



Annual Report 2015/16





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.

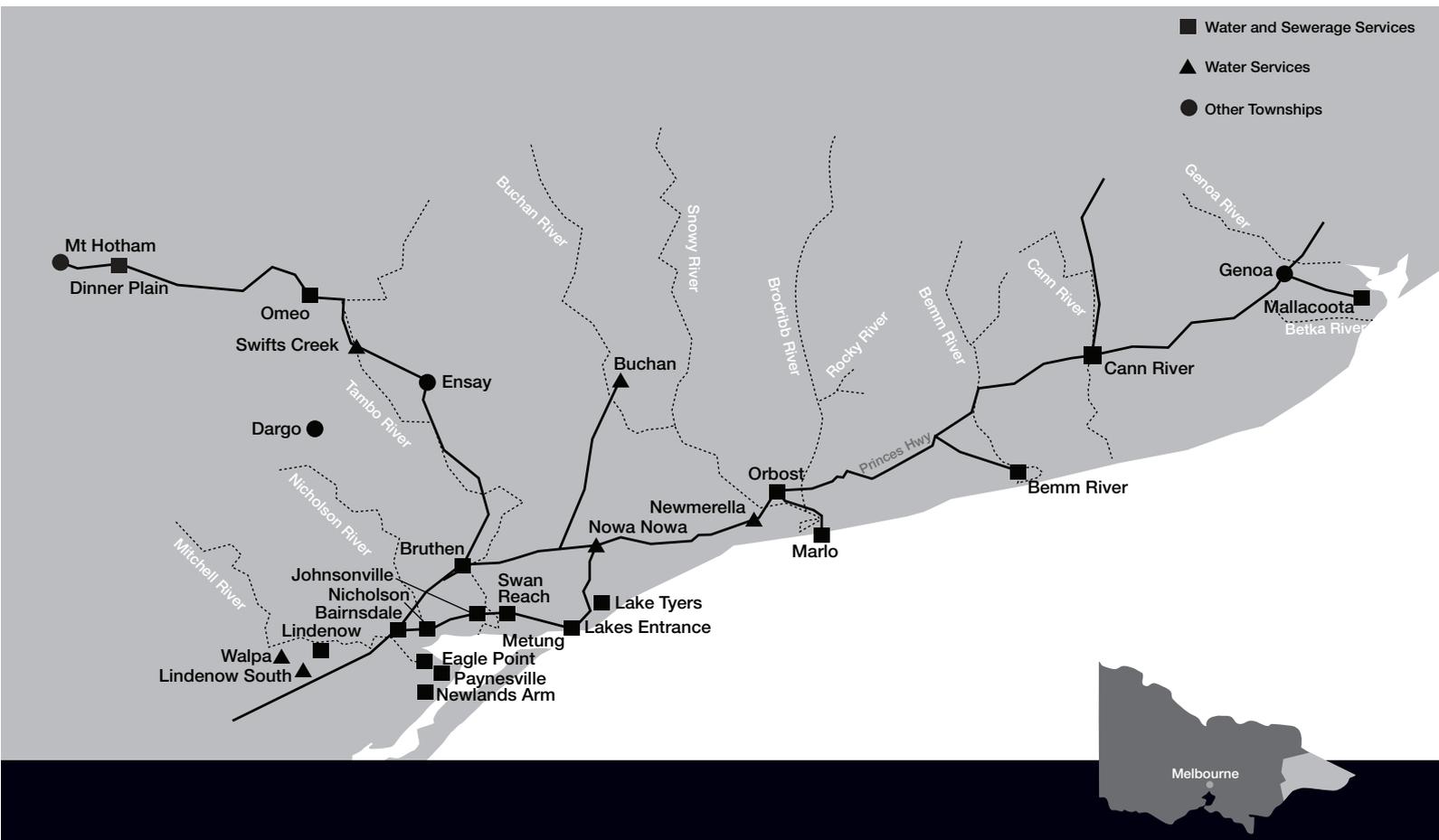
The region's world renowned beaches, lakes, high country and national parks are a natural draw-card for those seeking a lifestyle change, as well as for the many tourists that swell the region's population numbers over the busy holiday periods.

East Gippsland Water serves around 35,000 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 26,000 account holders (assessments) with wastewater services also provided to around 22,100 account holders.



Fact File (as at 30 June 2016)

Water

Serviced properties	
- domestic assessments	22,822
- non domestic assessments	3,171
Volume of water consumed (ML/y)	4,664
Length of water mains (km)	938
Water treatment plants	9
Water disinfection plants	11
Separate water supply systems	9

Wastewater

Serviced properties	
- domestic assessments	19,813
- non domestic assessments	2,299
Volume of wastewater collected (ML/y)	3,065
Length of sewer mains (km)	691
Wastewater treatment plants	11
Water recycled (%)	98
Separate wastewater systems	11

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 Ministers during the 2015/16 reporting period were:

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

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 beneficial community uses, as well as trade waste services to industrial and commercial customers.

Our Vision

East Gippsland Water is a leading and respected water corporation.

Our Mission

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

Our Objectives

- To meet the needs of our customers and stakeholders
- To enhance the liveability, development and resilience of our region
- To innovate and achieve whole-of-business sustainability
- To optimise the efficiency and affordability of our services
- To 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 2015/16. It has been prepared in accordance with the *Financial Reporting Direction FRD 30C - Standard Requirements for the Publication 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.

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Accountable Officer's Declaration

In accordance with the *Financial Management Act 1994* I am pleased to present East Gippsland Water's Annual Report for the year ending 30 June 2016.



Joanne Booth
Chairperson
East Gippsland Water

29 August 2016



Report from the Chairperson and Managing Director

Initiatives and Key Achievements

East Gippsland Water continued to proactively address the needs of our local community and expectations of the Victorian Government in the 2015/16 financial year.

We continued to implement a number of significant initiatives in line with the strategies and objectives set out in our Corporate Plan (business plan for the year) and Water Plan (five year business plan for 2013-18), with some notable achievements.

Financial Overview

We recorded a surplus before tax of \$1.98 million for 2015/16. While this was below the budget expectation of \$2.4 million, it reflects the impairment/disposal of a number of infrastructure assets totalling \$1.5 million.

These impairments/disposals were identified as part of the infrastructure asset revaluation completed during the reporting period. Their impact was partially offset by savings achieved and through our ongoing commitment to an operating efficiency strategy.

The revaluation undertaken was in relation to our land, building and infrastructure assets. This resulted in an increase in asset values of \$121 million, reflecting the current day cost of replacing our portfolio of assets.

Expenditure on capital works totalled \$8.18 million for the year, representing a significant and positive economic outcome for our region. The vast majority of projects were completed within budget and on time. Several of our larger projects planned for completion were still in progress at year-end and on-track to be completed early in 2016/17.

Notably, we were in a position to reduce total debt by \$2.5 million to \$18 million and we held \$4 million in investments at the end of the financial year.

Keeping Price Increases to a Minimum

We took the decision to keep price increases well below the rate of inflation for the reporting period. As a state government-owned enterprise and an essential service provider, a key driver for us has been ensuring that customers continue to receive efficient, reliable, high quality water and sewerage services that represent good value for money.

Our ongoing pursuit of efficiency improvements in our business operations contributed to this knock-on financial benefit for customers.

For the second year running residential customers also received a Victorian Government rebate of \$28 on their East Gippsland Water account. They will continue to receive this annually through to 2017/18.

For 2016/17 we will again be keeping price increases to a minimum and lower than those approved by the water industry's regulator, the Essential Service Commission (ESC). The average residential customer, using 148,000 litres of water a year, will see their combined bills for water and sewerage go up by only 1.8 percent, or \$20.55 over the 12 month period. The average business customer will also see a limited increase in prices, with their bill going up by only 2.18 percent.

Water Consumption and Restrictions

The reporting period saw a total of 4,664ML of water consumed by residential and non-residential customers, compared with 4,470ML in 2014/15 and 4,657ML in 2013/14. Factors influencing this included:

- weather being hotter and drier during spring, summer and autumn despite some significant, isolated rain events
- some 300 additional customers.

Residential consumption increased from 169L to 176L per person, per day, reflecting the hotter and drier climatic conditions.

Yet this was the ninth successive year with no water restrictions anywhere in East Gippsland.

The total amount of non-revenue water increased from 543ML to 678ML in 2015/16 despite significant reductions in network leakage attributable to our ongoing reduction program. The increase relates to a leak that developed at our Wy Yung water storage basin, which will be addressed as part of a program of upgrade works.

Wy Yung Water Storage

During the period, a leak developed in the internal liner of our covered water storage basin at Wy Yung, which serves some 24,000 people along our Mitchell River water supply system, from Bairnsdale through to Nowa Nowa.

Early in 2016/17 we will be carrying out works to address this issue, as we implement a two year upgrade program for the water storage facility that also includes:

- installing an upgraded bypass system at the site, to increase the operational flexibility of the water supply system. This will mean that the storage can be bypassed at any time – for example when maintenance work requires it to be taken out of action – with minimal interruption to customer service
- constructing new water storages to supplement or replace the present Wy Yung water storage basin
- an electrical control upgrade – enabling more detailed monitoring of water supply network performance. The data will be accessible remotely, enabling operational adjustments at short notice, without travelling to the site.

Powering up with Sludge and Food Waste

Our Bairnsdale Wastewater Treatment Plant is now well on the way to generating most of its power needs from little more than sewage sludge and local food waste, thanks to the installation of a new, combined heat and power system at the site.

This project is part of a joint initiative involving the East Gippsland Food Cluster, Federation University, East Gippsland Shire Council and ourselves, which is exploring ways to recycle organic waste instead of sending it to landfill. With this in mind the Bairnsdale project has the potential to bring real benefits to the region, our local food manufacturers and for jobs into the future.

The new system is taking the methane generated from a blend of the sewage sludge and food waste and converting this into heat and electricity to run much of the treatment plant's on-site operations. This in turn provides a saving in operational costs and is reducing our carbon emissions.

When fully operational the new facility will produce 40 kilowatts – enough to power the treatment plant, with excess energy being fed into the electricity grid.

Helping to supplement the energy being generated by the new heat and power system is a ten kilowatt solar panel installation at the facility.

Ongoing Maintenance

Various sections of water mains were proactively pressure-cleaned during the reporting period to ensure the efficiency of the supply network and to maintain drinking water quality. Communities targeted included Dinner Plain, Bairnsdale and Mallacoota.

We proactively continued with a significant ongoing program to identify and pressure clean the sewerage network, to help prevent future blockages, overflows and unplanned interruptions to customers' wastewater services. This included inspecting higher risk sewers using state-of-the-art CCTV equipment and jetting and cleaning more than 100km of sewer reticulation pipelines.

In addition, we continued with an ongoing program to reduce stormwater infiltrating our sewer network. This infiltration increases stress on our sewerage infrastructure, particularly during significant rain events, increasing the likelihood of sewage overflows and increasing sewage treatment costs. Areas we focused on in 2015/16 included Bairnsdale, Lake Tyers Beach, Mallacoota, Bemm River and Dinner Plain.

Around \$10 million will be invested over the year ahead to maintain and operate water and sewerage infrastructure, ensuring services are maintained to a high standard and efficiency.

Leading in the Community

As a larger employer within our region, we maintained a commitment to support and encourage our staff to take up board, committee and working group roles with local not-for-profit, community service groups and industry representative groups, during the year. These extra-curricular roles range from being active members of sporting committees of management, to board and committee positions with local agencies, not-for-profit organisations and community banks.

Staff have also been supported through secondments to other organisations, such as to the East Gippsland Catchment Management Authority, and taking lead roles in important water industry programs, such as the Intelligent Water Networks Flagship Project. Another initiative has involved our collaboration with local partners to deliver a range of shared services. A leading example has been our provision of financial support services to the Gippsland and East Gippsland Aboriginal Co-operative.

This overarching program delivers enormous benefits, such as building strong connections with our community and stakeholders, supporting a thriving economy and liveability, and development opportunities for our employees through a range of new challenges to build their skills and capabilities. It is an important underpinning initiative in our succession strategy that continues to nurture a vibrant, committed and innovative workforce that is connected and engaged with our community.

Equality, Diversity and Inclusion

Every member of our staff is expected to play their part in actively promoting a workplace that abides by the principles of equal employment opportunity and the Victorian Charter of Human Rights and Responsibilities. Complementing this, we have embedded a set of trademark behaviours that our employees have identified as important for the effective functioning of our business. These behaviours have been built into our annual review process and continue to underpin our workplace culture.

During the reporting period all staff undertook mandatory equal opportunity, bullying, diversity and privacy awareness training. In addition, we developed a diversity and inclusion plan to complement the Water Industry Diversity Strategy. Early in 2016/17 we plan to appoint a Manager for People, Diversity and Inclusion to help drive the implementation of this important strategy. We are also continuing to work closely with the wider water industry and through VicWater to achieve statewide best practice in this area.

Along with other water corporations, we participated in the Victorian Public Sector Commission People Matter Survey to assess staff satisfaction with our organisation. We participate every two years and the most recent survey was conducted in March 2016. Satisfaction continues to remain high within our business. All employees have agreed that we are an employer of choice and that maintaining a high level of public trust is a priority.

Community Engagement and our Price Submission

During the reporting period we continued to actively pursue opportunities to engage with our community to evaluate customer preferences in a range of areas including levels of service, liveability, hardship and the planning and implementation phases of capital, operational and other projects. This has been conducted in line with the principles advocated by the International Association for Public Participation (IAP2), and as promoted by the Victorian Government.

In relation to our Price Submission (our five year business plan for 2018-23) we have actively involved our Customer Committee, who have an integral role in the development and implementation of the community engagement program.

We have been seeking their views surrounding levels of service and future initiatives. They have also been advising on the most appropriate means of engaging with our community and assisting with engagement activities, as they foster strong links with our customers on important drinking water and wastewater issues.

Committee members also hosted a number of 'conversations' with key and diverse stakeholders in the local community' to seek qualitative feedback on East Gippsland Water services. This will assist with more detailed community engagement during 2016/17, which the committee is also taking a lead role to shape. In addition, the committee helped to shape questions for our annual customer satisfaction survey, conducted jointly with Gippsland Water and Westernport Water during the year.

Recognition for Outgoing and New Board Directors

Outgoing board director and chairperson Joe Rettino made a notable contribution to the work of East Gippsland Water during his two years with the corporation. During that time we developed significantly closer links with our community through a revamped engagement strategy and drove down prices through collaborative local partnerships, concerted efficiency and new business programs.

In addition we would like to recognise and thank outgoing directors Eric Sjerp (11 years), Samuel Logan (seven years) and Geoff Ellis (four years) for their dedicated service and outstanding commitment to the corporation, which has in no small part contributed to the successful corporation we are today.

During the year we were pleased to welcome back to the board Gail Morley, together with new directors Angela Hutson, Therese Tierney, Steve Bird and Bill Deveney - who have brought with them significant professional and governance experience, as well as local and sector knowledge.

Finally, we would like to thank the management and staff throughout East Gippsland for their ongoing commitment to the success and achievements of the corporation.



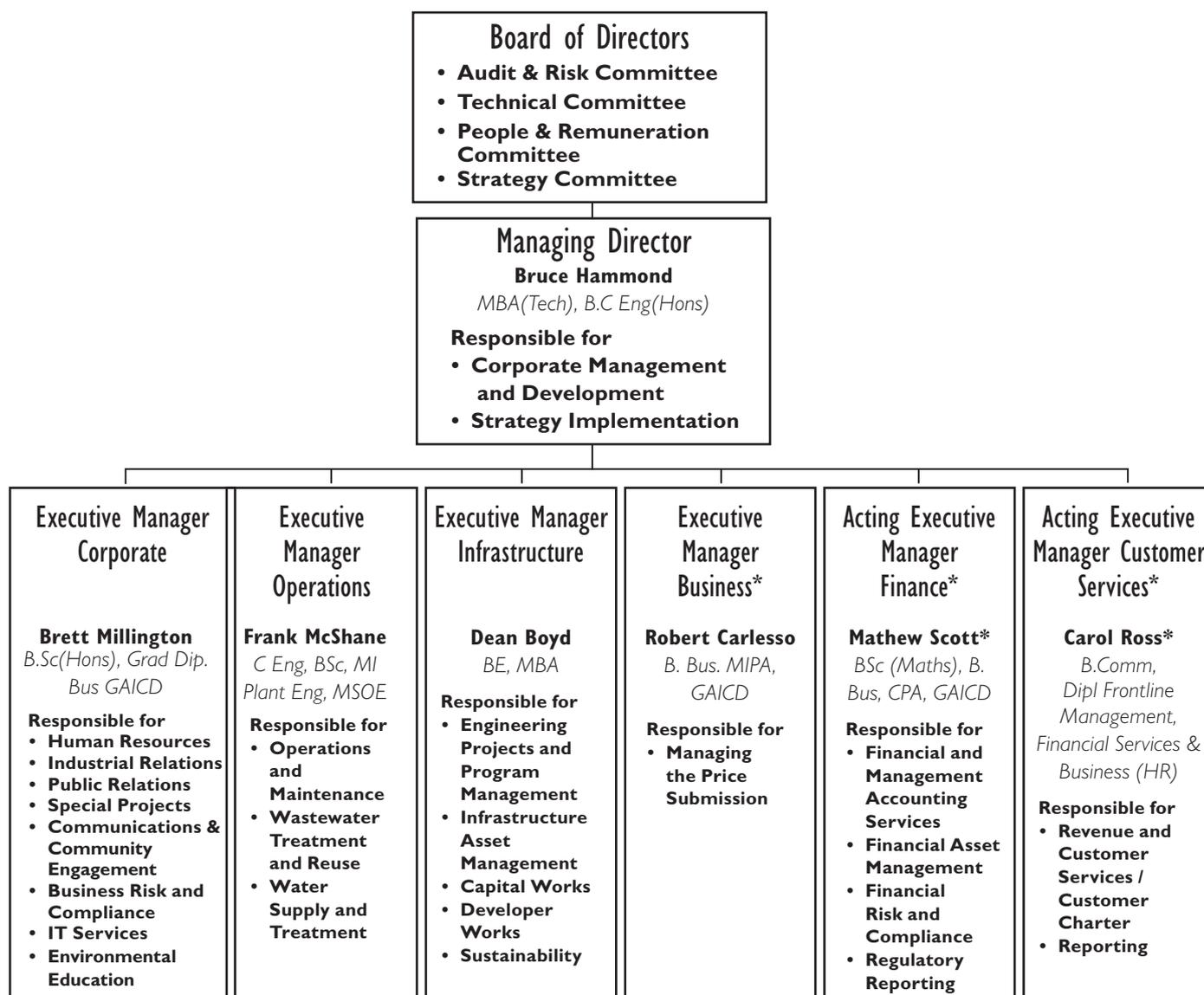
Joanne Booth
Chairperson
29 August 2016



Bruce Hammond
Managing Director
29 August 2016

Corporate Governance

Organisation Structure - East Gippsland Water's organisation structure as at 30 June 2016:



*During 2015/16 the Executive Manager Business, Rob Carlesso, was appointed to manage development of the Price Submission, with two Acting Executive Managers appointed to cover his usual business functions

Meeting Attendance 2015/16

Director	Board		Audit & Risk Committee		Technical Committee		People & Remuneration Committee		Strategy Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Joanne Booth	10	10	1	1	-	-	2	2	2	2
Joe Rettino	2	2	-	-	-	-	1	1	-	-
Michelle Dowsett	10	8	4	4	-	-	1	1	2	2
Eric Sjerp	2	2	-	-	2	2	-	-	-	-
Richard Elkington	10	9	-	-	4	4	3	3	2	1
Angela Hutson	8	7	-	-	-	-	2	2	2	1
Gail Morley	8	8	-	-	2	2	-	-	2	2
Steve Bird	8	8	3	3	-	-	-	-	2	2
Therese Tierney	8	6	3	3	-	-	-	-	2	1
Bill Deveney	8	7	-	-	2	-	-	-	2	2
Geoff Ellis	2	1	-	-	2	2	-	-	-	-
Samuel Logan	2	2	1	1	-	-	-	-	-	-
Bruce Hammond	10	10	-	-	-	-	-	-	2	2

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 overseeing policies and business objectives to achieve that strategy. It is committed to performing its role in accordance with the highest standards of corporate governance.

Joanne Booth – Chairperson (Since October 2015)

First appointed a director: October 2012

Current term expires: September 2019

Joanne has a background in public health and policy. She is an experienced non-executive director, chair and former chief executive officer and has worked extensively in the public, not-for-profit and health sectors. She has operated a governance and management consultancy in East Gippsland and Melbourne since 2010.

She is a Graduate of the Australian Institute of Company Directors (AICD) and completed Governing for Non-Profit Excellence, Harvard Business School (USA). Her current appointments include: Director, Victorian Healthcare Association; Director, Inner East Community Health; Independent Chair, Nominations Committee, Western Victoria PHN; and Independent Member, Audit Committee, Latrobe City Council.

Joanne was formerly: Chair/Director, Gippsland Lakes Community Health; Independent Chair, Audit Committee, Gippsland Water; and Executive Director, Australian College of Optometry.

Her qualifications include a Master of Public Health, Graduate Diploma in Occupational Health, Bachelor of Arts, Advanced and General Certificates in Nursing and a Practitioners Certificate in Mediation. She is currently completing a Graduate Certificate in Internal Audit and is an active member of the AICD and Women on Boards.

Committee memberships:

Chairperson, People & Remuneration Committee (since October 2015)

Chairperson, Strategy Committee

Member, Audit & Risk Committee (until October 2015)

Joe Rettino – Chairperson (until September 2015)

First appointed a director: October 2013

Last term expired: September 2015

As well as Chairperson of the board, Joe Rettino chaired East Gippsland Water's People & Remuneration Committee.

Michelle Dowsett (Deputy Chairperson)

First appointed a director: October 2011

Current term expires: September 2019

As Principal of CFO ASSIST, Michelle has worked in several small and medium-sized enterprises in Business Manager, Company Secretary and Chief Accounting Officer (CFO) roles.

Her financial management, strategy application and governance experience is exemplified in being a Certified Practising Accountant (CPA), having achieved an MBA and also through being a Certified Member of the Governance Institute of Australia.

Michelle has lectured in the Master of Health Sciences (Aged Care) program at Victoria University and is studying a Diploma in Aboriginal and Torres Strait Islander Knowledges.

She has developed her project management skills within the property development, valuation and consulting field. Her Graduate membership of the Australian Institute of Company Directors is well utilised in her governance roles: on the board (and as Treasurer) of Within Australia; as Independent Chairperson of the Audit & Risk Committee of the Municipal Association of Victoria; as a member of the policy committee of the Leading Aged Services Association (Victoria); as independent member of Uniting Care Gippsland's Audit and Compliance Committee; as board member of Federation Training and; in her roles with East Gippsland Water.

Committee memberships:

Chairperson, Audit & Risk committee (from October 2015)

Member, Strategy Committee

Member, People & Remuneration Committee

(until October 2015)

Richard Elkington

First appointed a director: October 2007

Current term expires: September 2017

Richard was appointed a director of the East Gippsland Water Board in 2007. He has more than 40 years experience in the Latrobe Valley power generation industry and held a number of positions at General Manager Level.

He is currently providing management and strategic planning consultancy services to a range of Gippsland businesses.

Richard is the Chairperson of the Regional Development Australia-Gippsland Committee, Director of Gippsland Ports and was previously Chairperson of Gippsland Water.

He brings invaluable water industry expertise to the Board of East Gippsland Water where he is a member of the Technical, and People & Remuneration committees.

Committee memberships:

Chairperson, Technical Committee (from October 2015)

Member, People & Remuneration Committee

Member, Strategy Committee

Angela Hutson

First appointed a director: October 2015

Current term expires: September 2017

Angela is a management and education consultant. She is the Chair and a member of the Bairnsdale Regional Health Service, as well as being a member of the VET Development Centre and the Gunaikurnai Traditional Owner Land Management Board.

She has a Masters in Organisational Leadership, a Bachelor of Arts, a Graduate Diploma of Business Entrepreneurship & Innovation, a Diploma of Education, a Diploma of Frontline Management and a Graduate Certificate in Enterprise Management.

In addition Angela is a Fellow and Graduate of the Australian Institute of Company Directors.

Committee memberships:

Member, People & Remuneration Committee

Member, Strategy Committee

Gail Morley

First appointed a director: October 2005

Current term expires: September 2017

Gail is the Managing Director of Gail Morley & Associates, specialising in the auditing, design and development of vocational training.

She was previously Chairperson and a Director at East Gippsland Water and Director at Gippsland Ports, and is currently a member of the Council for Adult, Community and Further Education (Gippsland).

Gail is a Fellow of the Australian Institute of Company Directors and has a Bachelor of Arts, Bachelor of Education, Graduate Diploma in Office Systems Education, Diploma in Frontline Management and a Diploma in Training and Assessment Systems.

Committee memberships:

Member, Technical Committee

Member, Strategy Committee

Steve Bird

First appointed a director: October 2015

Current term expires: September 2019

Steve was a Director of North East Water from October 2011 to September 2015. He was also previously Chief Executive Officer of the Victorian Water Industry Association.

He has spent over 40 years in the water industry and held various senior management positions with Grampians Wimmera Mallee Water, Wimmera Mallee Water, and their predecessors. In addition he is an independent member of the Audit and Risk Management Committee of Wannon Water.

Steve has a Bachelor of Business (Accounting), is a Fellow Certified Practising Accountant, a member of the Australian Institute of Company Directors and an Associate of the Institute of Water Administration.

Committee memberships:

Member, Audit & Risk Committee

Member, Strategy Committee

Therese Tierney

First appointed a director: October 2015

Current term expires: September 2017

Therese is currently the Chief Executive Officer of Bairnsdale Regional Health Service and has more than 40 years experience in the health sector, including in senior management roles since 1994.

She has been a CEO in metro Melbourne and regional Victoria in both the private and public health sectors.

Whilst Therese has primarily worked in the health sector, she has also had significant involvement in local government as both a councillor and general manager and has also worked as a consultant providing strategic and innovative solutions to challenges with business, change management and people and systems thinking.

Committee memberships:

Member, Audit & Risk Committee

Member, Strategy Committee

Bill Deveney OAM

First appointed a director: October 2015

Current term expires: September 2017

Bill graduated as a Social Worker from Monash University and also holds a Diploma of Religious Education from Melbourne University.

He was previously the CEO of the Melbourne Major Events Committee, Lord Mayor of the City of Melbourne, CEO of Southport Community Health Service and Principal of Bill Deveney & Associates.

Bill was a member of Melbourne Health (Royal Melbourne Hospital) and the Victoria Social Justice Committee. He was also a Chairman of Mental Health Services Northern and Western Metropolitan and of the HR/IR Committee at Melbourne Health.

He is a recipient of an Order of Australia Medal.

Committee memberships:

Member, Technical Committee

Member, Strategy Committee

Eric Sjerp

Until September 2015

Eric was Chairperson of East Gippsland Water's Technical Committee

Geoff Ellis

Until September 2015

Geoff was a member of East Gippsland Water's Technical Committee.

Samuel Logan

Until September 2015

Samuel was Chairperson of East Gippsland Water's Audit & Risk Committee.

Bruce Hammond – Managing Director

Appointed a director: 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 gained over 30 years in a range of water industry roles, principally with urban water businesses.

Bruce is a member of the Australian Water Association Victorian Branch Committee, the Institute of Water Administration and Professionals Australia, and is a fellow of the Fairley Leadership Program. He is also East Gippsland Water's representative on the Regional CEO Forum and is independent Chairperson of the Noweyung Ltd Audit Committee.

Board Meetings

The board meets formally ten times a year, 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 two other board directors 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.

Meetings are held quarterly and at any other time at the request of a committee member or the internal or external auditor.

Members:

- Michelle Dowsett (Chairperson since October 2015)
- Samuel Logan (Chairperson until September 2015)
- Steve Bird (since October 2015)
- Therese Tierney (since October 2015)
- Michelle Dowsett (until September 2015)
- Joanne Booth (until September 2015)
- Chris Trotman (independent)
- Gerald Kraft (independent)

Technical Committee

The Technical Committee focuses on effective management of technical, operational and environmental risks, compliance with laws and regulations, and the infrastructure program.

Members:

- Richard Elkington (Chairperson since October 2015)
- Eric Sjerp (Chairperson until September 2015)
- Gail Morley (since October 2015)
- Bill Deveney (since October 2015)
- Geoff Ellis (until September 2015)

People & Remuneration Committee

The 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. The committee also provides oversight and direction to the development of the corporation's Governance Framework. In addition it ensures that the board has a strategic, sustainable long-term approach to issues relating to the corporation's workforce.

Members:

- Joanne Booth – (Chairperson since October 2015)
- Jo Rettino (Chairperson until September 2015)
- Richard Elkington
- Angela Hutson (since October 2015)
- Michelle Dowsett (until September 2015)

Strategy Committee

The Strategy Committee was established during the reporting period and met for the first time in May 2016. It acts in an advisory capacity to the board in the development of strategic direction, plans and objectives in priority areas such as strategic intent, the corporate plan, the price submission, responding to Water for Victoria and other strategic issues.

Members:

- Joanne Booth (Chairperson)
- Michelle Dowsett
- Gail Morley
- Steve Bird
- Therese Tierney
- Richard Elkington
- Angela Hutson
- Bill Deveney
- Bruce Hammond

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 Victorian Public Sector Commissioner.

Declaration of Pecuniary Interests

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

People and Culture

Our Philosophy

East Gippsland Water maintains the systems of management that place the safety of staff, the public and the environment as its most important priority. Sustainable and safe practices are maintained as a central theme across the corporation.

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 2015/16, 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 2015/16

Water Industry Operations Cert III	5
Water Industry Operations Cert IV	4
Graduate Diploma of Science (Hydrology)	1
Certificate in Engagement (IAP2)	1
Certificate IV Manufacturing Technology	1
Certificate IV Accounting	1
CPA Australia Professional Level	1
TOTAL	14

Staff Health and Wellbeing

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

The safety and environment committees managed a number of key projects during the reporting period, aimed at maximising employee involvement in health and fitness related initiatives such as annual personal health assessments and influenza immunisations.

Other initiatives included:

Monthly Themed Events

Important health themes were launched each month. Fundraising and factual information formed an integral part of these events and staff morning teas included fundraising for each theme such as for cancer, anxiety and depression initiatives.

Sports and Team-based Activities

Nearly 40 corporation staff participated in the annual, ten week Fit 'n' Healthy Steps Challenge promoting daily exercise and 15 staff took part in the H30 Challenge - an initiative by VicHealth, encouraging people to switch from drinking sugary drinks to only water for 30 days.

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.

Combining Fundraising Efforts - Movember and Pink Ribbon

East Gippsland Water once again combined annual fundraising events and staff raised more than \$400. These funds 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 Employment and Conduct Principles

East Gippsland Water is committed to applying merit and equity principles when appointing staff. The selection process ensures that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other role-specific factors, without discrimination.

The corporation also recognises the influence that staff behaviour has on productivity, internal relationships, the work environment, public relations and relationships with customers, clients, colleagues, contractors and the wider community.

In accordance with the principles of Equal Employment Opportunity and the Victorian Charter of Human Rights and Responsibilities, all employees 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 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 induction to East Gippsland Water.

In February and March 2016 all staff undertook mandatory Equal Opportunity, Bullying and Diversity Training, which was delivered by the Victorian Chamber of Commerce and Industry, and Privacy Awareness Training provided by FOI Solutions.

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 Victorian Public Sector Commission 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 2016. In the alternate years East Gippsland Water runs an internal staff satisfaction survey, with the most recent survey completed in June 2015.

The results from these surveys provide an invaluable tool for measuring staff perceptions and act as a useful comparison with other water industry employees. Satisfaction continues to remain high within East Gippsland Water. All employees have agreed that East Gippsland Water is an employer of choice and that maintaining a high level of public trust is a priority.

To further monitor staff satisfaction, East Gippsland Water also collects and considers feedback as part of the personal development planning and review process.

Workplace Relations

East Gippsland Water's Employee Consultative Committee provides an important 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.

The current East Gippsland Water Enterprise Agreement 2014, which was voted on and approved by staff in June 2015, was endorsed by the workplace relations commission, Fair Work Australia, in August 2015 and expires in August 2017.

Workforce Data

As at 30 June 2016 the corporation employed 99 people, or 94.11 full-time equivalent (FTE), compared to 94 people, or 90.8 FTE, on 30 June 2015. The breakdown of staff was as follows:

Staff classification	Total		Male		Female	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Managing Director and Executive Staff	5	7	5	6	0	1
Technical and Administrative Staff (full-time)	53	48	35	36	18	12
Technical and Administrative Staff (part time & temp)	6	14	1	2	5	12
Field staff (full-time)	30	28	30	28	0	0
Trainees	0	2	0	1	0	1
Total	94	99	71	73	23	26
Total FTE	90.8	94.11	70.6	72.89	20.2	21.22

As at 30 June 2016

Age Profile	Male	Female	Employee Headcount
Under 25	5	3	8
25-34	12	9	21
35-44	18	9	27
45-54	21	4	25
55+	17	1	18

As at 30 June 2016 the corporation hosted the following number of trainees, apprentices and vacation students from various training organisations and universities.

Staff classification	Total	Male	Female
	2015/16	2015/16	2015/16
Trainees & Apprentices (hosted)	4	4	0
Vacation Students	2	1	1
Total	6	5	1

Executive Officer Data

As at 30 June 2016, East Gippsland Water employed six Executive Officers, excluding responsible persons (ministers and accountable officers).

This is an increase of two on the previous year and is a result of one Executive Officer being appointed to a special project (the Price Submission), with their usual role being split into two portfolios and between two Acting Executive Officers. This is for a defined period of time. Known as Executive Managers, the breakdown was as follows:

Executive Officers - Number

	All		Ongoing*		Special Projects**	
	No.	Variation on previous year	No.	Variation on previous year	No.	Variation on previous year
Executive Managers	6	2	5	1	1	1
Total	6	2	5	1	1	1

*Ongoing – Executives responsible for ongoing functions.

** Special Projects – Executive employed for a specific project, for a fixed period of time.

Executive Officers - Gender

	Ongoing and Special Project					
	Male		Female		Vacancies	
	No.	Variation on previous year	No.	Variation on previous year	No.	
Executive Managers	5	1	1	1	0	
Total	5	1	1	1	0	

Reconciliation of Executive Numbers

		2015	2016
	Executives with total remuneration over \$100,000 (Financial Statement Note 24(a), (page 79) *	4	4
Add	Vacancies	0	0
	Executives with total remuneration below \$100,000	0	0
Less	Separations**	0	0
	Total executive numbers at 30 June	4	4

* Financial Statement Note 24(a) in the Financial Statements shows the amount of remuneration paid to Executive Officers over the course of the reporting period. It does not report against vacant positions or separations which are included above.

** Separations are those executives who received more than \$100,000 in the financial year and have left the corporation during the year.

Health & Safety (H&S)

Managing risks in the workplace and putting people first continues to be our highest priority so that staff can deliver valuable service and return home every day without injury.

To this end, the corporation maintains an H&S management system externally certified to Australian/New Zealand Standard 4801, to manage the safety of staff, contractors and the interface with public across all areas of the business. This certification has been maintained since 2005.

The basis of the safety management system continues to be:

- managing and maintaining safe workplaces
- open consultation on workplace H&S and environment matters
- relevant and current H&S training (including staff H&S induction and in-house training by qualified staff, as well as nationally accredited formal and industry-specific training)
- learning from incidents, including near misses

- developing and maintaining competent staff, and
- modern and tailored work instructions and procedures.

East Gippsland Water also takes a significant interest in third party H&S via a Contractor Health, Safety and Environment Management System. Statutory based safety training is routinely offered to East Gippsland Water contractors to enable greater participation and reduce overall training costs.

Safety remained a key focus in all contract works during 2015/16, with reported incidents investigated to ensure that lessons could be learnt and preventive actions applied across all relevant business areas.

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

Performance for 2015/16

	Audits/Inspections Conducted	External Audit Compliance*	Safety Meetings Conducted	Incidents Reported on Time
Target (%)	100	100	90	90
Result (%)	100	100	95	96

*No major non-conformances

East Gippsland Water maintained its active leadership role within the Victorian Water Industry OH&S Network (which has operated since 2002) and is also an active member of the national industry network led by the Water Services Association of Australia (WSAA).

Significant achievements in H&S for 2015/16 included:

- re-certification of the corporation's H&S Management System to AS/NSZ 4801 and compliance across all management system elements
- an ongoing integrated H&S and environmental management system
- continuation of the corporate health and wellbeing program, with an emphasis on monthly, theme-focused activities, including social and sporting events
- continued management of H&S workplace inspections via an asset management system and the Geographic Information System (GIS), which enables staff to complete field workplace inspections on-line
- continued close collaboration with local emergency services - including their involvement in an annual emergency exercise
- ongoing participation in the water industry as a member of the VicWater OH&S task group and WSAA Health & Safety Network.

A major initiative launched during the reporting period was the digitising of health, safety and environment risk assessments, with paper-based forms phased out in May 2016. Some field teams now complete risk assessment and environmental incident reporting via a tablet, such as an iPad. This innovation has been nominated for a WorkSafe Victoria award.

H&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 on-time reporting of all incidents is regarded as a performance priority.

All incidents are tabled at regular committee and board meetings. Significant incidents, including those defined as close calls, are subject to a thorough investigation to determine the cause and prevent a repeat.

There were a total of 25 incidents in 2015/16 (or 27.63 incidents per 100 FTE), one of which was a 'lost time injury' that resulted in a total of eight days off work. There was one 'medical treatment incident'. All significant incidents, whether a near miss or an injury, were formally investigated, so that suitable preventive controls could be agreed and implemented.

A 'medical treatment incident' is one that results in treatment by a registered medical practitioner, not just referral to a doctor. A 'lost time incident' is one that results in a person being absent from work for at least one full shift due to a workplace injury.

Total Health & Safety Incidents Reported (per 100 FTE*)

	2012/13	2013/14	2014/15	2015/16
No. of reported incidents for the year	15.92	22.08	22.67	27.63
No. of reported hazards for the year	20.4	20.9	19.4	16.57
No. of lost time standard claims	1.14	0	2.16	1.11
No. of medical treatment incidents	0	0	0	1.11
Average cost per claim for the year	\$14,632	\$19,651	\$69,906	\$10,111
WorkSafe estimate of outstanding claim costs	N/A	N/A	N/A	N/A

*FTE – full time equivalent staff

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

	2012/13	2013/14	2014/15	2015/16
Average Time Lost				
Days lost per total incidents	0.08	0	0.35	0.32
Days lost per lost-time incident	2	0	3.63	8.00

Risk Management

East Gippsland Water applies risk management principles and procedures to all areas of its work, including business operations, construction works and stakeholder management.

The Executive Risk Review Team, which comprises the Managing Director, Executive Managers and the Manager Business Risk, continues to be a key means of achieving sound risk management oversight of the corporation. This team meets quarterly to review and oversee business wide risk issues. This organisational structure also assists in maintaining business resilience to external factors.

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, based on AS/NZS ISO 31000, is reviewed annually with an updated risk appetite and enhanced risk matrix introduced in 2015/16.

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

- Drinking Water Quality Management System;
- Health & Safety Management System, including the Contractor Health, Safety and Environment Management System;
- Environmental Management System;
- Dam Safety Management System;
- Emergency Incident Management System, which includes the Emergency Incident Response Manual, Business Resilience Plan and pandemic plans, as well as the Security Risk Management Plan;
- 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.

Stakeholder consultation is an integral part of the risk management process. Known and emerging risks are assessed so that the needs, concerns and interests of relevant parties are judged. The corporation is a member of several special interest groups and networks which allow the sharing of ideas and solutions to common issues. East Gippsland Water continues to be an active member of the DELWP (Water Sector) Security Resilience Network, which focuses on the management of critical infrastructure.

A key element of the updated Victorian Government Risk Management Framework, which describes the minimum risk management requirements state government agencies are required to meet to demonstrate that they are managing risk effectively, deals with inter-agency risk.

Inter-agency risks are typically risks shared by two or more state government agencies where a shared objective or key dependency exists. This is a new focus and East Gippsland Water will take a lead role in 2016/17 to ensure these requirements are met.

Insurance

East Gippsland Water maintains a full suite of insurance that is regularly reviewed to ensure adequate cover with new products considered as they arise.

In late 2014 the 19 Victorian water corporations joined together to collectively tender for insurance broking services for 2015/16. This was the first time that all of the water corporations have agreed to common broking services, resulting in 50 percent savings on the former \$14 million insurance program, with no dilution of cover. This program has proved particularly successful and is a model for other collective procurement opportunities.

Risk Management Attestation

I, Joanne Booth, certify that East Gippsland Water has partially complied with Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. Mandatory requirements partially met relate to specific elements of interagency risk. Whilst we have identified our interagency risks, we have yet to formalise the collaboration process with each agency on the allocation of responsibilities and resources to manage these interagency risks. This will be progressed with other agencies over the coming 12 months.



Joanne Booth
Chairperson
East Gippsland Water

29 August 2016

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 this link between a healthy environment supporting numerous industries and a community spread across a vast geographic area. As a result, water and wastewater services are managed with a view to minimising impacts to land, water and air in order to ensure services and resources are sustained into the future.

During 2015/16 the corporation's ongoing commitment to sustainability and protecting the environment was reinforced through:

- Maintaining net greenhouse gas emissions below the 2015/16 target of 8,350 tonnes of CO₂-e equivalent (t CO₂-e), with 8,011 t CO₂-e recorded for the year
- a significant further reduction in total energy usage for the Bairnsdale office, from 500,311MJ to 295,800MJ
- achieving 98 percent beneficial reuse across the 11 wastewater treatment plants - maintaining East Gippsland Water's position as a leader in the Victorian water industry for water recycling
- the Environmental Management System, that continued to conform with ISO 14001 - as assessed by an independent external auditor
- ongoing participation in an innovative project aimed at cutting the amount of food waste sent to landfill and reusing it to generate renewable energy.

The corporation is also participating in the Victorian Efficient Government Buildings initiative, which aims to reduce East Gippsland Water's environmental impact and operational costs by improving the energy efficiency of its buildings. The aim is an overall 30 percent reduction in CO₂-e emissions across 14 sites included in the initiative, with a seven year payback period.

Notable projects undertaken and completed as part of this program during the reporting period included:

- the installation of a combined heat and power facility at Bairnsdale Wastewater Treatment Plant. This converts methane produced at the plant into electricity - generating the heat required to run the anaerobic digester and providing much of the energy required to run the plant.
- a 10kW solar installation at Bairnsdale Wastewater Treatment Plant, that will enable the site to meet much of its energy consumption needs and at times produce surplus electricity to feed into the grid
- fitting pressure management controls at a number of pump stations to optimise night-time pumping – enabling a reduction in energy consumption and water losses through leakage
- upgrades to the electrical equipment and pumps at Merrangbaur, Kalimna and Newmerella to reduce energy consumption and improve the efficiency of pressure control.

A number of additional projects were commissioned in 2015/16, the most significant being the 45kW of ground-mounted solar panels at Woodglen Water Treatment Plant. At certain times of the year these panels produce enough electricity to run the entire facility.

Water Consumption Report

The reporting period saw a total of 4,664ML of water consumed by residential and non-residential customers, compared with 4,470ML in 2014/15 and 4,657ML in 2013/14.

Influential factors included:

- weather forecasts of a hotter, drier summer than normal, with spring, summer and autumn also drier overall despite some significant, isolated rain events
- some 300 additional customers.

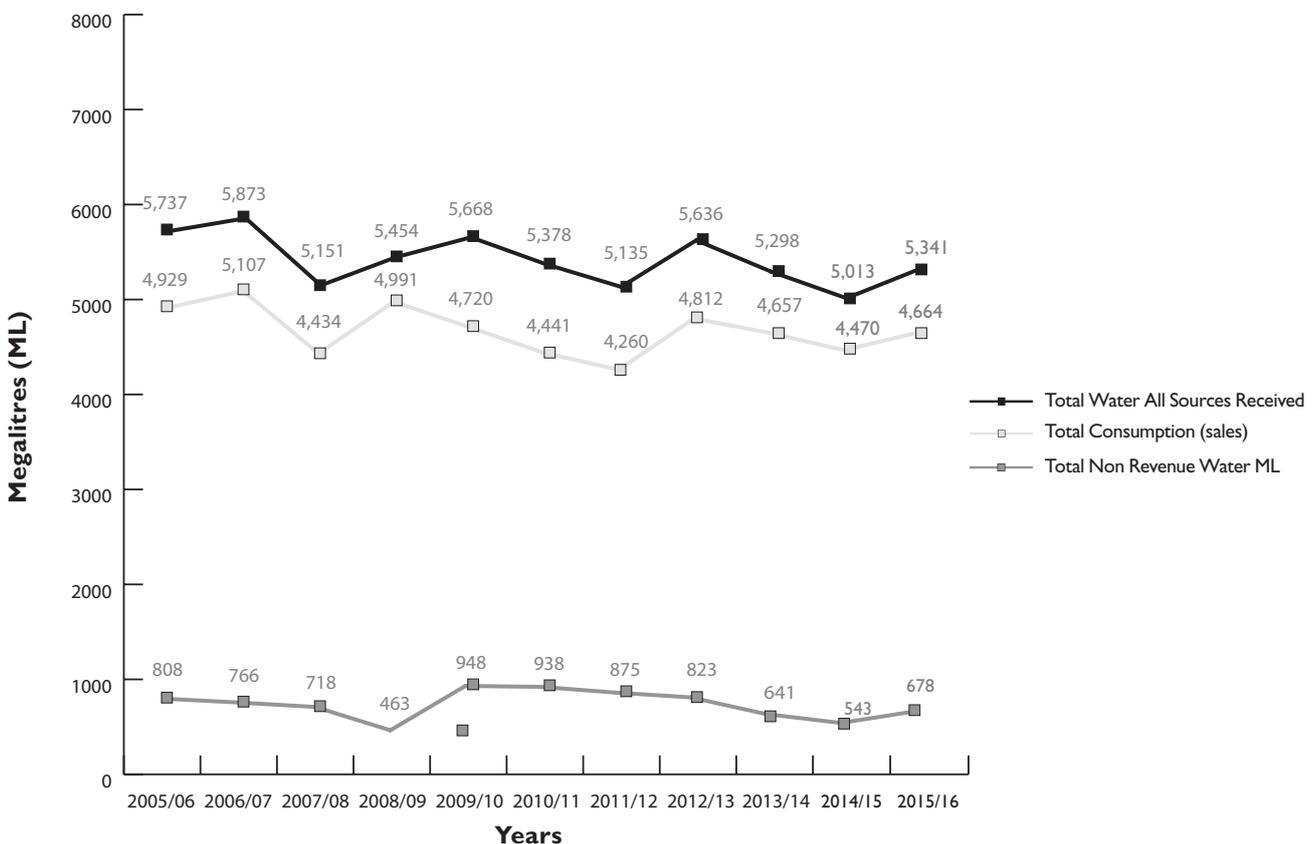
Residential consumption increased from 169L to 176L per person, per day in 2015/16, while average annual residential consumption went up from 141kL to 146kL – an increase of 3.4 percent compared to 2014/15.

East Gippsland Water harvested 5,341ML of water to meet customer demand, compared with 5,013ML in 2014/15.

The total amount of non-revenue water increased from 543ML to 678ML in 2015/16. This was partly due to a leak discovered in the liner of the covered water storage at Wy Yung during the reporting period. A two year program of upgrade works at the Wy Yung water storage site is set to commence in 2016/17, when the opportunity will also be taken to address the leak.

This was the ninth year in a row with no water restrictions anywhere in East Gippsland.

Water Consumption Trends 2005/06 to 2015/16



Water Consumption Statistics by District/System 2015/16

District/ System	Residential Customers		Non-Residential Customers				Total Number of Customers	(7) Total Drinking Water Volume (ML) (1) + (4)	(8) Total Recycled Water Volume (ML) (2) + (3) + (5) + (6)	(9) Total Water Consumption (ML) (7) + (8) #1	Average Annual Water Consumption (ML) #2	Weekly Residential Drinking Water Consumption (kL) (as an average for 2015/16)	Non-Revenue Water			(13) Total Non-Revenue Water (ML) (10) + (11) + (12)	Total Water All Sources Received (ML) (9) + (13)
	Number	(1) Drinking Water Volume (ML)	(2) Recycled Wastewater Volume (ML)	(3) Recycled Stormwater Volume (ML)	Number	(4) Drinking Water Volume (ML)							(5) Recycled Wastewater Volume (ML)	(6) Recycled Stormwater Volume (ML)	(10) Leakage (ML)		
Bemm River	95	10	N/A	N/A	N/A	13	6	N/A	N/A	16	15	194	5.7	0	0.4	6.1	22
Buchan	85	11	N/A	N/A	N/A	34	8	N/A	N/A	20	19	214	3.1	0	0.2	3.3	23
Cann River	151	14	N/A	N/A	N/A	64	15	N/A	N/A	29	32	274	3	0	1.8	4.8	34
Dinner Plain	493	20	N/A	N/A	N/A	51	10	N/A	N/A	30	27	377	16.1	0	1.2	17.3	47
Mallacoota	977	98	N/A	N/A	N/A	107	47	N/A	N/A	145	141	1,886	0.2	0	0.3	0.5	146
Mitchell*	18,983	2,532	N/A	N/A	N/A	2,414	1,208	N/A	N/A	3,739	3,750	48,684	541	0	14.6	555.6	4,295
Omeo	221	26	N/A	N/A	N/A	76	19	N/A	N/A	45	43	502	12.5	0	0.8	13.3	58
Orbost	1,717	237	N/A	N/A	N/A	379	378	N/A	N/A	615	593	4,562	70	0	6.3	76.3	692
Swifts Creek	100	13	N/A	N/A	N/A	33	11	N/A	N/A	24	31	255	0.5	0	0	0.5	25
Total 2015/16	22,822	2,961	N/A	N/A	N/A	3,171	1,702	N/A	N/A	4,664	4,651	56,950	652.1	0	25.6	678	5,341

Notes:

#1 Excludes Non-Revenue Water

#2 Average calculated between the years 2011/12 and 2015/2016

#3 e.g. rainwater tanks, mains flushing, scouring of tanks and basins, evaporation

N/A Not Applicable

Some figures adjusted due to roundings

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 2015*, and its Customer Charter.

The corporation complied fully with the Act, Regulations and Charter during the reporting period in the provision of drinking water services with the exception of the frequency of sampling for total trihalomethanes (TTHM). The number of samples collected for TTHMs was less than the required frequency due to a misinterpretation of the new 2015 Regulations. The Department of Health & Human Services (DHHS) has been advised and noted the omission. East Gippsland Water has taken action to ensure the required frequency of sampling in future.

East Gippsland Water operates a Drinking Water Quality Risk 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 & Human

Services to ensure the integrity of this system. East Gippsland Water undertook such a regulatory audit in 2016 and passed with 100 percent compliance.

Opportunities for improvement were identified during the audit, which East Gippsland Water is currently implementing to further enhance its Drinking Water Quality Risk Management System.

Water quality compliance incidents

In 2015/16 no Section 18 notifications were made to the DHHS.

There was one issue that required a Section 22 notification. This occurred in December 2015 and was in relation to a low level of E.coli detected during routine water quality sampling in the Orbost reticulation system. The initial sample taken from a designated sampling point was found to contain one E.coli organism per 100mL. The DHHS were notified immediately and an investigation conducted. A systematic response program of sampling and flushing was undertaken in the reticulation system. A second water sample was found to contain no E.coli.

The DHHS were satisfied that the initial sample taken was not representative of the water supplied to Orbost and declared it as a false positive.

2015/16 Compliance with the Water Quality Standards Specified in the Safe Drinking Water Act 2003 and the Safe Drinking Water Regulations 2005 & 2015

Water quality location	E. coli (0 organisms in 100% of samples taken) ¹	Aluminium (Acid Soluble; <0.2 mg/L) ²	Turbidity (<5 NTU) ³	Disinfection a By-products ^{2,4,7}
Bairnsdale	✓	✓	✓	✓
Bemm River	✓	✓	✓	✓
Buchan	✓	✓	✓	✓
Cann River	✓	✓	✓	✓
Dinner Plain	✓	N/A ⁵	✓	N/A ⁵
Eagle Point / Paynesville	✓	✓	✓	✓
Kalimna	✓	✓	✓	✓
Lindenow	✓	✓	✓	✓
Lindenow South	✓	✓	✓	✓
Mallacoota	✓	✓	✓	✓
Merrangbaur	✓	✓	✓	✓
Metung	✓	✓	✓	✓
Nicholson / Swan Reach	✓	✓	✓	✓
Nowa Nowa	✓	✓	✓	✓
Omeo	✓	✓	✓	✓
Orbost	✓	✓	✓	✓
Sarsfield / Bruthen	✓	✓	✓	✓
Sunlakes / Toorloo	✓	✓	✓	✓
Swifts Creek	✓	✓	✓	✓

1 From 18 July 2015 (as per the *Safe Drinking Water Regulations 2015*), all drinking water samples are to have no E.coli per 100mL of drinking water, with the exception of a false positive. Prior to 18 July 2015 the limit was <1 organism in 98% of samples taken

2 From 18 July 2015 (as per the *Safe Drinking Water Regulations 2015*), Aluminium (Acid Soluble), Chloroacetic acid and Di-/Tri-chloroacetic acid are no longer scheduled under the Drinking Water Quality Standards for reporting. However, East Gippsland Water has continued to sample and test as per the parameters, maintaining 100% compliance

3 95% upper confidence limit of the mean

4 Disinfection By-Products are defined as; Trihalomethanes: <0.25 mg/L; Chloroacetic acid: <0.15 mg/L; Di-/Tri-chloroacetic acid: <0.1 mg/L

5 N/A = Not Applicable

6 Orbost recorded a false positive in December 2015, where it was subsequently established that the first sample taken was not representative of the water supplied.

7 The number of samples collected for trihalomethanes was less than the required frequency due to a misinterpretation of the *Safe Drinking Water Regulations 2015*.

Maintaining and improving water quality

During 2015/16, the corporation implemented and continued a number of major initiatives to maintain and improve water quality for customers, including:

- continuation of the Aquifer Storage and Recovery research initiative at Woodglen
- water quality risk management upgrades to water treatment plants to ensure continuation of effective treatment practices
- design work for future water tank installations and basin augmentations
- improvements to washwater treatment processes at water treatment plants to ensure high quality water is maintained
- testing of new methods to remove taste, odour and algae prior to treatment to improve raw water quality
- on-going management of water quality risks associated with stock access to rivers and streams in drinking water catchments
- high-pressure cleaning (air scouring) of water mains across the water distribution network (refer to Maintenance and Renewal of Assets Section on page 25 for more details).

Sustainable Water Use

During 2015/16 the corporation continued to progress a number of initiatives in line with the Victorian Government's objectives for sustainable water use:

Water Conservation

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

The corporation's 2015/16 meter replacement program resulted in 857 meters being replaced.

Sustainable and resilient water services systems

Community education and water awareness

East Gippsland Water employs a range of strategies to communicate key messages to all 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.

Further information can be found in the Community Engagement and Social Sustainability sections of this annual report (pages 24-27).

Working with businesses

East Gippsland Water maintains a record of non-residential customers consuming more than 5ML of drinking water per year and works with them on the implementation and monitoring of water efficiency measures.

In 2015/16 the corporation 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*.

East Gippsland Water continued to work in partnership with the East Gippsland Food Cluster, East Gippsland Shire Council and Federation University to pursue ways of cutting the amount of food waste sent to landfill and reusing it to generate renewable energy.

Assisting local government

The corporation and East Gippsland Shire Council have a Memorandum of Understanding that commits both to work together on projects and issues of common interest.

During the reporting period East Gippsland Water continued to provide advice and assistance in relation to Bairnsdale Sale Yards, to boost the efficiency of wastewater and stormwater management at the facility. East Gippsland Water has also been working closely with East Gippsland Shire Council to develop long term plans which identify future water and sewerage infrastructure needs to cater for future growth and demand.

Water supply and security future strategies

East Gippsland Water is continuing to review and update its Urban Water Strategies (previously Water Supply Demand Strategies updated in 2010/2011) and Drought Response Plans. These are taking into consideration recent growth projections, current customer demand patterns and forecasts, recent network upgrades and changes to operations, and climate change projections. These updated strategies will feed into the development of East Gippsland Water's 20 year strategic plan.

Water Recycling

The corporation maintained its position as a leader in the Victorian water industry for water recycling, achieving 98 percent beneficial reuse across the 11 wastewater treatment plants.

The 100 per cent reuse record achieved by East Gippsland Water over most of the last 10 years was hampered in 2015/16 by unusually high rainfall concentrated in the peak summer months, which took the form of significant, isolated rain events. This restricted opportunities to apply reuse water for irrigation purposes at the two farms at Paynesville.

Recycled Water Performance

	Volume (ML)			
	2012/13	2013/14	2014/15	2015/16
Wastewater Collected	2,763	3,016	3,227	3,065
Recycled Water Produced	2,984*	2,903	2,754	3,242
Recycled Water Used	2,959	2,903	2,754	3,172
Recycled Water Used (%)	99%	100%	100%	98%
Target	100%	100%	100%	100%

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

Volume of Recycled Water Used per Town/System - 2015/16

Town/System	Number of Assessments	Annual Wastewater Volume Re-used (ML)
Bairnsdale	7,525	1,293
Bemm River	102	8
Cann River	171	33
Dinner Plain	544	51
Lakes Entrance	4,731	805
Lindenow	184	8
Mallacoota	1,033	59
Metung / Bruthen	1,985	149
Omeo	248	33
Orbost / Marlo	1,720	394
Paynesville	3,869	339
Total	22,112	3,172

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						✓	

Efforts are made to ensure that all the recycled water produced by the corporation's wastewater treatment facilities is beneficially reused where possible, with a priority on protecting the environment. It is used on East Gippsland Water properties in Newmerella, Mallacoota, Metung, Paynesville, Bairnsdale, Bemm River and the Bruce's Track Farm at Nungurner 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 Nungurner, Metung, Paynesville, Omeo and Cann River.

The Bemm River Sewerage Scheme is utilising an innovative subsurface system for the irrigation of recycled water.

East Gippsland Water is currently in the process of issuing a land use licence for its farm at Bruce's Track for third party use. This is expected to provide a high value use for recycled water, while at the same time reducing the corporation's operational and maintenance costs.

Macleod Morass

Under an EPA licence, and a Memorandum of Understanding (MoU) 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 the Water Plan (2013-18) the corporation is progressing with major upgrades to the plant, sections of which are some 80 years old. Consideration is being given to the long-term requirements of the morass from a water quality and quantity perspective.

During 2015/16 the corporation met with Parks Victoria regularly in relation to operational matters at the morass, and continued on the priorities for enhancement of the site's environmental values.

East Gippsland Water's MoU with Parks Victoria is updated as required to ensure that its relevance and effectiveness is maintained.

Other Statutory Obligations

River Health

The corporation actively works to ensure that compliance with river health requirements set out in the Statement of Obligations is consistent with the Victorian Waterway Management Strategy and in particular the East Gippsland Waterway Strategy.

During the reporting period the corporation worked closely with the East Gippsland Catchment Management Authority (EGCMA) to help implement various aspects of the East Gippsland Waterway Strategy.

The East Gippsland Waterway Strategy not only safeguards drinking water priorities, but also provides for wider river health benefits. Specific priorities include the Mitchell River upstream of Glenaladale and the Tambo River at Swifts Creek.

Harvesting drinking water to supply East Gippsland Water customers is undertaken with minimal impact on existing flows in 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 additional 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
- 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.

Regional Catchment Management Strategy

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

East Gippsland Water works with Parks Victoria, East Gippsland Shire Council, Alpine Shire Council, Wellington Shire Council and the Department of Environment, Land, Water & Planning on catchment-related projects. It acts as a referral authority for works that occur in its water supply catchments.

The corporation continues to contribute more broadly to strategy and biodiversity management across the region. During the reporting period it participated in VicForest's timber release plan review, seeking to ensure that timber harvesting does not adversely impact on the water quality yield in river catchments.

Biodiversity

East Gippsland Water has continued to implement its Biodiversity Management Plan and to maintain its Biodiversity Asset Register.

The corporation's assets/sites have been assessed for biodiversity values of significance, 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.

East Gippsland Water'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.

State Environmental Protection Policy (Waters of Victoria)

East Gippsland Water complies with the State Environmental Protection Policy and engages on a regular basis with the EPA, who continued with a review of the policy during the reporting period.

Water Entitlements

East Gippsland Water Entitlement Reporting 2015/16

Supply System	Source	Annual amount of water taken (ML)	Total entitlement (ML/year)	Volume Unused (ML/year)	Any temporary or permanent transfer of all or 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
Mitchell System	Mitchell River	4,104	9,208	5,104	0	No	N/A	No	No	Cl.8
Mitchell System*	Groundwater	13	345	332	0	No	N/A	No	No	N/A
Bemm River	Bemm River	24	100	76	0	No	N/A	No	No	Cl.7
Cann River	Cann River	34	192	158	0	No	N/A	No	No	Cl.7
Mallacoota	Betka River	46	330	284	0	No	N/A	No	No	Cl.7
Mallacoota	Groundwater	92	220	128	0	No	N/A	No	No	N/A
Nowa Nowa**	Boggy Creek	0	118	0	0	No	N/A	No	No	Cl.7
Swifts Creek	Tambo River	24	224	200	0	No	N/A	No	No	Cl.7
Buchan	Buchan River	23	170	147	0	No	N/A	No	No	Cl.7
Orbost	Brodribb River / Rocky River	695	2,031	1,336	0	No	N/A	No	No	Cl.7
Omeo	Butchers Creek	56	77	21	0	No	N/A	No	No	Cl.7
Dinner Plain	Groundwater	47	120	73	0	No	N/A	No	No	N/A

Notes:

* Groundwater on the Mitchell System is part of a managed aquifer recharge project. During the reporting period 194ML was injected into the Latrobe Valley Group of aquifers and 13ML extracted. A further 171ML is available for extraction in any year to supplement supply.

** The infrastructure to enable harvesting from Boggy Creek has been decommissioned.

N/A Not applicable

- East Gippsland Water did not submit any proposals associated with 'Making Allowances' bulk entitlement clauses.
- Environment programs were in place where required and there were no amendments to these programs.
- East Gippsland Water manages bulk entitlements in accordance with approved metering programs.
- No new bulk entitlements were granted to East Gippsland Water.
- All bulk entitlement conditions were met and no difficulties were experienced in meeting these conditions.

Aquifer Storage and Recovery

In accordance with its 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 following full treatment helps supply tens-of-thousands of customers along the Mitchell River system, including those in major centres like Bairnsdale, Paynesville and Lakes Entrance.

ASR will continue to 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.

During the reporting period the current groundwater licence, due to expire at the end of June 2016, was given an extension for six months, to allow sufficient time for a new licence to be negotiated. East Gippsland Water successfully injected 194ML of high quality fresh water, with monitoring showing no adverse impact on other groundwater users or the environment. As a result of the demonstrated success, the corporation is looking at the new groundwater licence to further enhance the operation of the scheme.

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 or the environment.

Office Based Environmental Impacts

The corporation continued to review office-based activities under its commitment to continually improve resource efficiency and reduce its environmental footprint.

Nearly 60 percent of staff (58 percent) are based at the Bairnsdale head office, where the focus continued to be on reducing electricity consumption and waste during the reporting period.

Total energy usage for the Bairnsdale office was 295,800MJ, which represents a significant ongoing reduction from the 500,311MJ recorded the previous year and 543,737MJ recorded in 2013/14.

Office Impacts

Parameter	Quantity 2014/15	Quantity 2015/16	Units
Energy			
Energy used per full time employee	9,659	5,076	MJ/FTE*
Energy per square metre of office space	394	233	MJ/m ²
Total energy usage	500,311	295,800	MJ
Greenhouse gas emissions	164	93	t CO ₂ -e
Waste Production			
Total units of waste produced	106	93	Kg/FTE
Total units of waste recycled	3,512	3,475	Kg
Paper Use			
Units of paper used per employee	6.8	4.9	Reams/FTE
Total units of paper used	352	289	Reams
Water Consumption			
Units of water used per employee	4.8	4.1	kL/FTE
Total units of water consumed	250	239	kL
Units of water used per square metre of office space	0.2	0.2	kL/ m ²
Transport			
Total energy consumption	967	931	GJ
Total CO ₂ equivalent	60	62	t CO ₂ -e
Energy consumption per employee	19	21	GJ / FTE
CO ₂ equivalent/per employee	1.1	1.1	t CO ₂ -e / FTE
Kilometres travelled per employee	5,457	5,194	km / FTE
Total kilometres travelled (not private or commuting)	282,660	302,689	km
Percentage of employees using public transport, car pool, cycling or walking to work.	8	2	%

Note: * FTE = Full time equivalent staff

Corporate Water Consumption

Total water consumption was calculated for the corporation's Bairnsdale office and fell from 250kL to 239kL in 2015/16.

The volume of water consumed per member of staff in the office decreased from 4.8kL/FTE to 4.1kL/FTE.

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.

Greenhouse Gas Emissions and Net Energy Consumption

The corporation continued to actively seek to minimise energy use and greenhouse gas emissions, with a commitment to reduce the environmental impact of operations.

The amount of energy used per member of staff fell from 9,659MJ/FTE in 2014/15 to 5,076MJ/FTE in 2015/16.

These reductions followed the installation in 2014/15 of a highly efficient solar panel system, an LED lighting upgrade and the replacement of old air conditioning units with far more efficient split systems.

A declining reliance on mail outs to customers, in favour of other forms of communication, helped achieve a notable reduction in paper usage, as did a changing culture in the organisation towards printing material. A total of 289 reams of paper were used, compared with 352 in 2014/15.

Initiatives implemented or furthered during 2015/16 included:

- an ongoing program to implement energy-efficient pumps, motors and operating systems
- further roll-out of solar panels at various sites
- ongoing investigation of innovative ways to minimise energy consumption
- active engagement and collaboration with other water corporations, industry bodies, community networks and external agencies to pursue best practice in energy management and greenhouse gas reduction.

Net greenhouse gas emissions were maintained below the 2015/16 target of 8,350 tonnes of CO₂-e equivalent (t CO₂-e), with 8,011 t CO₂-e recorded for the year.

In spite of this achievement and reductions in emissions for electricity usage and fuel, the net greenhouse gas emissions were higher than the 7,912 t CO₂-e reported for 2014/15.

This was largely due to a change in the Government's methods of calculating direct emissions, which led to this emissions level increasing from 1,405 t CO₂-e to 1,525 t CO₂-e.

The calculation used in previous years would have actually brought a reduction in greenhouse gas emissions to 7,787 t CO₂-e (2.8 percent lower than that reported).

Greenhouse Gas Emissions 2015/16

	Electricity Usage	Fuel		Direct Emissions	Net Energy Consumption
		ULP / Diesel	LPG		
	t CO ₂ -e	kWh/ML			
Water Treatment and Supply	3,264	24	0.37	0	619
Sewage Treatment and Management	2,762	62	0.37	1,525	771
Transport		229	1.98	0	0
Other (i.e. buildings)	142	0	0	0	0
Total	6,168	315	2.73	1,525	1,390

Total Greenhouse Gas Emissions = **8,011** t CO₂-e

Offsets = **0** t CO₂-e

Net Greenhouse Gas Emissions = **8,011** t CO₂-e

5 Year Comparison

Greenhouse Gas Emissions	t CO ₂ -e				
	2011/12	2012/13	2013/14	2014/15	2015/16
Electricity Usage	6,717	6,918	6,479	6,182	6,168
Fuel (ULP, Diesel, LPG)	388	322	306	326	315
Direct Emissions	1,273	1,202	1,313	1,405	1,525
Total	8,378	8,442	8,098	7,912	8,011
Offsets	0	0	0	0	0
Net Greenhouse Gas Emissions	8,378	8,442	8,098	7,912	8,011

5 Year Comparison

Net Energy Consumption	KWh/ML				
	2011/12	2012/13	2013/14	2014/15	2015/16
Water Treatment and Supply	625	640	605	613	619
Sewage Treatment and Management	781	706	704	695	771
Net Energy Consumption	1,406	1,346	1,309	1,308	1,390

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 BSI Group in March 2016.

Biosolids Management

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

In 2015/16 the corporation continued to implement its Biosolids Management Plan, which covers the management of current and forecast levels of biosolids.

East Gippsland Water reuses 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 efficient delivery of services to both existing and new customers.

During the reporting period East Gippsland Water continued work to ensure that assets were being managed safely and with minimal environmental impact.

Asset Planning

East Gippsland Water continued development of a new forward-looking 20 year capital works program to ensure the upgrade and renewal of assets is planned for in the long-term. This builds on the corporation's existing 10 year plan.

In formulating the latest program, the corporation is reviewing and updating East Gippsland Water's customer demand forecasts, water and sewer hydraulic models and related asset management plans.

The revised plans will include recent customer demand patterns, population growth data, climate change predictions, and recent system performance and condition assessment information. The corporation will consider innovative approaches to meet future asset needs through new technology and appropriate industry best practice.

New Assets and Projects

A number of major projects were either initiated or completed during the reporting period to maintain high quality, reliable water supplies and wastewater services to customers, while catering for growth well into the future.

East Gippsland Water works closely with the Gunaikurnai Land and Waters Aboriginal Corporation in relation to the cultural heritage aspects.

Projects during the reporting period included:

Water and Sewer Main Renewals

East Gippsland Water has an ongoing program to replace or refurbish ageing sewers and water mains, particularly those experiencing a number of recent faults, as well as other service reliability issues. During 2015/16 the program included:

- replacing a section of the main water supply pipeline under the Princes Highway near Kalimna
- completing the replacement of a 500m section of water main in McCullough Street, Lakes Entrance
- replacing 500m of water main in Harmans Road, Johnsonville
- completing design work for 800m of water main replacements in Calvert Street, Bairnsdale, with the on-site construction work due to be completed before the end of 2016.
- re-lining sections of sewer pipe in Calvert Street, Bairnsdale and Lucknow Street, Lucknow
- replacing a section of sewer in Mairburn Road, Metung.

Bairnsdale Wastewater Treatment Plant Upgrades

Work continued on a program of upgrades designed to improve the operational efficiency of the plant, including:

- Digester refurbishment - The gas membrane and cogeneration unit were installed and commissioned, with the wastewater treatment plant now generating a large proportion of the electricity required for its on-site operations.
- Electrical upgrades – Implemented to enable the cogeneration unit, solar panels and on-site generator to operate. These upgrades will enable any surplus electricity produced to be fed back into the grid. Work commenced during the reporting period and is due to be completed in 2016/17.

Bairnsdale and Lakes Entrance Sewerage Systems

Work commenced on significant upgrades to key pump stations and sewer rising mains within the Bairnsdale and Lakes Entrance sewerage networks.

Two sewage pump stations in Marine Parade and Ferndale Parade, Lakes Entrance, are receiving a combination of new pumps, new electrics, additional storage tanks for peak flows and new rising mains. In Bairnsdale, new storage tanks are being installed at Howitt Avenue and the rising main is being replaced at the Flinns Road sewage pump station.

These upgrades, due for completion in 2016/17, have been identified under a 20 year works program to cater for future growth and to meet EPA compliance requirements.

Water Pump Station Upgrades

During the reporting period the corporation replaced elevated tank systems with in-line pressure pump systems on the Wy Yung, Kalimna and Newmerella water supply networks to improve operational efficiency and boost water quality for customers.

Mallacoota Wastewater Reuse Upgrades

The tree lot irrigation system at Mallacoota received an upgrade during the reporting period. Existing manual irrigation valves were replaced with valves that can be opened and closed remotely. These in turn have been connected to an automatic control system.

This has improved the efficiency of wastewater reuse by ensuring water is used when it is needed.

Supervisory Control and Data Acquisition (SCADA)

During the reporting period East Gippsland Water continued the roll-out of its SCADA system across the water and wastewater networks.

- Using remote monitoring, SCADA operates continuously and provides timely warning of faults or performance issues at key water and wastewater facilities. Works on SCADA included:
- bringing five new sewage pump stations onto the SCADA system
- setting up the Buchan water tank facility to be a stand-alone site, providing independent monitoring and alarming

- bringing the Swifts Creek and Buchan water treatment plants under full SCADA control centrally, in line with work previously completed for the Mallacoota, Orbost and Omeo water treatment plants
- updating SCADA software to enhance the system's cyber-security.

Developer Works and Subdivisions

A total of 544 new serviced properties were added to East Gippsland Water's networks during 2015/16. The value of the owner-financed water and sewer assets was around \$1.1 million.

Maintenance and Renewal of Assets

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

The corporation operates a proactive regime when it comes to inspecting and maintaining its water and wastewater assets, using dedicated teams and the latest technology. This, combined with a targeted pipeline replacement program, has brought a reduction in the number of burst water mains and sewer pipeline blockages, which in turn has significantly reduced the level of reactive work required.

Work undertaken as part of ongoing proactive programs in 2015/16 included:

- air scouring and swabbing various sections of water main to ensure the efficiency of the supply network, maintain drinking water quality and address operational issues. Communities targeted included Dinner Plain, Bairnsdale and Mallacoota
- air scouring sewer mains in Bairnsdale, Bruthen, Swan Reach and Johnsonville to reduce odour issues, prevent blockages, improve performance and reduce energy consumption - utilising innovative and cost-effective technology largely pioneered by East Gippsland Water
- using state-of-the-art CCTV and sonic detection equipment to inspect sewer mains following blockages or routine cleaning, to identify and rectify any ongoing issues. Along with the proactive cleaning of over 100km of sewer reticulation pipelines, this has reduced the risk of future blockages, overflows and interruptions to customers' sewerage services. It has been key in reducing unplanned interruptions in the sewerage network, positioning the corporation as an industry leader in this area
- refurbishing aged and deteriorated sewer manholes to significantly extend their useable life. These are being refurbished with a product resistant to hydrogen sulphide gas (the major cause of concrete degradation in wastewater assets). The technology used also avoids the need for excavation work and service interruptions
- inspecting sections of sewer pipeline to detect and remove points where stormwater infiltrates the sewer network – for example leaking services or illegal stormwater pipe connections. Areas targeted in the reporting period included Bairnsdale, Lake Tyers Beach, Mallacoota, Bemm River and Dinner Plain. A number of illegal connections, inappropriately located overflow relief gullies (ORGs) and other notable points of stormwater infiltration were identified. Where appropriate and cost-effective, East Gippsland

Water assisted customers with repair works and other measures to prevent infiltration into the sewerage network during significant rain events and floods

- employing innovation to monitor and reduce non-revenue water by detecting leaks at an early stage and allowing prompt investigation and response to any increase in base level water flows. This has reduced the corporation's percentage of unaccounted for water to a point where its performance is now placing it close to the forefront in the water industry.
- providing better water security and flexibility of supply for our customers through the innovative use of pressure reduction valves, such as during works undertaken in Wy Yung, Lakes Entrance and Lake Tyers Beach.

Community Engagement

The corporation continued to actively pursue opportunities to implement individual engagement programs targeted at stakeholder and customer groups. This approach follows on from a full review of its Stakeholder Engagement Strategy in the previous financial year and preparation of a stakeholder map.

East Gippsland Water uses a variety of communication and consultation tools to actively engage with its residential and business customers and key stakeholders, 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
- social media – Facebook, Twitter and LinkedIn
- the corporation's *Pipeline* newsletter (targeted at a selection of key stakeholders) and *On Tap* news sheet (mailed to all account holders)
- the monthly, full page *In the Flow* advertorial in the East Gippsland News
- information brochures covering a wide range of topics
- customer reference/advisory committees (groups) where appropriate
- customer service follow-up calls
- face to face meetings
- an annual, independently conducted customer satisfaction survey to assess how well corporation services are being delivered and to monitor customer views.

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.

Community engagement 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 expanding the level of 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.

The Customer Committee and Price Submission

East Gippsland Water has a Customer Committee to strengthen its connection, and the quality of engagement, with residential and business customers on important drinking water and wastewater issues.

Their input provides East Gippsland Water with an invaluable customer perspective on key areas of its business.

The committee comprises seven members and meets quarterly, with additional meetings held as required. This occurred during the reporting period to assist with the development and implementation of the corporation's community engagement program for its 2018 Price Submission (East Gippsland Water's five year business plan for 2018-23).

In addition, members hosted a number of 'conversations with the community' as part of the Price Submission process, to help gauge qualitative feedback on the corporation's services, which will assist with development of more detailed community engagement during 2016/17.

The committee also helped to shape questions for the annual customer satisfaction survey, conducted jointly with Gippsland Water and Westernport Water towards the end of 2015.

Newsletters/News sheets/Advertorials

One issue of East Gippsland Water's Pipeline newsletter was produced 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 On Tap were 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. 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.

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.

Social Media

Building on the previous year East Gippsland Water further increased its use of social media – Facebook, Twitter and LinkedIn – utilising these tools on a regular basis to communicate with customers and other stakeholders.

Social media is being used to inform customers about planned and unplanned works, to publicise East Gippsland Water services and initiatives, as well as to highlight general interest items with a water, wastewater or sustainability focus.

Website

There was a revamp of the East Gippsland Water website www.egwater.vic.gov.au which provides customers with easy to access information about the corporation and its services, as well as direct links to other water-related websites.

Tours/Presentations/Events

East Gippsland Water conducted 60 tours, presentations and events during the financial year, in line with its ongoing commitment to actively engage with local schools, community groups and individual customers.

Tour locations of particular interest included Glenaladale off-take and pump station, Woodglen Water Treatment Plant and storages, Bairnsdale Wastewater Treatment Plant, Madeod Morass as well as Mallacoota and Orbost Water Treatment Plants. An information stand was operated at both Bairnsdale career expos.

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 Lindenow, Gippsland Grammar, Paynesville, Swan Reach and Mallacoota schools came out as East Gippsland region winners.

Community support

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.

Be Smart Choose Tap

During the reporting period, four 'Choose Tap' branded water refill stations were installed in Lucknow, Newlands Arm, Nicholson and Cann River, as part of a region-wide healthy lifestyle initiative undertaken in conjunction with community groups and East Gippsland Shire Council.

East Gippsland Water is one of a number of Victorian water corporations that have signed up to the Be Smart Choose Tap coalition, which encourages the community to drink tap water in preference to bottled water and soft drinks, as part of a healthy lifestyle.

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 customer perception of East Gippsland Water's operations, including where the corporation is delivering services well and any areas that may require action and improvement.

These surveys complement other forms of community engagement undertaken, including customer follow up calls carried out during the year.

2015 was the second year the survey was conducted jointly as a Memorandum of Understanding (MOU) initiative with Gippsland and Westernport water corporations. It was carried out on behalf of all the corporations by Insync

Surveys during September, involving a random sample of 400 customers in each water region.

Most questions asked customers for a 'yes/no' response, with follow-up questions where appropriate depending on the answer given. Areas covered included customer perceptions (overall level of satisfaction), customer service, brand awareness, service delivery, and environment and community awareness.

The aim has been to gain a better understanding of the state of the corporation's business, as perceived by customers, and benchmark the results with neighbouring water corporations.

East Gippsland Water was ranked first out of the three corporations for overall level of customer satisfaction, with 92 percent at least 'satisfied' (unchanged from 2014) and 369 percent 'very satisfied' (an increase of three percent). It was ranked first for customer service, up from second place the previous year, with the proportion of customers at least 'satisfied' increasing from 93 to 97 percent.

The corporation was again ranked first for service delivery, and environment and community awareness – where those at least 'satisfied' went up from 92 to 96 percent. In addition the corporation maintained its ranking of second for brand awareness.

The vast majority of water customers (75 percent) had not been in touch with East Gippsland Water over the previous 12 months (ie. with a query or water/wastewater service issue).

Other notable results from the survey:

- 97 percent of those who had contacted East Gippsland Water in the past year found the corporation easy to deal with.
- 92 percent of customers were satisfied with the quality of their tap water and 98 percent with the reliability of wastewater services.
- 77 percent felt that they receive value for money services from East Gippsland Water.
- 86 percent of customers felt that the service provided by the corporation remained the same over the past year, while 12 percent said it improved and 2 percent that it deteriorated.
- 53 percent felt that the corporation responded to leaks and faults promptly.
- 71 percent felt that East Gippsland Water plans for the future and 65 percent that the corporation does enough to protect the environment.
- 96 percent of respondents preferred to drink tap water rather than bottled water and of those that prefer tap water 23 percent filter it.
- 92 percent said they were aware of what they could and could not put down sinks, toilets and drains.
- 81 per cent were aware of permanent water saving rules.
- 90 percent were satisfied with the current level of information provided by East Gippsland Water.
- 73 percent would prefer the corporation to focus on reducing costs to customers rather than improving services.

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 2015/16 the water trailer attracted 29 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 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
- 100 percent environmentally beneficial, affordable and sustainable reuse of wastewater.
- Promoting liveability, such as through passive use of East Gippsland Water land for public purposes. It is actively involved with Landcare groups in rehabilitating wetlands
- sharing professional knowledge and expertise with other community-focused organisations in the region, such as the Gippsland and East Gippsland Aboriginal Co-operative and the East Gippsland Catchment Management Authority.

Victorian Government Rebate

As part of the Victorian Government's rebate initiative to reduce cost pressures on householders, East Gippsland Water identified business efficiencies enabling an annual \$28 rebate to owner-occupiers and tenants each financial year from 2013/14 to 2017/18 inclusive.

This rebate was applied to the initial bill received by customers in 2015/16.

The corporation continues to work towards identifying further savings for customers.

Bills, Concessions and Hardship

Customers continued to be encouraged to use email as a more convenient way to receive their bill. The number receiving their account in this way has increased from 828 in 2014/15 to 1,680 in 2015/16.

During the reporting period the corporation continued to actively promote the availability of payment options and confidential financial advice to customers experiencing difficulty paying their East Gippsland Water bill.

In addition East Gippsland Water provided concession relief to eligible members of the community as a community service.

Value of Community Service Obligation Provided	2014/15	2015/16
Concessions to Pensioners	\$1,808,666	\$1,875,180
Rebates to Not-For-Profit Organisations under the Water & Sewerage Rebate Scheme	\$165,448	\$167,294
Utility Relief Grant Scheme Payments*	\$49,427	\$41,087
Water Concessions on Life Support Machines - Haemodialysis	\$1,069	\$950
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0
Total	\$2,024,610	\$2,084,511

The corporation also granted \$40,342 in hardship incentive payments.

From 1 July 2015 to 30 June 2016 the Victorian Government ran a targeted water rebates program to save water, save people money on their water bills, and promote the sustainable use of Victoria's water resources.

East Gippsland Water supported this initiative, which was designed to assist those who could not afford to make their homes more water efficient by helping them install efficient showerheads, dual flush toilets and other eligible water saving products. Water audits were also conducted.

Under the program the corporation allocated a total of \$19,194 in rebates to eligible customers.

Guaranteed Service Levels

The corporation has Guaranteed Service Levels as a business incentive to ensure customers continue to receive high standards of service.

Customers receiving a significantly poor level of service in one of five key areas may be compensated in the form of a rebate applied to their East Gippsland Water account. The areas covered relate to:

- providing appropriate notice and detail of a planned interruption to a customer's water supply
- ensuring hardship procedures are fully adhered to when a customer is having difficulty with bill payments and legal action or a restriction on their water supply is being considered
- ensuring that a customer letter to the corporation requiring a response, receives that response in a timely manner
- updating a customer's billing details when requested to do so by the customer
- East Gippsland Water causing a sewer spill within a customer's house

During the reporting period the corporation compensated two customers in relation to sewer spills within their houses. Both had rebates applied to their East Gippsland Water account.

Water Leaks, Exceptional Circumstances

East Gippsland Water policy allows for dispensation on high water usage accounts in instances where customers experience an unexpected and undetectable water leak.

Each case is considered on merit and a total of \$14,512 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.

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, the corporation also offered water-efficient trigger nozzles free to customers.

Summary of Financial Results

Financial Result	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)
Core business revenue	25,244	28,815	28,899	29,653	30,798
Government contributions	2,185	103	0	0	0
Other revenue	4,848	3,605	5,045	3,931	2,930
Total revenue	32,277	32,523	33,944	33,584	33,728
Operating expenditure	15,856	15,925	16,415	16,483	17,472
Depreciation & Amortisation	9,352	9,452	9,658	9,887	10,298
Finance costs	2,519	2,144	1,934	1,589	1,235
Other expenditure	823	1,023	1,912	1,326	2,743
Total expenditure	28,550	28,544	29,919	29,285	31,748
Net result before tax	3,727	3,979	4,025	4,299	1,980
Current assets	8,832	11,918	10,350	10,194	12,453
Non-current assets	336,072	332,506	333,370	335,033	450,994
Total assets	344,904	344,424	343,720	345,227	463,447
Current liabilities	16,649	12,650	10,441	9,884	9,346
Non-current liabilities	68,039	69,781	63,333	62,161	95,680
Total liabilities	84,688	82,431	73,772	72,045	105,026
Net cash flows from operations	8,454	12,410	12,112	14,377	12,060
Payments for property, plant and equipment (including infrastructure)	7,901	7,050	10,040	9,966	7,646

Summary of Financial Performance

Performance indicator	2011/12	2012/13	2013/14	2014/15	2015/16
Internal Financing Ratio	104.82%	176.03%	120.36%	150.51%	154.30%
Gearing Ratio	9.13%	8.71%	7.56%	5.90%	3.88%
Interest Cover (EBIT) times	3.21	3.01	3.30	4.21	1.79
Interest Cover (Cash) times	4.38	7.28	7.80	11.11	11.78
Return on Assets	1.74%	1.73%	1.67%	1.70%	0.76%
Return on Equity)	0.97%	1.07%	1.07%	1.21%	0.44%

Overview

East Gippsland Water recorded a surplus before tax of \$1.98 million for 2015/16. While this was below the budget expectation of \$2.4 million, it reflects the impairment/disposal of a number of infrastructure assets totalling \$1.5 million.

These impairments/disposals were identified as part of the infrastructure asset revaluation completed during the reporting period. Their impact was partially offset by savings achieved and through our ongoing commitment to an operating efficiency strategy.

The revaluation undertaken was in relation to our land, building and infrastructure assets, including a major water storage at Wy Yung. This resulted in an increase in asset values of \$121 million, reflecting the current day cost of replacing our portfolio of assets.

Expenditure on capital works totalled \$8.18 million for the year. The vast majority of projects were completed within budget and on time. Several larger projects planned for completion were still in progress at year-end and on-track to be completed early in 2016/17.

The underlying result (excluding impairment of infrastructure assets) continues to reflect the corporation's commitment to achieving further efficiency savings and reduced borrowings for sustained financial viability. Notably, we were in a position to reduce total debt by \$2.5 million to \$18 million and we held \$4 million in investments at the end of the financial year.

In summary, key factors contributing to the year's financial performance included:

- reducing borrowings from \$20.5 million to \$18 million
- the impairment of major infrastructure assets totalling \$1.5 million
- capital expenditure totalling \$8.18 million, compared to a budget of \$9.67 million
- residential customers (owner occupiers and tenants) receiving a Victorian Government rebate Water of \$28 on their bills
- continuation of a proactive efficiency program across the corporation
- the revaluation of land, buildings and infrastructure assets - resulting in asset values increasing by \$121 million.

Other Information

Consultancy Expenditure

Details of consultancies

(valued at \$10,000 or greater)

In 2015/16, there were eight consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2015/16 in relation to these consultancies was \$226,739 (excl. GST).

Details of individual consultancies are outlined on East Gippsland Water's website, at www.egwater.vic.gov.au.

Details of consultancies

(valued at less than \$10,000)

In 2015/16, there were 17 consultancies engaged during the year, where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2015/16 in relation to these consultancies was \$53,630 (excl. GST).

Major Contracts

East Gippsland Water did not award any major contracts (valued at \$10 million or more) during 2015/16.

Financial Management Compliance Framework

The Department of Treasury and Finance developed the Financial Management Compliance 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 2015/16 assessed the corporation's compliance at 100%.

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:

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.

The fee for requests from 1 July 2016 is \$27.90.

During the reporting period two requests for information were received by the corporation, with full access granted in relation to both requests.

The following information is available on request in relation to East Gippsland Water, subject to the *Freedom of Information Act 1982*:

- 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)
- 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)
- 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 (covered in the Other Information section of this annual report and on the website www.egwater.vic.gov.au)

Further information regarding Freedom of Information can be found at www.foi.vic.gov.au.

DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at <http://www.data.vic.gov.au/> in machine readable format.

Compliance with the Protected Disclosures Act 2012

The *Protected Disclosures Act 2012* enables people to make disclosures about improper conduct by public officers and public bodies. 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 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 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.

Contacts:

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3000.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001

Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

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

Compliance with the Building Act

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

Information and Communication Technology (ICT) Expenditure

For the 2015/16 reporting period, East Gippsland Water had a total ICT Expenditure of \$2,198,000, with the details shown below:

(\$ thousand)			
Business As Usual (BAU) ICT expenditure	Non-Business As Usual (non-BAU) ICT expenditure	Non-BAU ICT expenditure	Non-BAU ICT expenditure
(Total)	(Total = Operational expenditure and Capital Expenditure)	<ul style="list-style-type: none"> • Operational expenditure (OPEX) 	<ul style="list-style-type: none"> • Capital expenditure (CAPEX)
1,422	776	83	693

"ICT expenditure" refers to East Gippsland Water's costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure.

Government Advertising Expenditure

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

Implementation of the Victorian Industry Participation Policy

During 2015/16 the corporation did not commence or complete any contracts that are subject 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.

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 one complaint that was investigated by EWOV for resolution. This complaint was resolved satisfactorily.

Subsequent Events

No significant events occurred between the end of 2015/16 financial year and this Annual Report going to print that may significantly affect East Gippsland Water's operations in subsequent reporting periods.

"Non-BAU ICT expenditure" relates to extending or enhancing East Gippsland Water's current ICT capabilities.

"BAU ICT expenditure" is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

2015/16 Performance Report

EAST GIPPSLAND REGION WATER CORPORATION

Financial Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to prior year	Notes	Variance to target	Notes
F1	Cash Interest Cover Net operating cashflows before net interest and tax/net interest payments	11.13	11.78	12.10	5.8%		-2.7%	1b
F2	Gearing Ratio Total debt (including finance leases) /total assets * 100	5.92%	3.88%	5.60%	-34.5%	2a	-30.7%	2b
F3	Internal Financing Ratio Net operating cashflow less dividends/net capital expenditure * 100	150.54%	154.30%	108.00%	2.5%		42.9%	3b
F4	Current Ratio Current assets/current liabilities (excluding long-term employee provisions and revenue in advance)	1.27 times	1.68 times	0.98 times	32.3%	4a	71.4%	4b
F5	Return on Assets Earnings before net interest and tax/average total assets * 100	1.68%	0.76%	1.10%	-54.8%	5a	-30.9%	5b
F6	Return on Equity Net profit after tax/average total equity * 100	1.18%	0.44%	0.70%	-62.7%	6a	-37.1%	6b
F7	EBITDA Margin Earnings before Interest, Tax, Depreciation and Amortisation/ total revenue * 100	47.35%	39.69%	38.62%	-16.2%	7a	2.8%	

Notes:

- 2a Debt levels were reduced by \$2.5 million in 2015/16 as the corporation continued to pay down debt in line with the Corporate Plan. Total assets increased on the back of the 2015/16 land, building and infrastructure revaluation.
- 2b The impact of the infrastructure asset revaluation was greater than forecast in the 2015/16 Corporate Plan. This resulted in an increase in the asset value of \$121 million, when the target included an increase of approximately \$40 million. Debt levels were in line with Corporate Plan assumptions.
- 3b Expenditure on major capital works projects in 2015/16 was impacted by additional regulatory requirements and inclement weather. Expenditure on capital works was approximately \$2 million below budget levels for 2015/16.
- 4a The corporation held an additional \$2 million in cash at the end of 2015/16 which is directly attributable to the shortfall in capital expenditure.
- 4b This result was driven by cash reserves of \$3 million above budget and a lower payables level than included in the 2015/16 budget.
- 5a Lower net profit after tax, and an increase in asset valuations associated with the 2015/16 revaluations, impacted on this result.
- 5b Asset values increased by \$121 million due to an asset revaluation. This, combined with reduced profit associated with the impairment of a major water storage, impacted on this result.
- 6a An increase in the asset revaluation reserves flowing from the 2015/16 revaluation, and a reduction in net profit, caused the decrease in this result.
- 6b The increase in revaluation reserves was greater than anticipated in the Corporate Plan. Net profit after tax was reduced due to the impairment of a major water storage.
- 7a The EBITDA margin was reduced due to the impairment of a major water storage in 2015/16.

EAST GIPPSLAND REGION WATER CORPORATION

Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to prior year	Notes	Variance to target	Notes
WS1	Unplanned water supply interruptions No. of customers receiving more than 5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100	0.00	0.00	0.00	0.0%		0.0%	
WS2	Interruption time Average duration of unplanned water supply interruptions (minutes)	63.93	71.48	75.00	11.8%	1a	-4.7%	
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	98.28%	100.00%	98%	1.8%		2.0%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers * 100	98.04%	100.00%	100.00%	2.0%		0.0%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100.00%	100.00%	100.00%	0.0%		0.0%	

Notes:

1a 2015/16 was impacted by a small percentage of interruptions skewing the result.

EAST GIPPSLAND REGION WATER CORPORATION

Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to prior year	Notes	Variance to target	Notes
CR1	Water quality complaints No. of complaints per 100 customers	0.02	0.03	0.05	50.0%	1a	-40.0%	2a
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.00	0.02	0.12	100.0%	1b	-83.3%	2b
CR3	Sewerage odour complaints No. of complaints per 100 customers	0.02	0.01	0.03	-50.0%	1c	-66.7%	2c
CR4	Billing complaints No. of complaints per 100 customers	0.02	0.04	0.02	100.0%	1d	100.0%	2d

Notes:

- 1a Eight water quality complaints were received, compared to five the previous year. East Gippsland Water is committed to ensuring customers receive high quality drinking water across all its water supply regions, with the level of complaints still remaining low. The corporation is striving to ensure that improvements to the way it maintains its water delivery network reduce the likelihood of future customer complaints.
- 1b While three sewer complaints were received, compared to zero in the previous year, the result was still below target. The corporation will continue to review its performance in this area and where possible reduce complaints.
- 1c One sewer odour complaint was received, compared with three the previous year. The corporation will continue to review the performance of sewer odour strategies to reduce complaints.
- 1d Ten billing complaints were received compared to four in the previous year. East Gippsland Water continues to review processes and where possible eliminate customer complaints in the first instance.
- 2a Of the eight water quality complaints in 2015/16, five were for taste and odour, one was a fluoride, one was for coloured water and one for dirty water. Customer complaints are actively monitored and where possible they are investigated to ensure they do not occur again in the future.
- 2b Two of the three sewer complaints were for blockages caused by tree roots and the third was for an unconfirmed overflow.
- 2c The single sewer odour complaint this year reflects the positive impact of an ongoing, proactive maintenance program.
- 2d The ten billing complaints received included several for vacant land disputing the requirement to pay a vacant land tariff, while three were commercial premises-related.

EAST GIPPSLAND REGION WATER CORPORATION

Environmental Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to prior year	Notes	Variance to target	Notes
E1	Effluent re-use volume (end use) Percentage recycled for each category	100%	97.8%	100%	1.7%		-2.2%	
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	7,912	8,011	8,350	1.3%		-4.1%	

East Gippsland Region Water Corporation

Certification of Performance Report for 2015/16

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

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

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



Joanne Booth
Chairperson

East Gippsland Region Water Corporation



Bruce Hammond
Managing Director

East Gippsland Region Water Corporation



Mathew Scott
Acting Chief Finance & Accounting Officer

East Gippsland Region Water Corporation

29 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Board Members, East Gippsland Region Water Corporation

The Performance Report

I have audited the accompanying performance report for the year ended 30 June 2016 of East Gippsland Region Water Corporation which comprises the performance report, the related notes and the certification has been audited.

The Board Members' Responsibility for the Performance Report

The board members of East Gippsland Region Water Corporation are responsible for the preparation and fair presentation of the performance report and for such internal control as the board members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

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

MELBOURNE
30 August 2016


for Dr Peter Frost
Acting Auditor-General

Financial Report

For the Year Ended 30 June 2016

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EAST GIPPSLAND REGION WATER CORPORATION

Comprehensive Operating Statement for the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
Revenue	1(b)		
Service Charges	3(a)	21,353	20,800
Metered Charges	1(b)	9,261	8,748
Trade Waste Charges	1(b)	184	105
Developer Contributions	3(a)	1,473	2,284
Other Income	3(a)	1,278	1,345
Interest	1(b)	128	195
Total Revenue		33,677	33,477
Revenue from Non-operating Activities			
Net Gain / (Loss) on Disposal of Non-financial Assets	3(b), 8(b), (c)	(1,545)	(128)
Other Revenue	3(a)	51	107
Total Revenue from Non-operating Activities		(1,494)	(21)
Total Revenue		32,183	33,456
Expenses			
Borrowing Costs	1(c)	1,235	1,588
Depreciation	3(b)	10,159	9,773
Amortisation	3(b)	139	115
Employee Costs	1(c), 3(b)	8,755	8,279
Environmental Contribution	1(c)	1,198	1,198
Suppliers and Materials	1(c), 3(b)	8,173	7,667
Government Water Rebate	3(b)	544	537
Total Expenses		30,203	29,157
Net Result before Tax		1,980	4,299
Income Tax Expense	1(i), 4(a)	588	1,287
Net Result for the Period	19	1,392	3,012
Other Comprehensive Income			
Items that will not be reclassified to net result			
Net Gain on Revaluation of Land, Building and Infrastructure	4(c)	120,881	319
Net Gain / (Loss) on Disposal of Non-financial Assets	4(c)	(1,099)	-
Income Tax Relating to Comprehensive Income	4(c)	(35,935)	(95)
Total Other Comprehensive Income		83,847	224
Comprehensive Result		85,239	3,236

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 2016

	Note	2016 \$'000	2015 \$'000
Current Assets			
Cash and Cash Equivalents	1(d), 5, 22	4,604	2,583
Receivables	1(d), 6	7,151	6,897
Inventories	1(d), 7	381	393
Prepayments	1(d)	317	321
Total Current Assets		12,453	10,194
Non-Current Assets			
Receivables	1(d), 6	287	339
Infrastructure Assets, Property, Plant and Equipment	1(d), 8	445,026	327,618
Intangible Assets	1(d), 9	898	671
Capital Works in Progress	8(a)	4,783	6,405
Total Non-Current Assets		450,994	335,033
Total Assets		463,447	345,227
Current Liabilities			
Payables	1(e), 10	3,642	4,805
Interest Bearing Liabilities	1(e), 12(a)	3,000	2,500
Funds Held in Trust	1(e)	-	1
Employee Benefits	1(e), 11(a)	2,678	2,468
Deferred Revenue - Developer Deposits	1(b)	26	110
Total Current Liabilities		9,346	9,884
Non-Current Liabilities			
Interest Bearing Liabilities	1(e), 12	15,000	18,000
Employee Benefits	1(e), 11(b)	117	121
Net Deferred Tax Liabilities	1(i), 13(b)	80,563	44,040
Total Non-Current Liabilities		95,680	62,161
Total Liabilities		105,026	72,045
Net Assets		358,421	273,182
Equity			
Contributed Capital	1(f), 17	95,967	95,967
Reserves	18	174,756	90,909
Accumulated Funds	19	87,698	86,306
Total Equity		358,421	273,182

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 2016

	Contributed Capital \$000	Reserves \$000	Accumulated Funds \$000	Total \$000
Reported Balance as at 1 July 2014	95,967	90,685	83,294	269,946
Total Comprehensive Income for the Year	-	-	3,012	3,012
Revaluation of Buildings - net of tax	-	224	-	224
Transactions with State in its Capacity as Owner				
Contributions by Owners	-	-	-	-
Balance as at 30 June 2015	95,967	90,909	86,306	273,182
Total Comprehensive Income for the Year	-	-	1,392	1,392
Revaluation of Infrastructure, Land and Buildings - net of tax	-	84,946	-	84,946
Disposal of Infrastructure Assets	-	(1,099)	-	(1,099)
Transactions with State in its Capacity as Owner				
Contributions by owners	-	-	-	-
Balance as at 30 June 2016	95,967	174,756	87,698	358,421

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 2016

	Note	2016 \$000 Inflows / (Outflows)	2015 \$000 Inflows / (Outflows)
Cash Flows from Operating Activities			
Receipts			
Rates, Tariffs, Fees and Charges		30,609	29,445
Interest Received		128	195
Other		1,223	1,437
GST Received from ATO ¹		1,374	1,363
Contributions for Capital Works		482	724
Payments			
Interest Paid		(1,247)	(1,614)
Employees		(8,609)	(7,953)
Environmental Contribution		(1,198)	(1,198)
Suppliers and Others		(10,702)	(8,022)
Net Cash Inflow from Operating Activities	20	12,060	14,377
Cash Flows from Investing Activities			
Payment for Property, Plant and Equipment		(7,280)	(9,550)
Payments for Intangibles		(366)	(416)
Trust Monies Received		-	1
Trust Monies Paid		(1)	-
Proceeds from Sale of Property, Plant and Equipment	8(c)	108	221
Net Cash Outflow from Investing Activities		(7,539)	(9,744)
Cash Flows from Financing Activities			
Proceeds from Borrowings		-	-
Repayment of Borrowings		(2,500)	(5,500)
Net Cash Outflow from Financing Activities		(2,500)	(5,500)
Net Increase (Decrease) in Cash and Cash Equivalents		2,021	(867)
Cash and Cash Equivalents at the Beginning of Financial Year		2,583	3,450
Cash and Cash Equivalents at end of Financial Year	5, 22	4,604	2,583

¹ Goods and Services Tax received from ATO is presented on a net basis

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 2016

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 for the period ending 30 June 2016. 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 (AASB), 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 29 August 2016.

The principal address is:

East Gippsland Region Water Corporation
133 Macleod Street
Bairnsdale VIC 3875

Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

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

Functional and Presentation Currency

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

Classification between Current and Non-Current

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

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars. 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 (Refer Note 1(p)) 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.

(b) Revenue

Service and Metered Charges

Metered charges 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. The meters are read on a cyclical basis with accounts sent out on a quarterly basis.

Metered 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.

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 Contributions, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as government grants and contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Environment, Climate Change and Water have indicated are in the nature of owners' contributions, are accounted for as Equity - Contributions by Owners in accordance with FRD 119A Transfers through Contributed Capital.

Interest

Interest income is recognised using the effective interest rate method in the period in which it is incurred.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

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.

Other Revenue from Operating Activities

Other Revenue includes revenue from farm operations, new development administration fees and other operating miscellaneous fees and charges. Revenue from these activities are recognised in the period which the service is rendered and on an accrual basis.

Rental Income

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

(c) Expenses

Borrowing Costs Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings. Interest expense is recognised in the period in which it is incurred.

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.

Depreciation 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 asset residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight line) commencing from the time the asset is available 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(d).

Depreciation rates within each asset class are consistent with the previous year and fall within the following ranges:

Class of Fixed Asset	Useful Life (Years)
Buildings	50
Water Infrastructure	10 to 350
Wastewater Infrastructure	10 to 350
Plant & Equipment	3 to 20
Motor Vehicles	6 to 8
Office Equipment	1 to 10
Intangible Assets	3 to 10

Employee Benefits

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

Superannuation

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

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.

Environmental Contributions

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water corporations. The Act establishes an obligation for corporations to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended to cover the period 1 July 2012 until 30 June 2020.

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

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

Other Expenses

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

(d) Assets

Cash and Deposits

Cash and deposits recognised on the Balance Sheet comprise cash on hand and cash at bank, deposits at call and those highly liquid investments (with an original maturity of three months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and readily convertible to known amounts of cash with an insignificant risk of changes in value.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services and accrued investment income; and
- statutory receivables, including Goods and Services Tax (GST) recoverable input tax credits.

Contractual receivables are classified as financial instruments and categorised as loans and receivables.

Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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

Collectability of contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the provision are recognised as an expense in the comprehensive operating statement.

Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. These inventories are held for consumption in the ordinary course of business operations and measured 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 also include goods held for distribution at no or nominal cost.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Prepayments

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

Infrastructure Property, Plant and Equipment

Recognition of Non-Current Physical Assets

Infrastructure, 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 (2014/15 \$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.

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

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 103F Non-Current Physical Assets.

Revaluations are conducted in accordance with FRD 103F. A scheduled revaluation occurred in 2016 and is undertaken every five years. An annual assessment of fair value is undertaken to determine if it is materially different to the carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Infrastructure, plant, equipment and motor vehicles are measured at fair value.

Water infrastructure assets, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. 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 underpin sewerage and drainage systems.

Fair value assessment for water infrastructure occurred as at 30 June 2016 and was undertaken with involvement from the Valuer General Victoria (VGV), under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructure. 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 Asset 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 Asset Revaluation Reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, 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.

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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

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.

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. Intangible assets and amortisation have not changed from the prior period.

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

	Water Entitlements and Licences	Software & Development Costs
Useful Lives	Indefinite	Finite
Method Used	Not amortised or revalued	3 - 10 Years - Straight Line
Internally Generated / Acquired	Acquired	Internally generated / acquired
Impairment Test / Recoverable	Annually and where an indicator of impairment exists	Amortisation method reviewed at financial year ended 30 June 2016.

(e) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to the corporation prior to the end of the financial year that are unpaid, and arise when the corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables. Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

The contractual payables are unsecured and are usually paid within 30 days of recognition.

Interest Bearing Liabilities

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

Interest bearing liabilities are classified as current liabilities unless the corporation has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

The corporation has classified borrowings which mature within 12 months as current liabilities. Borrowings known as 11am debt are classified as current borrowings.

Provisions

Provisions are recognised when the corporation has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

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

Funds Held in Trust

Funds held in trust represent monies held by the corporation as security for capital projects.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, time in lieu, annual leave and long service leave for services rendered to the reporting date.

(i) Wages and salaries, annual leave and sick leave

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

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

- undiscounted value - if the corporation expects to wholly settle within 12 months; or
- present value - if the corporation does not expect to wholly settle within 12 months

(ii) Long service leave

Liability for Long Service Leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the corporation does not expect to settle the liability within 12 months because it will 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:

- undiscounted value if the corporation expects to wholly settle within 12 months; and
- present value if the corporation does not expect to wholly settle within 12 months.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Conditional LSL 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. This non current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of the non-current LSL liability is recognised in the 'net result from transactions', except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as an other economic flow.

(iii) Termination benefits

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

On-costs

Provisions for on costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

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.

(f) Equity

Contributions by Owners

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

Asset Revaluation Reserve

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

(g) Financial Instruments

Recognition

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through 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:

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 in the Balance Sheet. Loans and receivables are recorded at amortised cost less any impairment.

Impairment of Financial Assets

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

(h) Fair Value

Consistent with AASB 13 Fair Value Measurement, the corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, biological assets, investment properties and financial instruments and for non recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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

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

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

In addition, the corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is the corporation's independent valuation agency in relation to valuation of infrastructure, property, plant and equipment.

The corporation, in conjunction with the VGV monitors changes in the fair value of infrastructure, property, plant and equipment through relevant data sources to determine whether revaluation is required.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the entity at the measurement date; and
- that the entity uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Consideration of Highest and Best Use for Non-financial Physical Assets

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

In accordance with paragraph AASB 13.29, the corporation has assumed the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Therefore, an assessment of the HBU will be required when the indicators are triggered within a reporting period, which suggest that the market participants would have perceived an alternative use of an asset that can generate maximum value. Once identified, entities are required to engage with the Valuer General Victoria or other independent valuers for formal HBU assessment.

Valuation Hierarchy

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

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

Identifying Unobservable Inputs (Level 3) Fair Value Measurements

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non financial assets.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

The corporation has developed unobservable inputs using the best information available in the circumstances, which has included the corporation's own data. In developing unobservable inputs, the corporation has begun with its own data, and adjusted this data if reasonably available information indicates that other market participants would use different data or there is something particular to the entity that is not available to other market participants.

These indicators, as a minimum, include:

External indicators

- changed Acts, regulation, local law or such instrument which affects or may affect the use or development of the asset;
- changes in planning scheme, including zones, reservations, overlays that would affect or remove the restrictions imposed on the asset's use;
- "existence of government policies (e.g. Government Gazette/public announcements) with expectations that an asset will be used in certain ways to support the service delivery;"
- government decisions declaring the asset's redundancy or surplus; and
- social environmental evidence indicating changes in public expectations of the asset's use.

Internal indicators

- where an asset use is within an entity's discretion, any plans or intentions that have been formally communicated for a different use of the asset from its past use;
- evidence that suggests the current use of an asset is no longer core to requirements to deliver an entity's service obligation;
- evidence that suggests that the asset might be sold or demolished as reaching the late stage of an asset's life cycle.

(i) 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.

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. 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.

(j) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note 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.

(k) Contingent Assets and Contingent Liabilities

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

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

(l) Events after the Reporting Period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the corporation and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

(m) Dividend Policy

An obligation to pay a dividend arises after consultation with the Minister for Water and the Treasurer, and a formal determination is made by the Treasurer. The corporation plans to reduce borrowings before dividend payments and therefore no estimate of dividend has been made for this period.

(n) 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 Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e. inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the ATO is classified as operating cash flows.

(o) 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 2016 reporting period. As at 30 June 2016, the standards and interpretations applicable to the corporation had been issued but were not mandatory for financial year ending 30 June 2016. The corporation has not and does not intend to adopt these standards early. The Department of Treasury & Finance assesses the impact of all these new standards and advises the corporation of their applicability and early adoption where applicable.

Standard / Interpretation	Summary	Applicable for Annual Reporting Periods Beginning on or After	Impact on Financial Statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has indicated that there is no expected impact on the corporation.
AASB 14 <i>Regulatory Deferral Accounts</i>	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 Jan 2016	The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018/19 reporting period in accordance with the transition requirements.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Standard / Interpretation	Summary	Applicable for Annual Reporting Periods Beginning on or After	Impact on Financial Statements
AASB 2014 4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: <ul style="list-style-type: none"> • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2015 6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the corporation's responsible persons, and the related party transactions.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably. 	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within operating activities in the cash flow statement. No charge for lessors.
AASB 2014 9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]	Amends AASB 127 Separate Financial Statements to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 Jan 2016	The assessment indicates that there is no exception impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.
AASB 2014 10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: <ul style="list-style-type: none"> • a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and • a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. 	1 Jan 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Standard / Interpretation	Summary	Applicable for Annual Reporting Periods Beginning on or After	Impact on Financial Statements
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Amends the methods of disposal in AASB 5 Non-current assets held for sale and discontinued operations. Amends AASB 7 Financial Instruments by including further guidance on servicing contracts.	1 Jan 2016	The assessment has indicated that when an asset (or disposal group) is reclassified from 'held for distribution', or vice versa, the asset does not have to be reinstated in the financial statements. Entities will be required to disclose all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset.
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence the current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.

In addition to the new standards above, the AASB has issued a list of applicable amending standards that are not effective for the 2015-16 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretation in the list below is also not effective for the 2015-16 reporting period and is considered to have insignificant impacts on public sector reporting.

- AASB 1056 Superannuation Entities
- AASB 1057 Application of Australian Accounting Standards
- AASB 2014 1 Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only] 2
- AASB 2014 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]
- AASB 2014 6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]
- AASB 2015 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015 5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128] 2
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]
- AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

Notes

1. For the current year, given the number of consequential amendments to AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.
2. This Standard or Amendment may not be relevant to Victorian not-for-profit entities when operative

(p) Critical Accounting Estimates and Judgements

Estimates and judgements 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 judgements made are disclosed throughout the financial statements and items impacted are accrued water revenue, valuation and accounting for assets, depreciation on infrastructure, buildings, plant and equipment, employee benefit provisions, deferred tax liabilities, valuation and disclosure of financial instruments.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

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. 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 ageing analysis for credit risk.

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

(a) Market Risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the corporation's financial instruments. Market risk comprises 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 interest rate on the corporation's long term interest bearing liabilities is fixed and therefore the corporation is not exposed to short term risk as a result of fluctuating interest rates. In addition, the maturity dates for these long term interest bearing liabilities are staggered to further minimise interest rate risk in any given year.

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 no 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 2016	Carrying amount \$000	Interest Rate Risk			
		-0.5%		0.5%	
		Result \$000	Equity \$000	Result \$000	Equity \$000
Financial Assets					
Cash	4,604	(23)	(23)	23	23
Receivables: Trade	6,487	-	-	-	-
Private Schemes	287	(1)	(1)	1	1
Total Financial Assets	11,378	(24)	(24)	24	24
Financial Liabilities					
Trade Creditors and Accruals	3,642	-	-	-	-
Interest Bearing Liabilities - Fixed	15,000	-	-	-	-
Interest Bearing Liabilities - Maturing	3,000	15	15	(15)	(15)
Total Financial Liabilities	21,642	15	15	(15)	(15)
Total Increase / (Decrease)		(9)	(9)	9	9

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 2: Financial Risk Management Objectives and Policies (continued)

(a) Market Risk (continued)

30th June 2015	Carrying amount \$000	Interest Rate Risk			
		-0.5%		0.5%	
		Result \$000	Equity \$000	Result \$000	Equity \$000
Financial Assets					
Cash	2,583	(13)	(13)	13	13
Receivables: Trade	6,145	-	-	-	-
Private Schemes	339	(2)	(2)	2	2
Total Financial Assets	9,067	(15)	(15)	15	15
Financial Liabilities					
Trade Creditors & Accruals	4,797	-	-	-	-
Interest Bearing Liabilities - Fixed	18,000	-	-	-	-
Interest Bearing Liabilities - Maturing	2,500	13	13	(13)	(13)
Total Financial Liabilities	25,297	13	13	(13)	(13)
Total Increase / (Decrease)		(2)	(2)	2	2

(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.

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

2016	Financial Institutions (AA- credit rating) \$000	Government Agencies (AAA credit rating) \$000	Government Agencies (BBB credit rating) \$000	Other (min BBB credit rating) \$000	Total \$000
Cash and Deposits	604	-	-	-	604
Receivables	-	88	-	6,686	6,774
Investments and Other Financial Assets	-	4,000	-	-	4,000
Total Financial Assets	604	4,088	-	6,686	11,378

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 2: Financial Risk Management Objectives and Policies (continued)

(b) Credit Risk (continued)

Credit Quality of contractual financial assets that are neither past due nor impaired

2015	Financial institutions (AA- credit rating) \$000	Government agencies (AAA credit rating) \$000	Government agencies (BBB credit rating) \$000	Other (min BBB credit rating) \$000	Total \$000
Cash and deposits	582	-	-	1	583
Receivables	-	80	-	6,404	6,484
Investments and other financial assets	-	2,000	-	-	2,000
Total Financial Assets	582	2,080	-	6,405	9,067

(c) Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due. The corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days 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. The following tables analyse the corporation's financial liabilities into relevant maturity groupings based on their contractual maturities at 30 June 2016 and 2015

2016	Less than 1 Year \$000	2 - 5 Years \$000	Over 5 Years \$000	Total Contractual Cash Flows \$000	Carrying Amount \$000
Financial Instruments					
Financial Liabilities					
Trade Creditors and Accruals	3,642	-	-	3,642	3,642
Interest Bearing Liabilities	3,000	10,500	4,500	18,000	18,000
Total Financial Liabilities	6,642	10,500	4,500	21,642	21,642

2015	Less than 1 Year \$000	2 - 5 Years \$000	Over 5 Years \$000	Total Contractual Cash Flows \$000	Carrying Amount \$000
Financial Instruments					
Financial Liabilities					
Trade Creditors and Accruals	4,797	-	-	4,797	4,797
Interest Bearing Liabilities	2,500	12,500	5,500	20,500	20,500
Total Financial Liabilities	7,297	12,500	5,500	25,297	25,297

Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

Cash and cash equivalents, receivables and payables carrying values approximate their fair values.

The fair value of borrowings is \$19,497,692 (\$21,932,513 in 2014/15) and is based on discounting the expected future cash flows at current market rates.

Borrowings are considered to fall within level 2 of the fair value hierarchy. Borrowings are recorded in the financial report in accordance with the policy at Note 1(c).

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 3: Revenue & Expenditure - Disclosures

	2016 \$000	2015 \$000
(a) Revenue		
Service Charges		
Water Charges	5,899	5,964
Wastewater Charges	15,454	14,836
	21,353	20,800
Developer Contributions		
Fees Paid by Developers	419	586
Assets Received from Developers	1,054	1,698
	1,473	2,284
Other Revenue - Operating activities		
Planning Fees	537	520
Farm Operation Income	194	143
Miscellaneous	480	598
Legal Fees Recovered	67	84
	1,278	1,345
Other Revenue - Non-operating Activities		
Rental Income - Lease of Land for Telecommunication Towers	51	107
	51	107
(b) Expenses		
<u>Depreciation:</u>		
Buildings	44	28
Water Infrastructure	4,545	4,355
Wastewater Infrastructure	4,776	4,607
Plant, Equipment, Office and Motor Vehicles	794	783
Sub-total	10,159	9,773
<u>Amortisation:</u>		
Intangible Assets	139	115
	10,298	9,888
Employee Costs		
Salaries and Wages	5,728	5,698
Leave Payments	1,774	1,464
Superannuation Contributions	738	698
Defined Benefits Funding Call	-	-
Other	515	419
	8,755	8,279
Suppliers & Materials		
Contractors	2,064	1,681
Consultants	853	1,014
Electricity	1,049	1,036
Licences	602	618
Materials	651	568
IT software	506	427
Chemicals	383	385
Other	1,960	1,880
	8,068	7,609
Bad and Doubtful Debts	105	58
Total Suppliers and Materials	8,173	7,667
Government Water Rebate Provided	544	537
On 11 May 2014 the former Minister for Water announced the Victorian Government's former Fairer Water Bills initiative. As part of this initiative, the corporation's residential water using customers are entitled to a bill reduction of \$28 in their first quarter bill, for each of the four years, starting from 2014/15.		
Loss on Assets Disposed		
Water Assets	1,417	-
Wastewater Assets	133	10
Building, Land, Motor Vehicle, Plant and Equipment, Office Equipment Assets	(5)	118
	1,545	128

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 4: Income Tax Expense

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

(a) Components of Tax Expense

Deferred Tax Relating to Temporary Differences

	2016 \$000	2015 \$000
	588	1,287
	588	1,287

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

Decrease / (Increase) in Deferred Tax Assets

(Decrease) / Increase in Deferred Tax Liabilities

	(52)	(61)
	640	1,348
	588	1,287

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

Net Result before Income Tax Expense

Tax at the Australian Tax Rate of 30% (2015: 30%)

	1,980	4,299
	594	1,290

Add / (Deduct)

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

- Depreciation on Buildings

- Entertainment

- Amortisation of Buildings

	13	8
	3	3
	(22)	(14)

Aggregate Income Tax Expense

Aggregate Income Tax Expense comprises:

- Deferred Income Tax Provision

	588	1,287
	588	1,287

(c) Income Tax Recognised in Other Comprehensive Income

Net (Loss) on Disposal of Non-financial Assets

Net Gain on Revaluation of Property, Plant and Equipment

Tax at the Australian Tax Rate of 30% (2015: 30%)

Total Income Tax recognised in Other Comprehensive Income

	(1,099)	-
	120,881	319
	(35,935)	(95)
	(35,935)	(95)

Note 5: Cash and Cash Equivalents

Current

Cash on Hand and Bank Accounts

Investment at Call

Developer Bond Accounts

	2016 \$000	2015 \$000
	604	582
	4,000	2,000
	-	1
	4,604	2,583

The deposits are bearing floating interest rate of 1.7% (2015: 2.15% and 2.35%)

Developer bond account are non-interest bearing investments.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 6: Receivables

	2016 \$000	2015 \$000
Current:		
Statutory Debtors	664	752
Contractual Debtors		
- Trade Debtors	1,196	599
- Other Debtors	5,428	5,692
Less Provision for Impaired Receivables	(137)	(146)
	7,151	6,897
Non Current:		
Contractual - Private Schemes	287	339
	287	339

Past due but not Impaired Trade Receivables

As at 30 June 2016, current receivables of the corporation with a nominal value of \$364K (2015: \$357K) were past due but not impaired. The amount of the provision was \$137K (2015: \$146K). These relate to tenant debtors for whom there is no recent history of default. The ageing of these receivables is as follows:

3 to 6 months	24	27
Over 6 months	340	330
	364	357

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.

As at 30 June 2016, current receivables of the corporation with a nominal value of \$220K (2015: \$216K) were impaired. The amount of the provision was \$137K (2015: \$146K). The individually impaired receivables mainly relate to tenant debtors, which are experiencing difficult economic situations. It was assessed that a percentage of the receivables are expected to be recovered.

The ageing of these receivable is as follow:

	2016 \$000	2015 \$000
3 to 6 months	137	146
Over 6 months	-	-
	137	146

Movements in the provision for impaired receivables are as follows:

At 1 July	146	137
Provision for impairment recognised during the year	104	67
Receivables written off during the year as uncollectable	(113)	(58)
	137	146

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.

See note 2 for disclosure of receivables at fair value and credit risk.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 7: Inventories

	2016 \$000	2015 \$000
Stores at Cost	381	393
	381	393

Note 8: Infrastructure, Property, Plant and Equipment

(a) Classification by Purpose Groups - Carrying Amount

	2016 \$000	2015 \$000
Land at Fair Value	13,666	13,813
Buildings at Fair Value	2,559	2,345
Infrastructure - Water at Fair Value	212,810	171,675
Infrastructure - Wastewater at Fair Value	213,688	137,234
Plant & Equipment at Fair Value	576	634
Vehicles at Fair Value	1,050	1,206
Office Equipment at Fair Value	677	711
Capital Works in Progress at Fair Value	4,783	6,405
Net Carrying Amount of Infrastructure, Property, Plant and Equipment	449,809	334,023

(b) Gross Carrying Amounts and Accumulated Depreciation

	Gross Carrying Amount		Accumulated Depreciation		Net Carrying Amount	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Land at Fair Value	13,666	13,813	-	-	13,666	13,813
Buildings at Fair Value	2,559	2,346	-	1	2,559	2,345
Infrastructure - Water at Fair Value	212,858	188,471	49	16,796	212,810	171,675
Infrastructure - Wastewater at Fair Value	213,784	154,726	97	17,492	213,688	137,234
Plant and Equipment at Fair Value	3,148	2,983	2,572	2,349	576	634
Vehicles at Fair Value	2,133	2,149	1,083	943	1,050	1,206
Office Equipment at Fair Value	1,920	1,686	1,243	975	677	711
Capital Works in Progress at Fair Value	4,783	6,405	-	-	4,783	6,405
Total	454,851	372,579	5,044	38,556	449,809	334,023

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

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
(c) Profit / (Loss) on Sale of Non-Current Assets 2016					
Vehicles	253	(151)	102	99	(3)
Plant and Equipment	8	(8)	-	8	8
Office Equipment	5	(4)	1	1	-
Infrastructure	1,850	(300)	1,550	-	(1,550)
Building	-	-	-	-	-
Total	2,116	(463)	1,653	108	(1,545)

(d) Profit / (Loss) on Sale of Non-Current Assets 2015					
Vehicles	449	(224)	225	218	(7)
Plant and Equipment	484	(434)	50	-	(49)
Office Equipment	437	(436)	1	3	2
Infrastructure	12	(2)	10	-	(10)
Building	67	(3)	64	-	(64)
Land	-	-	0	-	-
Total	1,449	(1,099)	350	221	(128)

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued) (e) Movement During Financial Year 2016

	Land at Fair Value \$000	Buildings at Fair Value \$000	Water Infrastructure at Fair Value \$000	Wastewater Infrastructure at Fair Value \$000	Plant and Equipment at Fair Value \$000	Vehicles at Fair Value \$000	Office Equipment at Fair Value \$000	Capital Works in Progress at Fair Value \$000	Total \$000
Opening Balance as at 1 July 2015	13,813	2,345	171,675	137,234	634	1,206	711	6,405	334,023
Fair Value of Assets Received	-	-	350	736	-	-	-	-	1,086
Free of Charge	-	-	-	-	-	-	-	6,730	6,730
Additions	-	-	(2,517)	(133)	-	(102)	(1)	-	(2,753)
Disposals	-	-	2,917	4,787	173	237	238	(8,352)	-
Transfers	-	258	44,951	75,819	-	-	-	-	120,881
Revaluation	(147)	-	-	-	-	-	-	-	-
Impairment	-	-	(4,545)	(4,776)	(231)	(291)	(272)	-	(10,159)
Depreciation	-	(44)	-	-	-	-	-	-	-
Closing Balance as at 30 June 2016	13,666	2,559	212,831	213,667	576	1,050	676	4,783	449,809

Land and Buildings were independently valued at 30 June 2016 by Ben Driller AAPI, Certified Practising Valuer, Egan National Valuers (Vic) under contract by the Valuer General Victoria using a fair value approach. Where market based evidence of fair value is not available due to the specialised nature of an asset, a depreciated replacement cost approach may have been required. Where properties have appropriate zoning and are capable of being readily sold, the sale history and other information in relation to similar properties in the area has been used to determine and active and liquid market valuation.

Infrastructure was valued at 30 June 2016 by David Field AAPI, CPV (Plant & Machinery), SPINZ, Jones Lang LaSalle Australia Pty Ltd, under contract from the Valuer General Victoria, using a depreciated replacement cost methodology to determine fair value.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued)
(f) Movement During Financial Year 2015

	Land at Fair Value \$000	Buildings at Fair Value \$000	Water Infrastructure at Fair Value \$000	Wastewater Infrastructure at Fair Value \$000	Plant and Equipment at Fair Value \$000	Vehicles at Fair Value \$000	Office Equipment at Fair Value \$000	Capital Works in Progress at Fair Value \$000	Total
Opening Balance as at 1 July 2014	13,813	2,010	172,645	138,785	793	1,272	642	2,585	332,545
Fair Value of Assets Received	-	-	587	1,111	-	-	-	-	1,698
Free of Charge	-	-	-	-	-	-	-	9,584	9,584
Additions	-	(64)	-	(10)	(50)	(225)	(1)	-	(350)
Disposals	-	108	2,798	1,955	156	447	300	(5,764)	-
Transfers	-	319	-	-	-	-	-	-	319
Revaluation	-	-	-	-	-	-	-	-	-
Impairment	-	(28)	(4,355)	(4,607)	(265)	(288)	(230)	-	(9,773)
Depreciation	-	-	-	-	-	-	-	-	-
Closing Balance as at 30 June 2015	13,813	2,345	171,675	137,234	634	1,206	711	6,405	334,023

The impact of the managerial revaluation on the fair value of Buildings was a net increase of \$224K. The tax effect of this revaluation was \$95K.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued)

(g) Aggregate Depreciation Recognised as an Expense during the Year

	2016 \$000	2015 \$000
Land at Fair Value	-	-
Buildings at Fair Value	44	28
Infrastructure - Water at Fair Value	4,545	4,355
Infrastructure - Wastewater at Fair Value	4,776	4,607
Plant and Equipment at Fair Value	231	265
Vehicles at Fair Value	291	288
Office Equipment at Fair Value	272	230
Capital Works in Progress at Fair Value	-	-
Total	10,159	9,773

(h) Fair Value Measurement Hierarchy for Assets as at 30 June 2016

	Carrying Amount as at 30 June 2016 \$000	Fair Value Measurement at End of Reporting Period using:		
		Level 1 \$000	Level 2 \$000	Level 3 \$000
Land at Fair Value				
Specialised Land	9,581	-	-	9,581
Non-specialised Land	4,085	-	4,085	-
Total of Land	13,666	-	4,085	9,581
Buildings at Fair Value				
Specialised Buildings	2,559	-	-	2,559
Total of Buildings	2,559	-	-	2,559
Plant, Equipment and Vehicles at Fair Value				
Vehicles	1,050	-	-	1,050
Plant and Equipment	577	-	-	577
Office Equipment	676	-	-	676
Total of Plant, Equipment and Vehicles	2,303	-	-	2,303
Water Infrastructure at Fair Value				
Water Infrastructure	212,831	-	-	212,831
Total of Water Infrastructure	212,831	-	-	212,831
Wastewater Infrastructure at Fair Value				
Wastewater Infrastructure	213,667	-	-	213,667
Total of Wastewater Infrastructure	213,667	-	-	213,667
Total	445,026	-	4,085	440,941

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued)

(i) Fair Value Measurement Hierarchy for Assets as at 30 June 2015

	Carrying Amount as at 30 June 2015 \$000	Fair Value Measurement at End of Reporting Period using:		
		Level 1 \$000	Level 2 \$000	Level 3 \$000
Land at Fair Value				
Specialised Land	13,813	-	-	13,813
Total of Land at Fair Value	13,813	-	-	13,813
Buildings at Fair Value				
Specialised Buildings	2,345	-	-	2,345
Total of Buildings at Fair Value	2,345	-	-	2,345
Plant, Equipment and Vehicles at Fair Value				
Vehicles	1,206	-	-	1,206
Plant and Equipment	634	-	-	634
Office Equipment	711	-	-	711
Total of Plant, Equipment and Vehicles at Fair Value	2,551	-	-	2,551
Water Infrastructure at Fair Value				
Water Infrastructure	171,675	-	-	171,675
Total of Water Infrastructure at Fair Value	171,675	-	-	171,675
Wastewater Infrastructure at Fair Value				
Wastewater Infrastructure	137,234	-	-	137,234
Total of Wastewater Infrastructure at Fair Value	137,234	-	-	137,234
Total	327,618	-	-	327,618

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued)

(i) Fair Value Measurement Hierarchy for Assets as at 30 June 2015 (continued)

There have been no transfers between levels during the period. For all assets measured at fair value, the current use is considered the highest and best use.

Specialised Land and Buildings

The market approach is used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the corporation's majority of specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

Water and Wastewater Infrastructure

Water and wastewater infrastructure are valued using the depreciated replacement cost method. This cost represents the replacement cost of the water and wastewater infrastructure components after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as water and sewerage pipes, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the pipes. The estimated cost of reconstruction included structure services and finishes as applicable.

An independent valuation of the corporation's water and wastewater infrastructure was carried out by Jones Lang LaSalle Australia Pty Ltd on behalf of the Valuer-General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by an experienced fleet manager in the corporation. Management sets relevant depreciation rates to reflect utilisation of the vehicles. As the assumption is considered a significant unobservable input, vehicles are classified as a Level 3 fair value measurement.

Plant and Equipment, and Office Equipment

Plant and Equipment, and Office Equipment is held at fair value. When plant and equipment, and office equipment are specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. As this assumption is considered a significant unobservable input, plant and equipment, and office equipment is classified as a Level 3 fair value measurement.

There were no changes in valuation techniques throughout the period to 30 June 2016.

For all assets measured at fair value, the current use is considered the highest and best use.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued)
(j) Reconciliation of Level 3 Fair Value

2016	Specialised Land \$'000	Specialised Buildings \$'000	Plant and Equipment \$'000	Office Equipment \$'000	Water Infrastructure \$'000	Vehicles \$'000	Wastewater Infrastructure \$'000	Total \$'000
Opening Balance	13,813	2,345	634	711	171,675	1,206	137,234	327,618
Purchases	-	-	174	238	3,267	237	55,623	9,439
Disposal	-	-	-	(1)	(2,517)	(102)	(133)	(2,753)
Depreciations	-	(44)	(231)	(272)	(4,545)	(291)	(4,776)	(10,159)
Impairment Loss	-	-	-	-	-	-	-	-
Subtotal	13,813	2,301	577	676	167,880	1,050	137,848	324,145
Revaluation	(147)	258	-	-	44,951	-	75,819	120,881
Subtotal	(147)	258	-	-	44,951	-	75,819	120,881
Closing Balance	13,666	2,559	577	676	212,831	1,050	213,667	445,026

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued)
(j) Reconciliation of Level 3 Fair Value (continued)

2015	Specialised Land \$'000	Specialised Buildings \$'000	Plant & Equipment \$'000	Office Equipment \$'000	Water Infrastructure \$'000	Vehicles \$'000	Wastewater Infrastructure \$'000	Total \$'000
Opening Balance	13,813	2,010	793	642	172,645	1,272	138,785	329,960
Purchases	-	108	156	300	3,385	447	3,066	7,462
Disposal	-	(64)	(50)	(1)	-	(225)	(10)	(350)
Depreciations	-	(28)	(265)	(230)	(4,355)	(288)	(4,607)	(9,773)
Impairment Loss	-	-	-	-	-	-	-	-
Subtotal	13,813	2,026	634	711	171,675	1,206	137,234	327,299
Revaluation	-	319	-	-	-	-	-	319
Subtotal	-	319	-	-	-	-	-	319
Closing Balance	13,813	2,345	634	711	171,675	1,206	137,234	327,618

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued)

(k) Description of Significant Unobservable Inputs to Level 3 Valuations at 30 June 2016

Asset Type	Valuation Technique ⁽ⁱ⁾	Significant Unobservable Inputs ⁽ⁱ⁾	Weighted Average Cost Per Unit ⁽ⁱ⁾
Specialised Land			
Land	Market approach/ Adjusted	Community Service Obligation (CSO) adjustment (0% to 30%) VGV provided to Egan National valuer 1,165 hectares	\$8,224 (CSO) adjustment 0% - 30% (14%) (ii)
Specialised Buildings			
Buildings	Depreciated replacement cost	Direct cost per square metre (4,687 Sq metres) Useful life of buildings	\$546 50 years
Water Infrastructure			
Water Mains (937,690 metres)	Depreciated replacement cost	Cost per metre (20mm - 750mm) Useful life of the infrastructure	\$150 40 to 90 years (70 years)
Water Treatment Plants (9 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$2,493,736 10 to 75 years (24 years)
Water Pump Stations (45 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$244,529 10 to 75 years (26 years)
Water Storage Facility (tank / storage) (26 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$1,785,346 10 to 350 years (99 years)
Wastewater Infrastructure			
Wastewater Mains (685,960 metres)	Depreciated replacement cost	Cost per metre (40mm - 900mm) Useful life of the infrastructure	\$153 50 to 100 years (84 years)
Wastewater Treatment Plant (11 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$5,197,090 10 to 350 years (60 years)
Sewer Pump Stations (132 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$148,991 10 to 75 years (29 years)
Sewer Treatment Lagoons (11 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$2,822,285 10 to 350 years (122 years)
Reuse Farm Facilities (11 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$1,051,400 10 to 350 years (36 years)
Vehicles			
Vehicles (60 Units)	Depreciated replacement cost	Cost per unit (18,000 - 63,260) Useful life of the vehicles	\$35,553 8 years (6 years)

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued)

(k) Description of Significant Unobservable Inputs to Level 3 Valuations at 30 June 2016 (continued)

Asset Type	Valuation Technique ⁽ⁱ⁾	Significant Unobservable Inputs ⁽ⁱ⁾	Weighted Average Cost Per Unit ⁽ⁱ⁾
Plant and Equipment			
Plant and Equipment (628 Units)	Depreciated replacement cost	Cost per unit (500 - 85,000) Useful life of the plant and equipment	\$5,013 3 - 20 years (4 years)
Office Equipment			
Office Equipment (644 Units)	Depreciated replacement cost	Cost per unit (500 - 122,548) Useful life of the office equipment	\$2,981 1 - 20 years (4 years)

⁽ⁱ⁾ Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with the corporation's independent valuer.

⁽ⁱⁱ⁾ CSO adjustments ranging from 0 percent to 30 percent were applied to reduce the market approach for the corporation's specialised land, with the weighted average 14 percent reduction applied.

(l) Description of Significant Unobservable Inputs to Level 3 Valuations at 30 June 2015

Asset Type	Valuation Technique ⁽ⁱ⁾	Significant Unobservable Inputs ⁽ⁱ⁾	Weighted Average Cost Per Unit ⁽ⁱ⁾
Specialised land			
Land	Market approach	Community Service Obligation (CSO) adjustment (0% to 90%) VGV provided to Egan National valuer 1,408 Hectares	\$9,644 (CSO) adjustment 0% - 90% (65%) (ii)
Specialised buildings			
Buildings	Depreciated replacement cost with indexation only applied on top in 2014/15	Direct cost per square metre (4,129 Sq metres) Useful life of buildings	\$568
Water Infrastructure			
Water Mains (933,110 metres)	Depreciated replacement cost	Cost per metre (20mm - 750mm) Useful life of the infrastructure	\$115 50 to 120 years (84 years)
Water Treatment Plants (9 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$3,936,767 10 to 90 years (49 years)
Water Pump Stations (39 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$197,166 10 to 100 years (54 years)
Water Storage Facility (tank / storage) (27 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$1,419,461 10 to 350 years (99 years)

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 8: Infrastructure, Property, Plant and Equipment (continued)

(I) Description of Significant Unobservable Inputs to Level 3 Valuations at 30 June 2015 (continued)

Asset Type	Valuation Technique ⁽ⁱ⁾	Significant Unobservable Inputs ⁽ⁱ⁾	Weighted Average Cost Per Unit ⁽ⁱ⁾
Wastewater Infrastructure			
Wastewater Mains (685,960 metres)	Depreciated replacement cost	Cost per metre (40mm - 900mm) Useful life of the infrastructure	\$144 50 to 110 years (79 years)
Wastewater Treatment Plant (10 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$1,622,401 10 to 105 years (51 years)
Sewer Pump Stations (132 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$118,005 10 to 60 years (24 years)
Sewer Treatment Lagoons (14 in total)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure	\$1,552,993 10 to 350 years (99 years)
Vehicles			
Vehicles (51 Units)	Depreciated replacement cost	Cost per unit (18,000 - 63,000) Useful life of the vehicles	\$41,722 8 years (6 years)
Plant and Equipment			
Plant and Equipment (602 Units)	Depreciated replacement cost	Cost per unit (500 - 85,000) Useful life of the plant and equipment	\$4,954 3 - 20 years (4 years)
Office Equipment			
Office Equipment (554 Units)	Depreciated replacement cost	Cost per unit (500 - 122,548) Useful life of the office equipment	\$3,043 1 - 20 years (7 years)

⁽ⁱ⁾ Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with the corporation's independent valuer.

⁽ⁱⁱ⁾ CSO adjustments ranging from 0 percent to 90 percent were applied to reduce the market approach for the corporation's specialised land, with the weighted average 65 percent reduction applied.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 9: Intangible Assets

	2016 \$000	2015 \$000
Cost (Gross Carrying Amount) - Software	3,704	3,375
Cost (Gross Carrying Amount) - Ground Water Licence (Indefinite Life)	217	181
Accumulated Amortisation and Impairment	(3,023)	(2,885)
Net Carrying Amount	898	671
Opening Written Down Value	671	370
Additions - Software	330	416
Additions - Ground Water Licence	36	-
Amortisation	(139)	(115)
Net Carrying Amount	898	671

Note 10: Payables

	2016 \$000	2015 \$000
Current:		
Statutory		
Superannuation Payable	-	8
Contractual		
Trade Creditors and Accruals	3,277	4,317
Contractor Deposits and Retention	365	480
	3,642	4,805

The corporation does not have a foreign exchange rate exposure in respect of its payables balance. Due to the short-term nature of the current payables, their carrying value is assumed to approximate their fair value. See notes for disclosure of payables at fair value and credit risk.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 11: Employee Benefits

	2016 \$000	2015 \$000
(a) Current		
Annual Leave and unconditional Long Service Leave entitlements, representing 7 years of continuous service:		
Annual Leave		
Unconditional and expected to settle within 12 months	512	491
Unconditional and expected to settle after 12 months	365	293
Long Service Leave		
Unconditional and expected to settle within 12 months	121	-
Unconditional and expected to settle after 12 months	1,355	1,376
Provisions for On-costs		
Unconditional and expected to settle within 12 months	95	75
Unconditional and expected to settle after 12 months	231	233
Total Current Provisions	2,678	2,468
(b) Non-Current		
Conditional Long Service Leave, measured at present value	106	106
On-costs	11	15
Total non-current provisions	117	121
Total Provisions	2,795	2,589
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Assumed Rate of Increase in Wage and Salary Rates	4.13%	4.44%
Discount Rate	1.55% - 2.14%	1.93% - 2.48%
Settlement Term (years)	7	7
(c) Employee Benefits and On-costs		
	2016 \$000	2015 \$000
Current Employee Benefits		
Annual Leave	816	784
Long Service Leave	1,416	1,376
Non-current Employee Benefits		
Long Service Leave	106	106
Total Employee Benefits	2,458	2,266
Current On-costs	326	308
Non-current On-costs	11	15
Total On-costs	337	323
Total Employee Benefits and On-costs	2,795	2,589
(d) Movement in Provisions (excluding employee benefits)		
	On-costs \$000	Total \$000
Opening Balance	323	323
Additional Provisions Recognised	13	13
Closing Balance	336	336
Current	326	326
Non-current	11	11
Total	337	337

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 12: Interest Bearing Liabilities

	2016 \$000	2015 \$000
Current		
Secured TCV Borrowings	3,000	2,500
Non-Current:		
Secured TCV Borrowings	15,000	18,000
Total Interest Bearing Liabilities	18,000	20,500

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.

On-balance Sheet

The fair value of current interest bearing liabilities equals their carrying amount, as the impact of discounting is not significant. The fair values of non-current interest bearing liabilities are based on cash flows discounted using borrowing rates varying from 1.65% to 5.595%, depending on the type of the borrowing.

Credit Standby Arrangements

Bank (TCV) Loan Facilities

Total Facilities	21,500	28,800
Used at Balance Date	18,000	20,500
Unused at Balance Date	3,500	8,300

Risk Exposures

The risk exposure of the corporation's interest bearing liabilities to interest rate changes and the contractual repricing dates at the balance date are as follows:

	Carrying Amount \$000	Fair Value \$000
6 - 12 Months	3,000	2,622
1 - 5 Years	10,500	13,378
Over 5 Years	4,500	5,933
Total	18,000	21,933

	2016 \$000	2015 \$000
TCV Borrowings - Floating	3,000	2,500
TCV Borrowings - Fixed	15,000	18,000
	18,000	20,500

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 2016

Note 13: Deferred Tax Liabilities

	2016 \$ 000	2015 \$ 000
(a) Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Employee Benefits	815	761
Doubtful Debts	41	43
Other	13	13
Benefit of Carry Forward Tax Losses	7,178	8,624
Sub Total	8,047	9,441
Offset Against Deferred Tax Liabilities	(8,047)	(9,441)
Closing Balance	0	0
(b) Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
Cumulative Depreciation and Amortisation ¹	13,727	14,534
Net Gain on Revaluation of Property, Plant and Equipment	74,883	38,947
Offset from Deferred Tax Assets	(8,047)	(9,441)
Closing Balance	80,563	44,040
¹ The opening balance for cumulative depreciation and amortisation has been restated due to a prior period error. Please refer to Notes 3 and 29.		
Movements		
Opening Balance at 1 July	44,040	42,658
Debited/(Credited) to the Net Result	588	1,287
Charged/(Credited) to Other Comprehensive Income	35,935	95
Closing Balance	80,563	44,040
Deferred Tax Liabilities to be Recovered After more than 12 Months	80,563	44,040

Note 14: Contingent Liabilities and Contingent Assets

At balance date the corporation faces a possible obligation arising from a leak found in the Wy Yung No.1 water storage. Preliminary assessment work is being undertaken to determine the extent and the remedies required to rectify the leak. This has the potential to incur significant capital investment costs to the corporation.

Due to the occurrence or non-occurrence of these events not being wholly within the control of the corporation and the amount of any obligation arising unable to be measured with sufficient reliability, a contingent liability has been disclosed. (2015: Nil)

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 15: Superannuation

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

	2016 \$000	2015 \$000
Local Authorities Super - Defined Benefits	90	94
Local Authorities Super - Super Saver	625	576
ESS Super - Defined Benefits	30	29
	745	699

The corporation makes the majority of its employer superannuation contributions in respect of the majority of employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit category provides lump sum benefits based on years of service and final average salary. In certain circumstances a defined benefit member may be eligible to purchase a lifetime pension with up to 50% of their lump sum benefit. The accumulation category receives fixed contributions from the corporation and the corporation's legal or constructive obligation is limited to these contributions.

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

Accumulation

The Fund's accumulation category Vision MySuper / Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings. For the year ended 30 June 2016, this was 9.5% (9.5% in 2014/15) as required under Superannuation Guarantee legislation. Our commitment to accumulation plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets in the Fund.

The Superannuation Guarantee (SG) rate will remain at 9.5% for the next 5 years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

Defined Benefit

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

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

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 15: Superannuation (continued)

Funding Arrangements

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. As at 30 June 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the defined benefit category. It was determined that the Vested Benefit Index (VBI) of the defined benefit category of which the corporation is a contributing employer was 102.0% (105.8% at 30 June 2015).

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

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

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

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

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

The corporation is also required to make additional contributions to cover the contribution tax payable on components 2 and 3 referred to above.

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

Employer Contributions

Regular Contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, the corporation makes employer contributions to the Fund's defined benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/15). This rate will increase in line with the Super Guarantee increases.

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

Funding Calls

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

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

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

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the corporation) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 15: Superannuation (continued)

Funding Calls (continued)

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

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

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

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Differences between Calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in East Gippsland Water'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.

Retrenchment Increments

During 2015/16, the corporation was not required to make payments to the Fund in respect of retrenchment increments (\$0 in 2014/15). The corporation's liability to the Fund as at 30 June 2016, for retrenchment increments, accrued interest and tax is \$0 (\$0 in 2014/15).

Latest Actuarial Investigation Surplus Amounts

The 2015 interim actuarial investigation identified the following in the defined benefit category of the corporation as a contributing employer:

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

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

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

The corporation was notified of the 30 June 2015 VBI during August 2015.

The 2014 Full Actuarial Investigation

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the Defined Benefit category of which the corporation is a contributing employer:

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 million.

Prior Actuarial Investigation Shortfall Amounts

The Fund's prior actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category. A total of \$0 (excluding contributions tax) was outstanding as at 30 June 2016 (\$0 amount for 2014/15).

The corporation was informed of its share of the shortfall on 2 August 2012 and the corporation's share of the shortfall amounted to \$1.469 million (excluding contributions tax) which has been accounted for in the 2011/12 Comprehensive Operating Statement with Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 15: Superannuation (continued)

Accrued Benefits

The Fund's liability for accrued benefits was determined in the 2015 interim actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 - Financial Reporting by Superannuation Funds, is as follows:

	30-Jun-15 \$M	30-Jun-14 \$M
Net Market Value of Assets	2,379.2	2,354.9
Accrued Benefits	2,083.1	2,061.9
Difference between Assets and Accrued Benefits	296.1	293.0
Vested Benefits (minimum sum which must be paid to members when they leave the fund)	2,277.8	

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:

	30-Jun-15	30-Jun-14
Net Investment Return	7.00% p.a	7.50% p.a
Salary Inflation	4.25% p.a	4.25% p.a
Price Inflation	2.50% p.a	2.75% p.a

The next interim investigation will be held as at 30 June 2016 and the next full investigation will be as at 30 June 2017.

Superannuation Contributions

Scheme	Type of scheme	Rate	2016 \$'000	2015 \$'000
Vision Super	Defined benefits	9.50%	90	94
Vision Super	Accumulation	9.50%	625	576

There were contributions totalling \$0K outstanding to the above schemes as at 30 June 2016.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$87,000

Note 16: Lease Commitments

	2016 \$000	2015 \$000
Less than One Year	146	243
One to Five Years	469	660
Over Five Years	207	192
	822	1,095

The corporation's lease and rental income is derived from lease of telecommunication tower sites, rental of residential and 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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 17: Contributed Capital

	2016 \$000	2015 \$000
Opening Balance at 1 July	95,967	95,967
Equity Contributions from Victorian Government - Cash	-	-
Closing Balance at 30 June	95,967	95,967

Note 18: Reserves

	2016 \$000	2015 \$000
Asset Revaluation Reserve		
Land	4,244	4,348
Buildings - Net of Tax	404	224
Infrastructure	170,108	86,337
Total Reserves	174,756	90,909
Movements in Reserves		
Opening Balance	90,909	90,685
Land Valuation Decrement - Net of Tax	(104)	0
Building Valuation Increment - Net of Tax	180	224
Infrastructure Increment - Net of Tax	83,771	0
Closing Balance	174,756	90,909

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

Note 19: Accumulated Funds

	2016 \$000	2015 \$000
Balance July 1	86,306	83,294
Net Result for the Period	1,392	3,012
Accumulated Surplus at the End of Year	87,698	86,306

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 20: Reconciliation of Net Result for the Period to Cash Provided by Operating Activities

	2016 \$000	2015 \$000
Net Result for the Period	1,392	3,012
Depreciation and Amortisation	10,298	9,888
(Gain) / Loss on Sale of Non-Current Assets	1,545	128
Bad Debts	105	58
Donated Assets	(992)	(1,558)
Movement in Assets and Liabilities		
(Increase)/Decrease in Receivables	(232)	(268)
(Increase)/Decrease in Inventories	13	(32)
(Increase)/Decrease in Prepayments	4	(3)
Increase/(Decrease) in Provisions	206	221
Increase/(Decrease) in Accounts Payable	(1,048)	1,873
Increase/(Decrease) in Deferred Revenue and Security Deposit/Retention	(115)	(215)
Increase/(Decrease) in Deferred Tax Liabilities (Net)	884	1,273
Net Cash Provided by Operating Activities	12,060	14,377
Non Cash Activities		
Income for Capital Purposes - Donated Developer Assets	992	1,558

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

	2016 \$000	2015 \$000
Capital Commitments		
Capital project commitments due within 12 months - Inclusive of GST	2,442	1,450
Environmental Contribution Commitments		
At 30 June 2016, the corporation had outstanding environmental contribution commitments, to be paid is follows:		
Within one year	1,198	1,198
One to five years	3,594	-
	4,792	1,198

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

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:

	2016 \$000	2015 \$000
Cash on Hand	1	1
Cash at Bank	603	581
Investment at Call	4,000	2,000
Developer Bond Accounts	-	1
	4,604	2,583

Note 23: Auditor's Remuneration

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

	2016 \$000	2015 \$000
Amounts paid/payable to the Victorian Auditor General's Office	44	43
Internal Auditors	57	98
	101	141

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:

	Total Remuneration		Base Remuneration	
	2016	2015	2016	2015
\$160,000 - \$169,999	-	-	-	2
\$170,000 - \$179,999	-	-	-	2
\$180,000 - \$189,999	-	2	2	-
\$190,000 - \$199,999	2	2	1	-
\$200,000 - \$209,000	1	-	-	-
\$210,000 - \$219,000	1	-	1	-
Total Remuneration	\$809,758	\$762,668	\$771,061	\$685,029
Total Numbers	4	4	4	4
Annualised Employee Equivalent	4	4	4	4

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the first two columns in the table above in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. Two executive officers took extended long service leave in 2015, which had an impact on base remuneration levels. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period and is based on 38 ordinary hours per week over 52 weeks for a reporting period.

Bonus payments affected total remuneration payable to executives over the year. A number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Note 24: (b) Other Personnel Remuneration

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

Note 25: Responsible Persons' Related Disclosures

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

Ministers

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

Board

Chairperson	Joe Rettino	(1 July 2015 - 30 September 2015)
Director	Joanne Booth	(1 July 2015 - 30 September 2015)
Chairperson	Joanne Booth	(1 October 2015 - 30 June 2016)
Deputy Chairperson	Michelle Dowsett	(1 July 2015 - 30 June 2016)
Director	Richard Elkington	(1 July 2015 - 30 June 2016)
Director	Eric Sjerp	(1 July 2014 - 30 September 2015)
Director	Samuel Logan	(1 July 2014 - 30 September 2015)
Director	Geoff Ellis	(1 July 2014 - 30 September 2015)
Director	Gail Morley	(1 October 2015 - 30 June 2016)
Director	Stephen Bird	(1 October 2015 - 30 June 2016)
Director	Angela Hutson	(1 October 2015 - 30 June 2016)
Director	William Deveney	(1 October 2015 - 30 June 2016)
Director	Therese Tierney	(1 October 2015 - 30 June 2016)
Managing Director	Bruce Hammond	(1 July 2015 - 30 June 2016)

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:

	2016	2015
\$0 - \$9,999	4	-
\$10,000 - \$19,999	5	4
\$20,000 - \$29,999	2	2
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	-	1
\$260,000 - \$269,999	-	1
\$270,000 - \$279,999	1	-
Total Numbers	13	8

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

2016	2015
\$435,730	\$417,504

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2016

Retirement Benefits

The corporation has made superannuation payments of \$43,500 (2015: \$44,000) on behalf of the board directors.

Other Transactions or Responsible Persons and their Related Entities

Transactions between related parties are on normal commercial terms and conditions.

Environmental Management

Companies, in which Responsible Persons hold an interest, contracted to the corporation for the provision of environmental management consultancy.

Company	Director Involved	2016 \$	2015 \$
Ethos NRM	E. Sjerp	-	3,145

Financial Accounting Services

Companies, in which Responsible Persons hold an interest, contracted the corporation to provide financial accounting consultancy.

Company	Director Involved	2016 \$	2015 \$
Workways	J Booth	13,562	3,875

Major Customer to the Corporation

Companies, in which Responsible Persons hold an interest, are major customers of the corporation.

Company	Director Involved	2016 \$	2015 \$
Bairnsdale Regional Health Service	A Hutson T Tierney	164,065	149,258

Note 26: Events occurring after the Balance Date

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

Note 27: Ex-Gratia Expenses

The corporation did not have any ex-gratia expenses in the reporting period. (\$0 in 2014/15)

	2016 \$000	2015 \$
Write-off for vacated tenants debt	30	54
Property Damage Payments - Guarantee Service Level Payments	2	-
Total (GST inclusive)	32	54

Part of the ex-gratia expenses above form part of bad and doubtful debts expense at Note 6.

East Gippsland Region Water Corporation

Accountable Officers and Chief Finance and Accounting Officer's Declaration for 2015/16

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these financial statements, present fairly the financial transactions during the year ended 30 June 2015 and the financial position of the corporation as at 30 June 2016.

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

We authorise the attached financial statements for issue on 29 August 2016.



Joanne Booth
Chairperson

East Gippsland Region Water Corporation



Bruce Hammond
Managing Director

East Gippsland Region Water Corporation



Mathew Scott
Chief Finance & Accounting Officer

East Gippsland Region Water Corporation

29 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Board Members, East Gippsland Region Water Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of 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 officer's declaration.

The Board Members' Responsibility for the Financial Report

The board members of 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, I and my staff and delegates have complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of East Gippsland Region Water Corporation as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
30 August 2016



For Dr Peter Frost
Acting 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
DELWP	Department of Environment, Land, Water and Planning
DHHS	Department of Health & Human Services
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
H&S	Health & Safety
Kilolitre (kL)	One thousand litres
Megalitre (ML)	One million litres
NATA	National Association of Testing Authorities
t CO ₂ –e	tonnes of CO ₂ equivalent
WSAA	Water Services Association of Australia



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ISSN 1837-2449

