70.

During the reporting period no requests for information were received by the corporation.

The following information is available on request in relation to East Gippsland Water, subject to the Freedom of Information Act:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers (covered in the Corporate Governance section of this Annual Report)
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by East Gippsland Water about itself and how these can be obtained (covered in the Environmental Sustainability section of this Annual Report and on the website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au))
- details of changes in prices, fees, charges, rates and levies charged by East Gippsland Water
- details of any major external reviews carried out on East Gippsland Water
- details of major research and development activities undertaken by East Gippsland Water
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by East Gippsland Water to develop community awareness of the corporation and its services (covered in the Environmental Sustainability and Community Engagement sections of this annual report, as well as on the website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au))
- details on assessments and measures undertaken to improve the occupational health and safety of employees (covered in the People and Culture section of this annual report)
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes (covered in the People and Culture section of this annual report)
- a list of major committees sponsored by East Gippsland Water, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including:
  - consultants/contractors engaged
  - services provided; and
  - expenditure committed to for each engagement (also covered in the Other Information section of this annual report).

## Compliance with the Protected Disclosures Act 2012

The Whistleblowers' Protection Act 2001 was repealed and replaced with the Protected Disclosures Act 2012 on 10 February 2013.

The Protected Disclosures Act was part of a package of integrity reforms introduced by the Victorian Coalition Government, which also established the Independent Broad-based Anti-corruption Commission (IBAC).

The Protected Disclosures Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

### What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

East Gippsland Water is a "public body" for the purposes of the Protected Disclosures Act.

### What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- 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 East Gippsland Water or its board members, officers or employees by contacting the Department of Environment and Primary Industries (DEPI) or IBAC on the contact details provided below.

Please note that East Gippsland Water is not able to receive protected disclosures.

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

East Gippsland Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about East Gippsland Water or its employees. You can access East Gippsland Water's procedures on its website at [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au).

### Contacts:

#### Department of Environment and Primary Industries

Jennifer Berensen, Senior Advisor, Privacy & Ombudsman  
Department of Environment and Primary Industries  
Mail: PO Box 500, East Melbourne Vic 3002  
Ph: 03 9637 8697  
Web: [www.depi.vic.gov.au](http://www.depi.vic.gov.au)

#### Independent Broad-Based Anti-Corruption Commission Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001.  
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3000  
Web: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)  
Ph: 1300 735 135  
Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

## Disclosures under the Whistleblowers' Protection Act 2001 (up to 9 February 2013)

The archived procedures established under the Whistleblowers' Protection Act are available on request. Email [egw@egwater.vic.gov.au](mailto:egw@egwater.vic.gov.au) or call 1800 671 841.

The disclosures detailed in the table below relate to the period commencing on 1 July 2012 and ending on 9 February 2013.

	2012/13 Number	2011/12 Number
<b>The number and types of disclosures made to East Gippsland Water during the year (1 July 2012 to 9 February 2013):</b>	0	0
Public interest disclosures	0	0
Protected disclosures	0	0
The number of disclosures referred during the year by the public body to the Ombudsman for determination as to whether they are public interest disclosures	0	0
The number and types of disclosed matters referred to the public body by the Ombudsman for investigation	0	0
The number and types of disclosures referred by the public body to the Ombudsman for investigation	0	0
The number and types of investigations taken over from the public body by the Ombudsman	0	0
The number of requests made by a whistleblower to the Ombudsman to take over an investigation by the public body	0	0
The number and types of disclosed matters that the public body has declined to investigate	0	0
The number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation	0	0
Any recommendations made by the Ombudsman that relate to the public body: Recommendation regarding file security and management	0	0

## Implementation of the Victorian Industry Participation Policy

During 2012/13, the Corporation did not commence or complete any contracts applicable to the requirements of the Victorian Industry Participation Policy.

## National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. East Gippsland Water continues to implement and apply this principle in its business undertakings.

## Compliance with the Building Act

During the reporting period East Gippsland Water complied with the building and maintenance provisions of the Building Act 1993.

## Advertising

During the reporting period East Gippsland Water did not undertake any government advertising campaigns with a total media buy of \$150,000 (exclusive of GST) or greater.

## Energy and Water Ombudsman Victoria

Customers dissatisfied with any aspect of interaction or service performance from a utility within Victoria may seek assistance from the Energy and Water Ombudsman Victoria (EWOV). This is an independent body funded by member utilities.

During the reporting period East Gippsland Water received two complaints that were investigated by EWOV for resolution. Both complaints were resolved satisfactorily.

## Subsequent Events

No significant events occurred between the end of the 2012/13 financial year and this annual report going to print that may significantly affect East Gippsland Water's operations in subsequent reporting periods.

# 2012/13 Performance Report

## EAST GIPPSLAND REGION WATER CORPORATION

### Financial Performance Indicators

Favourable (-)  
Unfavourable

Note	Performance Indicator	Notes	2011-12 Result	2012-13 Result	2012-13 Target	Variance %
<b>F1</b>	<b>Internal Financing Ratio</b> (Net operating cashflow-dividends)/ Capital Expenditure	1	104.82%	176.03%	119.23%	47.64%
<b>F2</b>	<b>Gearing Ratio</b> Total debt (including finance leases) ÷ Total Assets	2	9.13%	8.71%	8.29%	-5.07%
<b>F3</b>	<b>Interest Cover (EBIT)</b> Earnings before net interest and tax expense / net interest expense (times)	3	3.21	3.01	2.25	33.90%
<b>F4</b>	<b>Interest Cover (Cash)</b> Cash flow from operations before net interest and tax payments ÷ net interest payments (times)	4	4.38	7.28	5.27	38.09%
<b>F5</b>	<b>Return on Assets</b> Earnings before net interest and tax/ average total assets	5	1.74%	1.73%	1.43%	20.93%
<b>F6</b>	<b>Return on Equity</b> Net Profit after tax/average total equity	6	0.97%	1.07%	0.73%	46.01%

Notes:

- 1 Higher than expected cashflow as a result of increased water sales and revenue from wastewater tariffs. Capital expenditure below target due to delays in completing Metung wastewater winter storage No.2 and Lind Bridge main pipeline for 2012/13.
- 2 Higher than expected borrowings at the end of the reporting period due to payment of the defined benefits superannuation funding call.
- 3 Increased earnings from greater than expected water volume sales and wastewater tariff and associated scheme revenue from the new Bemm River wastewater sewerage scheme.
- 4 Increased operating cashflow associated with water sales and wastewater income. Interest expense lower than budget due to lower interest charges and greater than budgeted interest income from cash holdings as a result of increased water and wastewater revenue.
- 5 Increased water earnings from customer water sales and revenue from commencement of charges for Bemm River wastewater scheme.
- 6 Higher profit from an increase in customer water sales and revenue from commencement of charges for Bemm River wastewater scheme leading to a better return on equity result.

# EAST GIPPSLAND REGION WATER CORPORATION

## Service and Environmental Performance Indicators

Note	Performance Indicator	Notes	2011-12 Result	2012-13 Result	2012-13 Target	Variance %
<b>S1</b>	<b>Water Supply Interruptions</b>					
S1.1	Number of customers receiving 1 unplanned interruptions in the year	1	1,306	1,437.0	1,700	15%
S1.2	Number of customers receiving 2 unplanned interruptions in the year	2	95	279	442	37%
S1.3	Number of customers receiving 3 unplanned interruptions in the year		0	0	30	100%
S1.4	Number of customers receiving 4 unplanned interruptions in the year		0	0	26	100%
S1.5	Number of customers receiving 5 unplanned interruptions in the year		0	0	5	100%
S1.6	Number of customers receiving > 5 unplanned interruptions in the year		0	0	0	0%
<b>S2</b>	<b>Interruption Time Indicators</b>					
S2.1	Average duration of unplanned water supply interruptions (minutes)	3	92.1	70.8	125.9	-44%
<b>S3</b>	<b>Restoration of Water Supply</b>					
S3.1	Unplanned water supply interruptions restored within 5 hours		98.4%	95.7%	97.5%	2%
<b>S4</b>	<b>Reliability of Sewerage Collection Services</b>					
S4.1	Sewer Spills from reticulation and branch sewers (priority 1)		3	0	0	0%
S4.2	Sewer Spills from reticulation and branch sewers (priority 2)	4	22	42	65	35%
<b>S5</b>	<b>Containment of Sewer Spillages</b>					
S5.1	Sewer spills contained within 5 hours		100%	100.0%	100%	0%
<b>S6</b>	<b>Customer Complaints Indicators</b>					
S6.1	Water quality complaints per 1000 customers	5	0.32	0.27	7.27	96%
S6.2	Sewerage service quality and reliability complaints per 1000 customers	6	0.05	0.00	5.12	100%
S6.3	Billing complaints per 1000 customers	7	0.45	0.32	0.95	67%
S6.4	Sewage odour complaints per 1000 customers	8	0.22	0.05	0.41	89%

### Notes:

- 1, 2 & 3 Unplanned water supply interruptions report better than target results due to improved planned maintenance but have increased compared to last year as a result of ageing pipeline infrastructure.
- 4 Sewer spills from reticulation and branch sewers continue to report better than target as a result of programmed planned sewer pipeline maintenance. A higher result was reported this year compared to the last period due to a threefold increase in the number of tree root blockages.
- 5 Improved water quality processes and maintenance programs continue to keep number of water quality complaints low.
- 6 Sewer service reliability has improved as a result of a major planned maintenance strategy.
- 7 Billing complaints have decreased from last year and remain below target despite higher bills from an increase in average water customer consumption. This had been attributed to improved customer services processes and greater flexibility offered for bill payments.
- 8 Sewage odour complaints are lower as a result of maintenance works to inhibit odour from sewage ponds and pump stations.

# EAST GIPPSLAND REGION WATER CORPORATION

## Service and Environmental Performance Indicators

Note	Performance Indicator	Notes	2011-12 Result	2012-13 Result	2012-13 Target	Variance %
E1	<b>Reuse Indicators</b>					
E1.1	Effluent reuse (volume %)	1	90%	99%	100%	1%
E1.2	Biosolids reuse (dry mass %)	2	N/A	N/A	N/A	N/A
E2	<b>Sewage Treatment Standards</b>					
E2.1	Number of analyses complying with corporate licence agreement as % of samples.		100%	100%	100%	0%

### Notes

- 1 Unusually high rainfall over the year restricted opportunities to use recycled water for irrigation purposes.
- 2 Biosolids are stored in lagoons and reused when conditions are favourable. All biosolids stored during the 2012/13 financial year will be reused eventually.

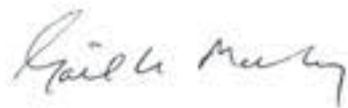
# East Gippsland Region Water Corporation

## Certification of Performance Report for 2012/13

We certify that the accompanying Performance Report of East Gippsland Region Water Corporation in respect of the 2012/13 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The statement outlines the relevant performance indicators as determined by the responsible Minister, the actual results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets.

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.



Gail Morley  
Chairperson

East Gippsland Region Water Corporation



Bruce Hammond  
Managing Director

East Gippsland Region Water Corporation



Rob Carlesso  
Chief Finance & Accounting Officer

East Gippsland Region Water Corporation

28 August 2013

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, East Gippsland Region Water Corporation

#### *The Performance Report*

The accompanying performance report for the year ended 30 June 2013 of the East Gippsland Region Water Corporation which comprises the performance indicators, the related notes and the certification has been audited.

#### *The Board Members' Responsibility for the Performance Report*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the performance report.

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

## Independent Auditor's Report (continued)

### *Independence*

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

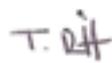
### *Opinion*

In my opinion, the performance report of the East Gippsland Region Water Corporation in respect of the 30 June 2013 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Performance Report*

This auditor's report relates to the performance report of the East Gippsland Region Water Corporation for the year ended 30 June 2013 included both in the East Gippsland Region Water Corporation's annual report and on the website. The Board Members of the East Gippsland Region Water Corporation are responsible for the integrity of the East Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the East Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE  
30 August 2013

Per   
John Doyle  
Auditor-General

# Financial Report

## For the Year Ended 30 June 2013

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# EAST GIPPSLAND REGION WATER CORPORATION

## Comprehensive Operating Statement for the year ended 30 June 2013

	Note	2013 \$000	2012 \$000
<b>Revenue from Operating Activities</b>	1(b)		
Service Charges	3(a)	21,656	18,840
Metered Charges		7,876	6,404
Trade Waste Charges		105	312
Government Contributions	1(b), 3(a)	103	2,185
Developer Contributions	3(a)	1,393	2,552
Other Income	3(a)	1,135	1,287
Interest		167	135
<b>Total Revenue from Operating Activities</b>		<b>32,435</b>	<b>31,715</b>
<b>Revenue from Non-operating Activities</b>			
Net Gain / (Loss) on Disposal of Non-financial Assets	3(b), 8(b), (c)	(192)	420
Other Revenue	3(a)	80	111
<b>Total Revenue from /Non-operating Activities</b>		<b>(112)</b>	<b>531</b>
<b>Total Revenue</b>		<b>32,323</b>	<b>32,246</b>
<b>Expenses</b>			
Borrowing Costs	1(c)	2,144	2,519
Depreciation	3(b)	9,159	8,904
Amortisation	3(b)	293	448
Employee Costs	3(b)	7,608	8,711
Environmental Contribution	1(p)	823	823
Suppliers & Materials		8,317	7,145
<b>Total Expenses</b>		<b>28,344</b>	<b>28,550</b>
<b>Net Result before Tax</b>		<b>3,979</b>	<b>3,696</b>
Income Tax Expense / (Revenue)	1(q), 4(a)	1,196	1,105
<b>Net Result for the Period</b>	19	<b>2,783</b>	<b>2,591</b>
<b>Other Comprehensive Income</b>			
Net Gain/(Loss) on Disposal of Non-financial Assets	4(c)	(1,453)	0
Income Tax Relating to Comprehensive Income	4(c)	435	0
Total Other Comprehensive Income		<b>(1,018)</b>	<b>0</b>
<b>Comprehensive Result</b>		<b>1,765</b>	<b>2,591</b>

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Balance Sheet as at 30 June 2013

	Note	2013 \$ 000	2012 \$ 000
<b>Current Assets</b>			
Cash and Cash Equivalents	I(g), 5, 22	5,105	975
Receivables	I(h), 6	6,157	7,221
Prepayments	I(j)	250	243
Inventories	I(i), 7	405	393
<b>Total Current Assets</b>		<b>11,917</b>	<b>8,832</b>
<b>Non Current Assets</b>			
Receivables	I(h), 6	568	268
Infrastructure Assets, Property, Plant and Equipment	8	327,104	327,989
Intangible Assets	I(k), 9	442	592
Capital Works in Progress	8 (a), (f)	4,392	7,223
<b>Total Non Current Assets</b>		<b>332,506</b>	<b>336,072</b>
<b>Total Assets</b>		<b>344,423</b>	<b>344,904</b>
<b>Current Liabilities</b>			
Payables	I(m), 10	2,746	4,480
Interest Bearing Liabilities	I(l), 12	7,000	9,500
Funds Held in Trust		7	27
Employee Benefits	I(o), 11(a)	1,985	1,830
Deferred Revenue - Developer Deposits	I(b)	912	811
<b>Total Current Liabilities</b>		<b>12,650</b>	<b>16,648</b>
<b>Non Current Liabilities</b>			
Employee Benefits	I(o), 11(b)	195	202
Interest Bearing Liabilities	I(l), 12	23,000	22,000
Deferred Tax Liabilities	I(q), 13(b)	46,587	45,828
<b>Total Non Current Liabilities</b>		<b>69,782</b>	<b>68,030</b>
<b>Total Liabilities</b>		<b>82,432</b>	<b>84,678</b>
<b>Net Assets</b>		<b>261,991</b>	<b>260,226</b>
<b>Equity</b>			
Contributed Capital	I(t), 17	95,967	95,967
Reserves	18	90,685	91,703
Accumulated Funds	19	75,339	72,556
<b>Total Equity</b>		<b>261,991</b>	<b>260,226</b>

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Statement of Changes in Equity for the year ended 30 June 2013

	Contributed Capital	Reserves	Accumulated Funds	Total
Note	\$000	\$000	\$000	\$000
<b>Balance as at 1 July 2011</b>	95,694	91,703	69,965	257,362
<b>Total Comprehensive Income for the Year</b>	0	0	2,591	2,591
<b>Transactions with State in its Capacity as Owner</b>				
Contributions by Owners	273	0	0	273
<b>Balance as at 30 June 2012</b>	<b>95,967</b>	<b>91,703</b>	<b>72,556</b>	<b>260,226</b>
<b>Total Comprehensive Income for the Year</b>	0	(1,018)	2,783	1,765
<b>Transactions with State in its Capacity as Owner</b>				
Contributions by Owners	0	0	0	0
<b>Balance as at 30 June 2013</b>	<b>95,967</b>	<b>90,685</b>	<b>75,339</b>	<b>261,991</b>

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Cash Flow Statement for the year ended 30 June 2013

	Note	2013 \$000 Inflows / (Outflows)	2012 \$000 Inflows / (Outflows)
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Rates, Tariffs, Fees and Charges		30,402	25,227
Interest Received		167	135
Other		1,215	1,398
GST Received from ATO		1,221	1,354
Contributions for Capital Works		1,047	2,933
<b>Payments</b>			
Interest Paid		(2,160)	(2,501)
Employees		(7,501)	(6,782)
Environmental Contribution		(823)	(823)
Suppliers and Others		(11,158)	(9,555)
<b>Net Cash Inflow from Operating Activities</b>	20	<b>12,410</b>	<b>11,386</b>
<b>Cash Flows from Investing Activities</b>			
Payment for Property, Plant and Equipment		(6,907)	(7,901)
Payments for Intangibles		(143)	(164)
Trust Monies Received		1	0
Trust Monies Paid		(21)	0
Proceeds from Sale of Property, Plant and Equipment		290	1,067
<b>Net Cash Inflow (Outflow) from Investing Activities</b>		<b>(6,780)</b>	<b>(6,998)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from Contributions by Owners	17	0	273
Proceeds from Borrowings		8,000	1,500
Repayment of Borrowings		(9,500)	(6,500)
<b>Net Cash Inflow (Outflow) from Financing Activities</b>		<b>(1,500)</b>	<b>(4,727)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>4,130</b>	<b>(339)</b>
<b>Cash and Cash Equivalents at the Beginning of Financial Year</b>		<b>975</b>	<b>1,314</b>
<b>Cash and Cash Equivalents at end of Financial Year</b>	5, 22	<b>5,105</b>	<b>975</b>

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 1: Summary of Significant Accounting Policies

#### (a) Basis of Accounting

##### General

This financial report includes separate financial statements for East Gippsland Region Water Corporation (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 and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. The corporation is a not-for-profit entity for the purpose of preparing the financial report.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

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

These financial statements were authorised for issue by the Board of Directors on the 28th August 2013.

The principal address is:

East Gippsland Region Water Corporation  
133 Macleod Street  
Bairnsdale VIC 3875

##### Accounting Policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

##### Functional and Presentation Currency

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

##### Classification between Current and Non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the corporation's operational cycle - see Note 1(o) for a variation in relation to employee benefits.

##### Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollar. Figures in the financial report may not equate due to rounding.

##### Historical Cost Convention

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

##### Accounting Estimates

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

The most significant accounting estimates undertaken in the preparation of this financial report are:

- Estimation of useful lives
- Impairment of assets
- Unearned revenue
- Fair value assessment of infrastructure assets
- Recognition of deferred tax assets and liabilities
- Provisions
- Contingent assets and liabilities

#### (b) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

##### Service and Metered Charges

Rate/tariff and service charges are recognised as revenue when levied or determined. Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per the trade waste agreements.

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. An estimation, calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

##### Developer Contributions / Fees Paid by Developers

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

Developer deposits received for construction works are recognised as deferred revenue until works are completed. Assets acquired at no cost to the corporation (developer's capital contributions) are recognised as revenue upon their acceptance by the corporation for maintenance in perpetuity, and are recorded at their fair value in the financial statements.

##### Government Grants and Contributions

Government grants and contributions are recognised as operating revenue on receipt or when the corporation obtains control of the contribution and meets certain other criteria as outlined by AASB 1004, whichever is the sooner, and disclosed in the comprehensive operating statement as government grants and contributions.

##### Interest

Interest income is recognised using the effective interest rate method.

##### Rental Income

Income from operating leases (i.e. rentals) is recognised on a straight-line basis over the lease term.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### (c) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

### (d) Infrastructure Property Plant and Equipment

#### Recognition and Measurement of Assets

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

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

Works on existing assets are only capitalised if they substantially increase the useful life of the asset. The cost of capital works projects are accumulated as work in progress until the projects have been commissioned. Costs are then transferred to completed works at the end of each month and depreciation is applied from the following month.

Assets acquired at no cost or for nominal consideration by the corporation are recognised at fair value at the date of acquisition.

#### Repairs and Maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

#### Measurement of Non-current Physical Assets

All non-current physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction FRD 103D.

Revaluations are conducted in accordance with FRD 103D. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation detailed assessment of fair value is undertaken. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Plant, equipment and motor vehicles are measured at fair value.

For the plant, equipment and vehicles asset class, where the corporation is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exist for these assets, depreciated replacement cost could represent a reasonable approximation of fair value.

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

The initial fair value assessment for water infrastructure in the 2010/11 reporting period was undertaken with involvement from Valuer General of Victoria (VGV) and under the instructions of Department of Treasury & Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise is provided in Note 8.

#### Revaluation of Non-current Physical Assets

Revaluation increments are credited directly to equity in the revaluation reserve net of tax effect, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining the net result, the increment is recognised as revenue in determining the net result.

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

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

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

All fixed assets excluding land are depreciated on the straight-line basis over the estimated useful lives of the assets to the corporation.

### (e) Impairment of Non-current Assets

#### Impairment of Assets

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount.

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

- inventories
- deferred tax assets, and
- financial instrument assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable amount, the difference is written-off by a charge to the Comprehensive Operating Statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### (f) Depreciation and Amortisation of Non-current Assets

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Class of Fixed Asset	Useful Life (Years)
Buildings	67
Water Infrastructure	10 to 350
Wastewater Infrastructure	10 to 350
Plant & Equipment	3 to 20
Motor Vehicles	8
Office Equipment	1 to 10
Intangible Assets	3

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

### (g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the balance sheet, but are included within cash and cash equivalents for cash flow statement presentation purposes.

### (h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Receivables are due for settlement no more than 28 days from the date of recognition for tariff debtors, and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impaired receivables is established when there is objective evidence that the corporation will not be able to collect all amounts due, according to the original terms of receivables on tenant accounts. Accounts raised against property owners are collectable on sale of the property and hence have been excluded from any impairment assessment.

The amount of the allowance is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the allowance are recognised as an expense in the Comprehensive Operating Statement.

### (i) Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis. Inventories include goods and other property held either for sale or for distribution at no or nominal cost in the ordinary course of business operations.

Inventories held for distribution are measured at the lower of cost and current replacement cost. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition.

### (j) Prepayments

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

### (k) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the corporation.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible assets concerned are impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with indefinite useful lives are not amortised. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment of that asset. In addition, the corporation tests all intangible assets with indefinite useful lives for impairment by comparing their recoverable amount with their carrying amount annually and, whenever there is an indication that the intangible assets may be impaired. Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### (k) Intangibles continued

#### Development Costs

Useful Lives	Finite
Method Used	3 Years - Straight Line
Internally Generated / Acquired	Internally Generated
Impairment Test / Recoverable	Amortisation method reviewed at financial year ended 30 June 2013

#### Licenses

Useful Lives	Indefinite
Method Used	Not amortised or revalued
Internally Generated / Acquired	Acquired
Impairment Test / Recoverable	Annually and where an indicator of impairment exists

### (l) Interest Bearing Liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the initial amount recognised and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the borrowings, using the effective interest method.

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

### (m) Payables

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to the corporation prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 30 days of recognition. Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

### (n) Financial Instruments

#### Recognition

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability. Subsequent to initial recognition, the financial instruments are measured as set out below.

#### Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Gains and losses arising from changes in the fair value are recognised in the Comprehensive Operating Statement.

#### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and other receivables in the balance sheet. Loans and receivables are recognised at amortised cost less impairment.

#### Fair Value

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

#### Impairment of Financial Assets

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

### (o) Employee Benefits

#### Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries, annual leave and accumulating long service leave expected to be settled within 12 months of the reporting date are recognised in employee benefits liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values plus on-costs. Employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows made by the corporation, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, liabilities made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

#### Long Service Leave (LSL)

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

The components of this current LSL liability are measured at:

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

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

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### **(o) Employee Benefits continued**

#### Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents the contributions made 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 the corporation is required to comply with.

#### Employee Benefit on-Costs

Employee benefit on-costs, including superannuation, payroll tax and worker's compensation are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

#### Performance Payments

Performance payments for the corporation's executive officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

### **(p) Environmental Contribution**

The corporation has a statutory authority to pay an environmental contribution to the Department of Environment and Primary Industries. This contribution is recognised as an expense during the reporting period as incurred.

### **(q) Taxation**

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, 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. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the Balance Sheet.

### **(r) Dividend Policy**

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer.

### **(s) Goods and Services Tax**

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e., inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation Authority is classified as operating cash flows.

### **(t) Contributed Capital**

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

### **(u) Critical Accounting Estimates and Judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the corporation and that are believed to be reasonable under the circumstances. The corporation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Key estimates and judgments made are disclosed throughout the financial statements.

### **(v) Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 21) and, if quantifiable, are measured at nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### **(w) Contingent Assets and Contingent Liabilities**

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note (refer to Note 14) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### (x) New Accounting Standards and Interpretations issued that are not yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. The corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments.	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	1-Jan-15	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.
AASB 1053 Application of Tiers of Australian Accounting Standards.	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1-Jul-13	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 13 Fair Value Measurement.	This standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1-Jan-13	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the standard may increase the disclosures required assets measured using depreciated replacement cost.
AASB 119 Employee Benefits.	In this standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows - other movements in equity') reported on the comprehensive operating statement.	1-Jan-13	Not-for-profit entities are not permitted to apply this standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions a few Victorian public sector entities that report superannuation defined benefit plans.
AASB 1055 Budgetary Reporting.	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1-Jan-14	This standard is not applicable as no budget disclosure is required.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 127 Separate Financial Statements.	This revised standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1-Jan-14	Not-for-profit entities are not permitted to apply this standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation.
AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements.	Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the corporation Act 2001. The amendments cannot be adopted early.	1-Jul-13	This amendment is expected to have a limited impact.
AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements.	This standard removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in a single, topic-based, Standard AASB 1055 Budgetary Reporting.	1-Jul-14	This amendment is expected to have a limited impact.
AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.	This standard adds to or amends the Australian Accounting Standards – Reduced Disclosure Requirements for AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements and AASB 127 Separate Financial Statements. AASB 1053 Application of Tiers of Australian Accounting Standards provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	1-Jul-13	The corporation will assess the impact of this amendment once DTF has provided guidance on this standard.
AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141].	This standard applies to annual reporting periods beginning on or after 1 July 2013. Earlier application is permitted for annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that the following are also adopted for the same period: (a) AASB 1053 Application of Tiers of Australian Accounting Standards; (b) AASB 13 Fair Value Measurement; and (c) AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.	1-Jul-13	The corporation does not plan to adopt these standards until their effective date. As such, this amendment will not be adopted until the year ended 30 June 2014.
AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities.	This standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1-Jan-14	The corporation does not plan to adopt these standards until their effective date. As such, this amendment will not be adopted until the year ended 30 June 2015.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 2: Financial Risk Management Objectives and Policies

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

The corporation's Board has the overall responsibility for the establishment and oversight of the corporation's risk management framework. The corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the corporation. The corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is overseen by the Audit and Risk Committee under policies approved by the Board of Directors. The Board provides written principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The corporation manages financial risk by adoption of State Government Treasury Management Guidelines as well as the financial risk management policy. The treasury management guideline conforms with the borrowing and investment powers act, which provides statutory corporations their power and authority to borrow and invest. DTF guidelines direct water corporations to articulate policy and the corporation has adopted practices consistent with these guidelines. An effective framework is in place to adequately assess, monitor, manage and report, the significant financial risks to which the corporation is exposed to as a result of, and in the course of its activities and responsibilities.

#### (a) Risk Exposures

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

##### Market Risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The corporation's exposure to market risk is primarily through interest rate risk, there is insignificant exposure to foreign exchange risk and other price risk.

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

##### (i) Interest Rate Risk

The corporation's exposure to market interest rates relates primarily to the corporation's long term borrowings.

The corporation minimises its exposure to interest rate changes on its long term borrowings by holding fixed rate debt. Debt is sourced from Treasury corporation of Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly. In accordance with the corporation's Treasury Management Policy, floating debt is limited to less than 30% of the total borrowing portfolio. This debt is restricted to short term borrowings, which limits the exposure to interest rate risk further.

The corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

##### (ii) Foreign Exchange Risk

The corporation has limited exposure to changes in the foreign exchange rate.

##### (iii) Other Price Risk

The corporation has no significant exposure to other price risk.

#### Market Risk Sensitivity Analysis

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The corporation believes that a movement of 0.5% in interest rates is reasonable over the next 12 months.

30th June 2013	Carrying amount \$'000	Interest Rate Risk			
		-0.5%		0.5%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash	5,105	(25)	(25)	25	25
Receivables: Trade	6,157	0	0	0	0
Private Schemes	568	(3)	(3)	3	3
<b>Total Financial Assets</b>	<b>11,830</b>	<b>(28)</b>	<b>(28)</b>	<b>28</b>	<b>28</b>
<b>Financial Liabilities</b>					
Trade Creditors & Accruals	2,746	0	0	0	0
Interest Bearing Liabilities	30,000	35	35	(35)	(35)
<b>Total Financial Liabilities</b>	<b>32,746</b>	<b>35</b>	<b>35</b>	<b>(35)</b>	<b>(35)</b>
<b>Total Increase / (Decrease)</b>		<b>7</b>	<b>7</b>	<b>(7)</b>	<b>(7)</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

30th June 2012	Carrying amount \$'000	Interest Rate Risk			
		-1%		1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash	975	(9)	(9)	9	9
Receivables: Trade	7,221	0	0	0	0
Private Schemes	268	(3)	(3)	3	3
<b>Total Financial Assets</b>	<b>8,464</b>	<b>(12)</b>	<b>(12)</b>	<b>12</b>	<b>12</b>
<b>Financial Liabilities</b>					
Trade Creditors & Accruals	3,011	0	0	0	0
Interest Bearing Liabilities	31,500	95	95	(95)	(95)
Defined Benefits Superannuation	1,469	0	0	0	0
<b>Total Financial Liabilities</b>	<b>35,980</b>	<b>95</b>	<b>95</b>	<b>(95)</b>	<b>(95)</b>
<b>Total Increase / (Decrease)</b>		<b>83</b>	<b>83</b>	<b>(83)</b>	<b>(83)</b>

### Credit Risk

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

The corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. The corporation has in place a policy and procedure for the collection of overdue receivables, and if required, can evoke sections of the *Water Act 1989* to recover unpaid debts from customers. An analysis of the ageing of trade receivables is presented in Note 6.

The corporation's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Balance Sheet.

### 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 from the date of resolution.

The corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

To manage liquidity risk the corporation has in place an ability to access funds via overnight notifications to Treasury Corporation of Victoria in accordance with the Treasurer's borrowing approval limits. Under the State's centralised borrowing arrangement, TCV has assumed responsibility for securing adequate access to global financial markets.

### (b) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, the corporation has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying amounts of trade receivables approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of current borrowings approximate the carrying amount, as the impact of discounting is not significant.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### (c) Interest Rate Risk

The following table sets out the Corporation's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the Corporation intends to hold fixed rate liabilities to maturity.

2013	Contractual repricing of maturity periods									
	Non-interest bearing	Floating interest rate	Fixed interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
<b>Financial Instruments</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>(i) Financial Assets</b>										
Cash and Cash Equivalents	7	5,098								5,105
Receivables: Trade	6,157									6,157
Private Schemes				10	10	8	8	8	524	568
<b>Total Financial Assets</b>	<b>6,164</b>	<b>5,098</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>524</b>	<b>11,830</b>
<b>(ii) Financial Liabilities</b>										
Trade Creditors & Accruals	2,746									2,664
Interest Bearing Liabilities		7,000	23,000	7,000	5,500	2,500	3,000	3,500	8,500	30,000
<b>Total Financial Liabilities</b>	<b>2,746</b>	<b>7,000</b>	<b>23,000</b>	<b>7,000</b>	<b>5,500</b>	<b>2,500</b>	<b>3,000</b>	<b>3,500</b>	<b>8,500</b>	<b>32,746</b>
<b>Net Financial Asset / (Liabilities)</b>	<b>3,418</b>	<b>(1,902)</b>	<b>(23,000)</b>	<b>(6,990)</b>	<b>(5,490)</b>	<b>(2,492)</b>	<b>(2,992)</b>	<b>(3,492)</b>	<b>(7,976)</b>	<b>(20,916)</b>

2012	Contractual repricing of maturity periods									
	Non-interest bearing	Floating interest rate	Fixed interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
<b>Financial Instruments</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>(i) Financial Assets</b>										
Cash and Cash Equivalents	27	948								975
Receivables: Trade	7,221									7,221
Private Schemes				10	10	8	8	8	224	268
<b>Total Financial Assets</b>	<b>7,248</b>	<b>948</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>224</b>	<b>8,464</b>
<b>(ii) Financial Liabilities</b>										
Trade Creditors & Accruals	4,480									4,480
Interest Bearing Liabilities		9,500	22,000		7,000	5,500	2,500	3,000	4,000	31,500
<b>Total Financial Liabilities</b>	<b>4,480</b>	<b>9,500</b>	<b>22,000</b>	<b>0</b>	<b>7,000</b>	<b>5,500</b>	<b>2,500</b>	<b>3,000</b>	<b>4,000</b>	<b>35,980</b>
<b>Net Financial Asset / (Liabilities)</b>	<b>2,768</b>	<b>(8,552)</b>	<b>(22,000)</b>	<b>10</b>	<b>(6,990)</b>	<b>(5,492)</b>	<b>(2,492)</b>	<b>(2,992)</b>	<b>(3,776)</b>	<b>(27,516)</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### (d) Net Fair Values Measurements

The carrying amounts and fair values of interest bearing liabilities at balance date are:

	Carrying Amount		Fair Value	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
<b>Financial Instruments</b>				
<b>(i) Financial Assets</b>				
Cash and Cash Equivalents	5,105	975	5,105	975
Receivables	6,157	7,221	6,157	7,221
Private Schemes	568	268	568	268
<b>Total Financial Assets</b>	<b>11,830</b>	<b>8,464</b>	<b>11,830</b>	<b>8,464</b>
<b>(ii) Financial Liabilities</b>				
Payables - Trade Creditors and Accruals	746	4,480	746	4,480
Borrowings - TCV	30,000	31,500	31,388	33,550
<b>Total Financial Liabilities</b>	<b>32,746</b>	<b>35,980</b>	<b>34,134</b>	<b>38,030</b>

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form. The fair value of borrowings is based upon market prices, where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Fair value is inclusive of costs which would be incurred on settlement of a liability.

### Concentration of Credit Risk

The Corporation minimises concentrations of credit risk in relation to Trade Accounts Receivable by undertaking transactions with a large number of customers. Credit risk in trade and other receivables is managed by payment term of 14 days.

Credit risk for bank accounts is reduced by banking with reputable financial institutions with a sound credit rating.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 3: Operating Statement - Disclosures

	2013 \$000	2012 \$000
<b>(a) Revenues</b>		
<b>Service Charges</b>		
Water Charges	6,588	6,304
Wastewater Charges	15,068	12,536
	<b>21,656</b>	<b>18,840</b>
<b>Government Contributions</b>		
Capital	103	2,185
	<b>103</b>	<b>2,185</b>
<b>Developer Contributions</b>		
Fees Paid by Developers	517	372
Assets Received from Developers	876	2,180
	<b>1,393</b>	<b>2,552</b>
<b>Other Revenue</b>		
Planning Fees	485	480
Farm Operation Income	173	155
Rental Income	80	111
Miscellaneous	350	579
Legal Fees Recovered	127	73
	<b>1,215</b>	<b>1,398</b>
<b>(b) Expenses</b>		
<b>Depreciation and Amortisation:</b>		
Buildings	23	22
Water Infrastructure	4,151	4,073
Wastewater Infrastructure	4,258	4,155
Plant, Equipment, Office and Motor Vehicles	727	654
<b>Sub-total</b>	<b>9,159</b>	<b>8,904</b>
Amortisation - Intangible Assets	293	448
	<b>9,452</b>	<b>9,352</b>
<b>Employee Costs</b>		
Salaries & Wages	5,395	5,370
Leave Payments	1,206	1,000
Superannuation Contributions	605	541
Defined Benefits Funding Call	0	1,469
Other	402	331
	<b>7,608</b>	<b>8,711</b>
<b>Bad and Doubtful Debts</b>	<b>65</b>	<b>21</b>
<b>Loss on Assets Disposed</b>		
Water Assets	125	286
Wastewater Assets	36	168
Corporate Assets	31	(34)
	<b>192</b>	<b>420</b>
<b>Auditors' Remuneration</b>		
Auditor General for audit of financial statements	40	40
Internal Audit	69	100
	<b>109</b>	<b>140</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 4: Income Tax

The income tax expense/(benefit) for the financial year differs from the amount calculated on the profit / (loss). These differences are reconciled as follows:

#### (a) Components of Tax Expense

Deferred Tax relating to Temporary Differences

Deferred Income Tax Expense/(Benefit) included in Income Tax Expense comprises:

Decrease / (Increase) in Deferred Tax Assets

(Decrease) / Increase in Deferred Tax Liabilities

#### (b) Reconciliation of Income Tax to Prima Facie Tax Payable

Net Result before Income Tax Expense

Tax at the Australian tax rate of 30% (2012: 30%)

#### Add / (Deduct)

Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:

- Depreciation on Buildings

- Entertainment

- Amortisation of Buildings

Aggregate Income Tax Expense/(Benefit)

Aggregate Income Tax Expense/(Benefit) comprises:

- Deferred Income Tax Provision

#### (c) Income Tax Recognised in Other Comprehensive Income

Net Gain/(Loss) on Disposal of Non-financial Assets

Tax at the Australian tax rate of 30% (2012: 30%)

Total Income Tax recognised in Other Comprehensive Income

	2013 \$000	2012 \$000
	1,196	1,105
	<b>1,196</b>	<b>1,105</b>
	(56)	(63)
	1,252	1,168
	<b>1,196</b>	<b>1,105</b>
	3,979	3,696
	1,195	1,109
	7	7
	6	0
	(12)	(11)
	<b>1,196</b>	<b>1,105</b>
	<b>1,196</b>	<b>1,105</b>
	(1,453)	0
	435	0
	<b>435</b>	<b>0</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 5: Cash and Cash Equivalents

#### Current

Cash on Hand and Bank Accounts	598	948
Investment at Call	4,500	0
Developer Bond Accounts	7	27

The deposits are bearing floating interest rates between 2.65% and 2.91% (2012: 3.50% and 4.65%)

2013 \$000	2012 \$000
598	948
4,500	0
7	27
<b>5,105</b>	<b>975</b>

### Note 6: Receivables

#### Current:

Trade Debtors	1,587	3,157
Other Debtors	4,672	4,121
Less Provision for Impaired Receivables	(102)	(57)

#### Non Current:

Private Schemes	568	268
-----------------	-----	-----

#### Past due but not impaired trade receivables

As at the 30 June 2013, current receivables of the corporation with a nominal value of \$244K (2012: \$159K) were past due but not impaired. The amount of the provision was \$102K (2012: \$57K). The individually impaired receivables relate to tenant debtors. The ageing of these receivables is as follows:

3 to 6 months	19	8
Over 6 months	225	151

2013 \$000	2012 \$000
1,587	3,157
4,672	4,121
(102)	(57)
<b>6,157</b>	<b>7,221</b>
568	268
<b>568</b>	<b>268</b>

19	8
225	151
<b>244</b>	<b>159</b>

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected these amounts will be received when due. Movements in the provision for impaired receivables are as follows:

At 1 July	57	55
Provision for impairment recognised during the year	65	23
Receivables written off during the year as uncollectable	(20)	(21)

57	55
65	23
(20)	(21)
<b>102</b>	<b>57</b>

The creation and release of the provision for impaired receivables has been included as an expense in the Comprehensive Operating Statement . Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

### Note 7: Inventories

Stores at Cost	405	393
----------------	-----	-----

2013 \$000	2012 \$000
405	393
<b>405</b>	<b>393</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 8: Infrastructure, Property, Plant and Equipment

	2013 \$000	2012 \$000
<b>(a) Classes of Property, Plant and Equipment</b>		
<b>Land</b>		
At Fair Value (Crown)	2,377	2,377
At Fair Value (Freehold)	11,122	11,122
At Cost (freehold)	322	321
	<b>13,821</b>	<b>13,820</b>
<b>Buildings</b>		
At Fair Value	1,720	1,720
At Cost	153	122
Less Accumulated Depreciation	(45)	(22)
	<b>1,828</b>	<b>1,820</b>
<b>Water Infrastructure</b>		
At Fair Value	166,636	166,637
At Cost	13,199	13,273
Less Accumulated Depreciation	(8,238)	(4,106)
	<b>171,597</b>	<b>175,804</b>
<b>Wastewater Infrastructure</b>		
At Fair Value	130,651	130,651
At Cost	15,126	7,347
Less Accumulated Depreciation	(8,428)	(4,170)
	<b>137,349</b>	<b>133,828</b>
<b>Motor Vehicles</b>		
At Fair Value	0	34
At Cost	2,109	1,452
Less Accumulated Depreciation	(804)	(133)
	<b>1,305</b>	<b>1,353</b>
<b>Plant and Equipment</b>		
At Fair Value	417	566
At Cost	2,691	506
Less Accumulated Depreciation	(2,257)	(97)
	<b>851</b>	<b>975</b>
<b>Office Equipment</b>		
At Cost	1,427	451
Less Accumulated Depreciation	(1,074)	(62)
	<b>353</b>	<b>389</b>
<b>Total Infrastructure, Property, Plant and Equipment</b>	<b>327,104</b>	<b>327,989</b>
<b>Capital Works in Progress</b>		
Water, At Cost	2,108	376
Wastewater, At Cost	2,284	6,846
<b>Total Capital Works in Progress</b>	<b>4,392</b>	<b>7,222</b>

Land & Buildings were revalued at 30th June 2011 by Egan National Valuers on behalf of the Valuer General's Office.

Infrastructure assets were revalued at 30th June 2011 by AECOM on behalf of the Valuer General's Office.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 8: Infrastructure, Property, Plant and Equipment (Continued)

	Asset Value at Sale Date \$000	Accumulated Depreciation on Disposal \$000	WDV at Sale Date \$000	Proceeds from Sale \$000	Profit / (Loss) on Sale \$000
<b>(b) Profit / Loss</b>					
<b>on Sale of Non Current Assets 2013</b>					
Motor Vehicles	571	(230)	341	279	(62)
Plant and Equipment	1	0	1	0	(1)
Office Equipment	23	(21)	2	2	0
Infrastructure	140	(11)	129	0	(129)
<b>Total</b>	<b>735</b>	<b>(262)</b>	<b>473</b>	<b>281</b>	<b>(192)</b>
<b>(c) Profit / Loss</b>					
<b>on Sale of Non Current Assets 2012</b>					
Motor Vehicles	593	(205)	388	384	(4)
Plant and Equipment	86	(86)	0	17	17
Office Equipment	134	(129)	5	0	(5)
Infrastructure	271	(14)	257	669	412
<b>Total</b>	<b>1,084</b>	<b>(434)</b>	<b>650</b>	<b>1,070</b>	<b>420</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 8: Infrastructure, Property, Plant and Equipment (Continued)

	Opening WDV	Additions	Disposals	Revaluation	Impairment	Transfers	Depreciation Exp	Closing WDV
	\$000	\$000	\$000	\$000	\$000	\$0	\$000	\$000
<b>(d) Movement during Financial Year 2013</b>								
<b>Land</b>								
At Fair Value (Crown)	2,377							2,377
At Fair Value (Freehold)	11,123							11,123
At Cost	321							321
	<b>13,821</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,821</b>
<b>Buildings</b>								
At Fair Value	1,699						(21)	1,678
At Cost	121	31					(2)	150
	<b>1,820</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(23)</b>	<b>1,828</b>
<b>Water Infrastructure</b>								
At Fair Value	162,601		(108)	(1,453)			(3,787)	157,253
At Cost	13,204	1,504					(364)	14,344
	<b>175,805</b>	<b>1,504</b>	<b>(108)</b>	<b>(1,453)</b>	<b>0</b>	<b>0</b>	<b>(4,151)</b>	<b>171,597</b>
<b>Wastewater Infrastructure</b>								
At Fair Value	126,868		(21)				(4,040)	122,807
At Cost	6,959	7,802					(219)	14,542
	<b>133,827</b>	<b>7,802</b>	<b>(21)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,259)</b>	<b>137,349</b>
<b>Motor Vehicles</b>								
At Fair Value	34		(34)					0
At Cost	1,319	585	(307)				(292)	1,305
	<b>1,353</b>	<b>585</b>	<b>(341)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(292)</b>	<b>1,305</b>
<b>Plant and Equipment</b>								
At Fair Value	566						(149)	417
At Cost	409	162	(1)				(136)	434
	<b>975</b>	<b>162</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(285)</b>	<b>851</b>
<b>Office Equipment</b>								
At Cost	388	115	(2)				(148)	353
	<b>388</b>	<b>115</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(148)</b>	<b>353</b>
<b>Total</b>	<b>327,989</b>	<b>10,199</b>	<b>(473)</b>	<b>(1,453)</b>	<b>0</b>	<b>0</b>	<b>(9,158)</b>	<b>327,104</b>

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

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria (using AECOM valuers). The valuation methodology used was depreciated replacement cost using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2010.

Cost models were built based on actual construction information complemented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

#### At 1 July 2012

Cost / Fair Value	339,949
Accumulated Depreciation and Impairment	(11,960)

**Net Carrying Amount** **327,989**

#### At 30 June 2013

Cost / Fair Value	347,950
Accumulated Depreciation and Impairment	(20,846)

**Net Carrying Amount** **327,104**

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 8: Infrastructure, Property, Plant and Equipment (Continued)

	Opening WDV	Additions	Disposals	Revaluation	Impairment	Transfers	Depreciation Exp	Closing WDV
	\$000	\$000	\$000	\$000	\$000	\$0	\$000	\$000
<b>(e) Movement during Financial Year 2012</b>								
<b>Land</b>								
At Fair Value (Crown)	2,377							2,377
At Fair Value (Freehold)	11,196		(73)					11,123
At Cost	157	353	(189)					321
	<b>13,730</b>	<b>353</b>	<b>(262)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,821</b>
<b>Buildings</b>								
At Fair Value	1,720						(21)	1,699
At Cost	0	122					(1)	121
	<b>1,720</b>	<b>122</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(22)</b>	<b>1,820</b>
<b>Water Infrastructure</b>								
At Fair Value	166,637						(4,036)	162,601
At Cost	9,515	3,734	(8)				(37)	13,204
	<b>176,152</b>	<b>3,734</b>	<b>(8)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,073)</b>	<b>175,805</b>
<b>Wastewater Infrastructure</b>								
At Fair Value	130,651						(3,783)	126,868
At Cost	1,448	5,883					(372)	6,959
	<b>132,099</b>	<b>7,802</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,155)</b>	<b>133,827</b>
<b>Motor Vehicles</b>								
At Fair Value	447		(287)				(126)	34
At Cost	879	674	(101)				(133)	1,319
	<b>1,326</b>	<b>674</b>	<b>(388)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(259)</b>	<b>1,353</b>
<b>Plant and Equipment</b>								
At Fair Value	736		(5)				(170)	566
At Cost	315	191					(97)	409
	<b>1,051</b>	<b>191</b>	<b>(5)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(267)</b>	<b>975</b>
<b>Office Equipment</b>								
At Fair Value	71		(5)				(66)	0
At Cost	251	199					(62)	388
	<b>322</b>	<b>199</b>	<b>(5)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(128)</b>	<b>388</b>
<b>Total</b>	<b>326,400</b>	<b>11,156</b>	<b>(663)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,904)</b>	<b>327,989</b>

#### At 1 July 2011

Cost / Fair Value 329,877

Accumulated Depreciation and Impairment (3,477)

**Net Carrying Amount 326,400**

#### At 30 June 2012

Cost / Fair Value 339,949

Accumulated Depreciation and Impairment (11,960)

**Net Carrying Amount 327,989**

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 8: Infrastructure, Property, Plant and Equipment (Continued)

(f) Capital Works in Progress 2013	Opening Cost \$000	Additions \$000	Transfer \$000	Closing Cost \$000
<b>Water</b>				
At Cost	376	4,129	(2,397)	2,108
<b>Wastewater</b>				
At Cost	6,846	3,240	(7,802)	2,284
	<b>7,222</b>	<b>7,369</b>	<b>(10,199)</b>	<b>4,392</b>
2012	Opening Cost \$000	Additions \$000	Transfer \$000	Closing Cost \$000
<b>Water</b>				
At Cost	1,600	4,049	(5,273)	376
<b>Wastewater</b>				
At Cost	6,328	6,402	(5,883)	6,847
	<b>7,928</b>	<b>10,451</b>	<b>(11,156)</b>	<b>7,223</b>

### Note 9: Intangible Assets

	2013 \$000	2012 \$000
Cost (Gross Carrying Amount) - Software	3,144	3,001
Cost (Gross Carrying Amount) - Gound Water Licence (Indefinite Life)	181	181
Accumulated Amortisation and Impairment	(2,883)	(2,590)
<b>Net Carrying Amount</b>	<b>442</b>	<b>592</b>
Opening Written Down Value	592	876
Additions	143	164
Amortisation	(293)	(448)
<b>Net Carrying Amount</b>	<b>442</b>	<b>592</b>

### Note 10: Payables

	2013 \$000	2012 \$000
<b>Unsecured:</b>		
Trade Creditors and Accruals	2,374	2,544
Defined Benefits Superannuation Payable	0	1,469
Contractor Deposits and Retention	372	467
	<b>2,746</b>	<b>4,480</b>

The corporation does not have a foreign exchange rate exposure in respect of its Payables balance.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 11: Employee Benefits

#### (a) Current

Annual leave and unconditional long service leave entitlements, representing 7 years of continuous service:

Employee benefits expected to be settled within 12 months, measured at nominal value  
Employee benefits expected to be settled after 12 months, measured at present value

	2013 \$000	2012 \$000
	687	675
	1,298	1,155
	<b>1,985</b>	<b>1,830</b>
	195	202
	<b>195</b>	<b>202</b>

#### (b) Non Current

Conditional long service leave, measured at present value

The following assumptions were adopted in measuring the present value of long service leave entitlements:

Assumed rate of increase in wage and salary rates

Discount Rate

Settlement Term (years)

4.50%	4.31%
2.47% - 3.21%	2.40% - 2.86%
7	7

### Note 12: Interest Bearing Liabilities

#### Current

Secured TCV Borrowings

#### Non-Current:

Secured TCV Borrowings

#### Total Interest Bearing Liabilities

	2013 \$000	2012 \$000
	7,000	9,500
	23,000	22,000
	<b>30,000</b>	<b>31,500</b>

The borrowings are not directly secured by assets of the corporation but have the benefit of the Treasurer's guarantee in favour of TCV dated 25 April 2002.

For an analysis of the sensitivity of borrowings to interest rate risk refer to Note 2.

### Credit Standby Arrangements

#### Bank (TCV) Loan Facilities

Total Facilities

Used at Balance Date

35,000	31,500
30,000	31,500

#### Unused at Balance Date

<b>5,000</b>	<b>0</b>
--------------	----------

### Interest Rate Risk Exposures

The following table sets out the corporation's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate maturity periods. Exposures arise predominately from liabilities bearing variable interest rates as the corporation intends to hold fixed borrowings to maturity.

TCV Borrowings - Floating

TCV Borrowings - Fixed

7,000	9,500
23,000	22,000
<b>30,000</b>	<b>31,500</b>

### Weighted Average Interest Rate (%)

<b>5.52%</b>	<b>5.84%</b>
--------------	--------------

None of the corporation's interest bearing liabilities are readily traded on organised markets in standardised form. The fair value of the corporation's interest bearing liabilities are disclosed in Note 2. All of the corporation's interest bearing liabilities are denominated in AUD and are not subject to foreign exchange risk.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 13: Deferred Tax Liabilities

#### (a) Deferred Tax Assets

The balance comprises temporary differences attributable to:

	2013 \$000	2012 \$000
Employee Benefits	652	610
Doubtful Debts	31	17
Other	9	9
Benefit of carry forward tax losses	9,578	10,421
<b>Sub total</b>	<b>10,270</b>	<b>11,057</b>
Offset against deferred tax liabilities	(10,270)	(11,057)

#### Closing Balance

**0**                      **0**

#### (b) Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Cumulative depreciation & amortisation	18,005	17,606
Net gain on revaluation of property, plant & equipment	38,852	39,279
Offset from deferred tax assets	(10,270)	(11,057)

#### Closing Balance

**46,587**                      **45,828**

#### Movements

Opening Balance at 1 July	45,826	44,736
Charged/(Credited) to Comprehensive Operating Statement	1,196	1,105
Charged/(Credited) to Equity	(435)	(13)

#### Closing Balance

**46,587**                      **45,828**

Deferred tax liabilities to be recovered after more than 12 months

46,587                      45,828

Deferred tax liabilities to be recovered within 12 months

0                                      0

### Note 14: Contingent Liabilities and Contingent Assets

At balance date the corporation is unaware of any contingent liabilities or contingent assets that have not been disclosed or recorded.

### Note 15: Superannuation

The corporation contributes to the following superannuation schemes in respect of its employees with contribution rates varying from 9% - 9.25% of employee salaries. Contributions by the corporation during the reporting period are detailed below:

	2013 \$000	2012 \$000
Local Authorities Super - Defined Benefits	108	117
Local Authorities Super - Super Saver	480	424
ESS Super - Defined Benefits	17	0
Local Authorities Super - Defined Benefits Funding Call	0	1,469
	<b>605</b>	<b>2,010</b>

The corporation makes employer superannuation contributions in respect of the majority of employees to the Local Authorities Superannuation Fund (the Fund).

The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the corporation and the corporation's legal or constructive obligation is limited to these contributions.

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 15: Superannuation (continued)

#### Accumulation Fund

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2013, this was 9% required under Superannuation Guarantee Legislation).

No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the fund.

Effective from 1 July 2013, the Superannuation Guarantee contribution rate will increase to 9.25%, and will progressively increase to 12% by 2019.

#### Defined Benefit Plan

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

The corporation makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31 December 2011, the corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. The rate is currently 9.25% of members' salaries (9.25% in 2011/12).

In addition, the corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

The corporation is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

#### Shortfall amounts

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which the corporation is a contributing employer. The corporation was made aware of the expected shortfall during the 2011/12 year and was informed of its share of the shortfall on 2 August 2012. The corporation has not been advised of any further adjustments.

The projected value of the corporation's contribution to the shortfall at 30 June 2012 (excluding contributions tax) amounted to \$1.469M which was accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits (see Note 3b) and in the Balance Sheet in Current Liabilities Provisions (see Note 10).

No further amount has been accounted for in the 2012/13 Comprehensive Operating Statement within Employee Benefits (see Note 3b) and in the Balance Sheet in Current Liabilities Provisions (see note 10).

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits required in AAS 25 to provide the values needed for the AASB 119 disclosure in the corporation's financial statements.

AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

The amount of the unpaid shortfall at 30 June 2013 is nil (\$1.469M for 2011/12).

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 15: Superannuation (continued)

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2011 pursuant to the requirements of Australian Accounting Standard AAS25 and is as follows:

	<b>31-Dec-11</b>
	<b>\$'000</b>
Net Market Value of Assets	4,315,324
Accrued Benefits	4,642,133
Difference between Assets and Accrued Benefits	<u>(326,809)</u>
Vested Benefits (minimum sum which must be paid to members when they leave the fund)	<u>4,838,503</u>
The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:	
Net Investment Return	7.50% p.a
Salary Inflation	4.25% p.a
Price Inflation	2.75% p.a

### Retrenchment Increments

During 2012/13, the corporation was not required to make payments to the Fund in respect of retrenchment increments (\$nil in 2011/12). The corporation's liability to the Fund as at 30 June 2013, for retrenchment increments, accrued interest and tax is \$nil.

### Note 16: Lease Commitments

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Less than One Year	235	188
One to Five Years	189	249
Over Five Years	112	145
	<u><b>536</b></u>	<u><b>582</b></u>

The corporation's lease and rental income is derived from lease of telecommunication tower sites, rental of residential farm property and rental of sites for weather and navigational monitoring facilities with terms between 5 and 20 years. The corporation has entered into a 5 year lease arrangement for agistment of owned land to a third party.

### Note 17: Contributed Capital

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Opening Balance at 1 July	95,967	95,694
Equity Contributions from Victorian Government - Cash	0	273
<b>Closing Balance at 30 June</b>	<u><b>95,967</b></u>	<u><b>95,967</b></u>

### Note 18: Reserves

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>Asset Revaluation Reserve</b>		
Land	4,348	4,348
Infrastructure	86,337	87,355
<b>Total Reserves</b>	<u><b>90,685</b></u>	<u><b>91,703</b></u>
<b>Movements in Reserves</b>		
Opening Balance	91,703	91,703
Infrastructure Decrement	(1,018)	0
<b>Closing Balance</b>	<u><b>90,685</b></u>	<u><b>91,703</b></u>

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 19: Accumulated Funds

	2013 \$000	2012 \$000
Balance July 1	72,556	69,965
Net Result for the Period	2,783	2,591
<b>Accumulated Surplus at the End of Year</b>	<b>75,339</b>	<b>72,556</b>

### Note 20: Reconciliation of Net Results from Ordinary Activities to Cash Provided by Operating Activities

	2013 \$000	2012 \$000
Net Result for the Period	2,783	2,591
Depreciation and Amortisation	9,452	9,352
(Gain) / Loss on Sale on Non-Current Assets	192	(420)
Bad Debts	65	21
<b>Movement in Assets and Liabilities</b>		
(Increase)/Decrease in Receivables	78	(1,207)
(Increase)/Decrease in Inventories	(12)	127
(Increase)/Decrease in Prepayments	(6)	(26)
Increase/(Decrease) in Provisions	148	210
Increase/(Decrease) in Accounts Payable	(1,612)	(888)
Increase/(Decrease) in Deferred Revenue	126	521
Increase/(Decrease) in Deferred Tax Liabilities	1,196	1,105
<b>Net cash provided by operating activities</b>	<b>12,410</b>	<b>11,386</b>
<b>Non Cash Activities</b>		
Income for Capital Purposes - Donated Developer Assets	448	1,806

Income for capital purposes includes the value of donated developer assets received, where the corporation gains control of those assets. They represent "non-cash" activities.

### Note 21: Commitments

	2013 \$000	2012 \$000
<b>Capital Commitments</b>		
Capital Project Commitments due within 12 months - Exclusive of GST	3,085	1,691
<b>Environmental Contribution Commitments</b>		
At 30 June 2013, the corporation had outstanding environmental contribution commitments, to be paid is follows:		
Within one year	1,198	823
One to five years	2,396	4,684
	<b>3,594</b>	<b>5,507</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 22: Reconciliation of Cash and Cash Equivalents

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash on Hand  
Cash at Bank  
Investment at Call  
Developer Bond Accounts

2013 \$000	2012 \$000
1	1
597	947
4,500	0
7	27
<b>5,105</b>	<b>975</b>

### Note 23: Auditor's Remuneration

Amounts paid/payable to the Victorian Office of the Auditor General  
Internal Auditors

2013 \$000	2012 \$000
40	40
69	100
<b>109</b>	<b>140</b>

### Note 24(a): Executive Officers' Remuneration

The number of Executive Officers', other than the responsible persons, whose total remuneration falls within the specific bands above \$100,000 are as follows:

\$130,000 - \$139,999  
\$140,000 - \$149,999  
\$150,000 - \$159,999  
\$160,000 - \$169,999  
\$170,000 - \$179,999

	Total Remuneration		Base Remuneration	
	2013	2012	2013	2012
	0	0	0	3
	0	3	1	0
	0	0	3	1
	3	1	0	0
	1	0	0	0
<b>Total Remuneration</b>	<b>680</b>	<b>596</b>	<b>606</b>	<b>572</b>
<b>Total Numbers</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Annualised Employee Equivalent</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

The base remuneration of executive officers is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

### Note 24(b): Other Persons' Remuneration

There are no other personnel (i.e. contractors) engaged with significant management responsibilities.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2013

### Note 25: Responsible Persons' Related Disclosures

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

#### Ministers

The Hon. Peter Walsh MLA Minister for Water (1 July 2012 to 30 June 2013)

#### Board

Chairperson	Gail Morley	(1 July 2012 - 30 June 2013)
Deputy Chairperson	Richard Elkington	(1 July 2012 - 30 June 2013)
Director	Robert Supplitt	(1 July 2012 - 30 September 2012)
Director	Eric Sjerp	(1 July 2012 - 30 June 2013)
Director	John Rudge	(1 July 2012 - 30 September 2012)
Director	Samuel Logan	(1 July 2012 - 30 June 2013)
Director	Michelle Dowsett	(1 July 2012 - 30 June 2013)
Director	Geoff Ellis	(1 July 2012 - 30 June 2013)
Director	Joanne Booth	(1 October 2012 - 30 June 2013)
Managing Director	Les Mathieson	(1 July 2012 - 13 December 2012)
Managing Director	Bruce Hammond	(14 December 2012 - 30 June 2013)

#### Remuneration of Responsible Persons

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

The number of Responsible Persons' whose remuneration from the corporation was within the specific bands were as follows:

	2013	2012
\$0 - \$9,999	2	2
\$10,000 - \$19,999	5	6
\$20,000 - \$29,999	1	1
\$40,000 - \$49,999	1	1
\$110,000 - \$119,999	1	0
\$230,000 - \$239,999	0	1
\$310,000 - \$319,999	1	0
<b>Total Numbers</b>	<b>11</b>	<b>11</b>

Remuneration received or receivable by responsible persons' and related parties in respect of the management of the corporation during the reporting period was:

	2013 \$000	2012 \$000
	<b>590</b>	<b>416</b>

#### Retirement Benefits

The corporation has made superannuation payments of \$41,000 (2012: \$35,848) on behalf of the Board Directors.

#### Other Related Party Transactions

There have been no transactions between responsible persons and the corporation other than in the normal capacity as ratepayers and consumers.

#### Note 26: Events Subsequent to 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.

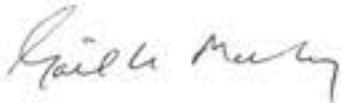
# East Gippsland Region Water Corporation

## Accountable Officers and Chief Finance and Accounting Officers Declaration for 2012/13

We certify the attached financial statements for East Gippsland Region Water Corporation have been prepared in accordance with standing direction 4.2 of the *Financial Management Act 1994*, applicable Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these financial statements, present fairly the financial transactions during the year ended 30 June 2013 and the financial position of the corporation as at 30 June 2013.

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



Gail Morley  
Chairperson

East Gippsland Region Water Corporation



Bruce Hammond  
Managing Director

East Gippsland Region Water Corporation



Rob Carlesso  
Chief Finance & Accounting Officer

East Gippsland Region Water Corporation

28 August 2013

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, East Gippsland Region Water Corporation

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2013 of the East Gippsland Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officers and chief finance and accounting officers declaration has been audited.

#### *The Board Members' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

## Independent Auditor's Report (continued)

### *Independence*

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

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the East Gippsland Region Water Corporation as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the East Gippsland Region Water Corporation for the year ended 30 June 2013 included both in the East Gippsland Region Water Corporation's annual report and on the website. The Board Members of the East Gippsland Region Water Corporation are responsible for the integrity of the East Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the East Gippsland Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
30 August 2013

*T. Doyle*  
Per John Doyle  
Auditor-General

# Disclosure Index

The Annual Report of the East Gippsland Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Corporation's compliance with statutory disclosure requirements.

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## Glossary

ASR	Aquifer Storage and Recovery
DEPI	Department of Environment and Primary Industries
DoH	Department of Health
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
EGCMA	East Gippsland Catchment Management Authority
EPA	Environment Protection Authority
EWOV	Energy and Water Ombudsman Victoria
FTE	Full Time Equivalent
Gigalitre (GL)	One billion litres
Kilolitre (kL)	One thousand litres
Megalitre (ML)	One million litres
NATA	National Association of Testing Authorities
t CO <sub>2</sub> -e	Tonnes of CO <sub>2</sub> equivalent



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24 hour emergency  
and faults service 1300 134 202

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