



East Gippsland **Water**



# ANNUAL REPORT 2016/17



# 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.

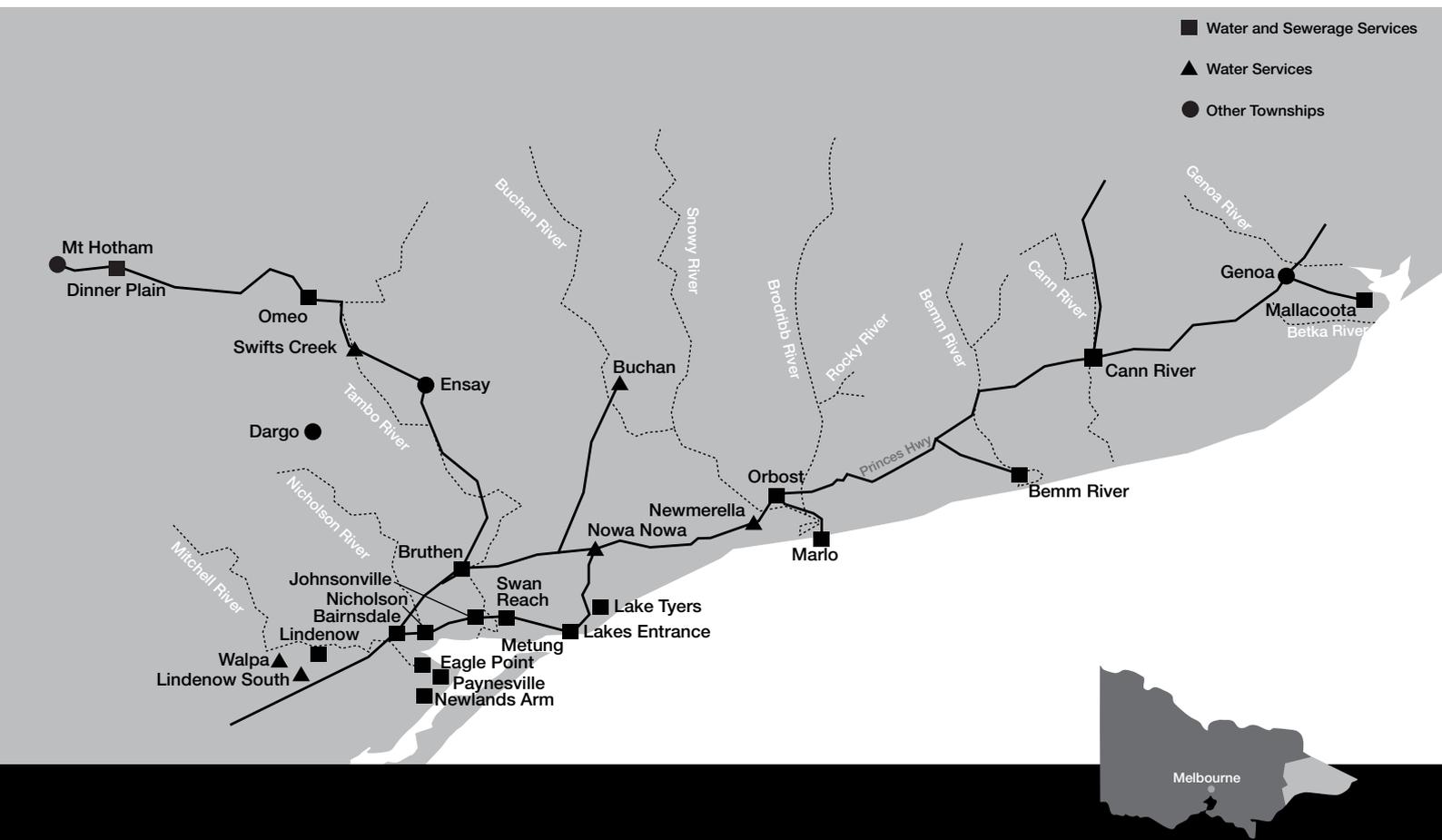
The region's world renowned beaches, lakes, high country and national parks are a natural draw-card for those seeking a lifestyle change, as well as for the many tourists that swell the region's population numbers over the busy holiday periods.

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.

It 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 26,200 account holders (assessments) with wastewater services also provided to around 22,300 account holders.



## Fact File (as at 30 June 2017)

### Water

Serviced properties	
- residential assessments	23,051
- non residential assessments	3,206
Volume of water consumed (ML/y)	4,671
Length of water mains (km)	940
Water treatment plants	9
Water disinfection plants	11
Separate water supply systems	9

### Wastewater

Serviced properties	
- residential assessments	20,016
- non residential assessments	2,321
Volume of wastewater collected (ML/y)	3,200
Length of sewer mains (km)	697
Wastewater treatment plants	11
Water recycled (%)	95
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 Minister during the 2016/17 reporting period was The Hon. Lisa Neville MP, Minister for Water.

In accordance with the *Water Act 1989*, East Gippsland Water delivers the full range of retail water services, including water harvesting, storage and drinking water supply. It also provides wastewater collection and treatment services, recycled water for rural and 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 2016/17. It has been prepared in accordance with the Financial Reporting Direction *FRD 30D - 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](http://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 2017.



Joanne Booth  
Chairperson  
East Gippsland Water

6 September 2017



# 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 2016/17 financial year.

We continued to implement 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 \$1.68 million for 2016/17. This was in line with budget expectations and was achieved in a challenging environment of lower than forecast water sales, increased expenditure associated with major desludging operations at the Orbost Wastewater Treatment Plant and increased depreciation expenses attributable to increased asset values resulting from the 2015/16 asset revaluation.

Investment in new capital works of \$10.94 million for the year included a range of projects to cater for growth and to replace aging assets to maintain and improve customer service levels. These included sewerage system upgrades in Bairnsdale, Lakes Entrance and Orbost and a number of water main replacements across the region. In addition, a multi-million dollar program of upgrades commenced at our Wy Yung water storage. This facility is a key asset in the Mitchell water supply system, serving some 24,000 people, from Lindenow through to Bairnsdale, Nowa Nowa and Bruthen.

It is also pleasing to report that the corporation has maintained a sound financial position, having reduced total debt from \$18 million to \$15 million, while retaining \$3 million in investments at the end of the financial year.

## Prices

When setting prices a key driver for us as an essential service provider is ensuring that customers continue to receive efficient, reliable, high quality water and sewerage services that represent good value for money.

With this in mind we once again kept price increases to a minimum for the reporting period and lower than those approved by the water industry's regulator, the Essential Services Commission. This was attributable to our continuing efforts to identify and implement efficiency improvements

throughout our business operations. It has enabled us to absorb a significant proportion of the increased prices associated with the goods and services that we need for our operations.

For the third year running residential customers also received a Victorian Government rebate of \$28 on their East Gippsland Water account.

For 2017/18 we are again keeping downward pressure on prices. The average residential customer, using 145,000 litres of water a year, will see their combined bill for water and sewerage rise by 2.47 percent, or \$28.71 over the 12 month period.

## Water for Victoria

During 2016/17 we continued to progress a number of initiatives aligned with 'Water for Victoria', the Victorian Government's long term water management strategy. This plan provides a framework for managing precious water resources across the state as we deal with the long-term challenges presented by climate change and a growing population. Key areas of focus include environmental sustainability and water security, liveability, affordability and recognising and managing for aboriginal values. The Board and management worked closely together to ensure that our strategic priorities address the challenges and opportunities as described in 'Water for Victoria'.

Flowing down from this, the Victorian Government launched the 'Target Your Water Use' water efficiency program aimed at rural and regional Victorians. East Gippsland Water proactively supported the program, encouraging the community to get behind the initiative, designed to assist customers to use water wisely. The program takes a longer-term view of water usage habits, while providing customers with better access to information needed to make informed decisions about the amount of water they use - including through our website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au). This links through to the Smart Approved WaterMark website, which highlights ways to save water around the home and garden.

Our Urban Water Strategy and Drought Preparedness Plan, which was completed during the reporting period, is also consistent with strategies within 'Water for Victoria'. This significant strategic plan provides a detailed, 50 year forecast of water demands for communities across the region, along with supply options to sustainably meet these demands, taking into account the impacts of climate change and population growth. The strategy details the corporation's approach to manage demand and 'fit for purpose' use of alternative water supply sources, such as recycled and stormwater and aquifer storage recovery (ASR). It also makes provision to service critical social assets during times of water shortage.

The Drought Preparedness Plan details how East Gippsland Water will prepare and respond to times of water shortage – including management strategies, procedures and triggers for water restrictions.

## Price Submission

In the reporting period extensive community engagement was conducted to determine customer preferences and priorities for the services we provide – to help shape the future direction of our 2018-23 Price Submission (five year business plan).

Feedback was gathered from more than 1,400 customers across East Gippsland through surveys completed online, by mail, or in person at the many 'water cafes' hosted around the region. Copies of the survey were also available from neighbourhood and community houses.

In many ways feedback reflected the strategic commitments in 'Water for Victoria'. The areas valued by our customers: environmental sustainability, liveability, maintaining existing service levels and our assistance program for customers in genuine financial need. Respondents also provided an indication of their willingness to pay through their water and sewerage bills for us to deliver the preferred outcomes in these areas.

The Customer Committee continued to play an instrumental role in relation to all aspects of the community engagement process. In addition to proactively engaging throughout the community in its own right, the committee made a significant range of recommendations to the Board on the community's behalf relating to service preferences and priorities. In a first for our business, the Board also empowered the committee to determine guaranteed service levels, to ensure close linkages with the service areas most valued by our customers.

Early in 2017/18 customers will have a further opportunity to engage - this time on the corporation's draft Price Submission, which will also include capital and operational expenditure levels for the next five years, along with the proposed level of customer bills. The final Price Submission will then be submitted to the water industry's independent regulator, the Essential Services Commission, for review and approval, before it is implemented from July 2018.

### **Water Consumption and Restrictions**

The reporting period saw a total of 4,671ML of water consumed by residential and non-residential customers, which is in line with the 4,664ML of water consumed in 2015/16.

Residential water consumption showed a small increase from 176L to 183L per person, per day. Similarly, average annual residential consumption increased marginally from 146kL to 148kL – a rise of 1.4 percent.

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

There was a significant reduction in the total amount of non-revenue water in 2016/17 - down from 678ML to 544ML. Attributable to an ongoing leakage reduction strategy, the improved performance this year was due largely to successfully managing a leak discovered in the liner of the covered water storage at Wy Yung. In addition, we enhanced the automated monitoring of night time water flows, enabling earlier detection of leaks in all water supply systems and prompt remedial action.

As a consequence of this significant efficiency achievement, the amount of water harvested to meet customer demand decreased from 5,341ML to 5,215ML during the reporting period.

### **Ongoing Maintenance**

During the year we continued with a significant program to proactively pressure-clean sections of the sewerage network, to help prevent blockages, overflows and interruptions to customers' sewerage services.

We also continued with a proactive initiative to reduce the amount of stormwater infiltrating our sewer network. This infiltration increases stress on our sewerage infrastructure, particularly during significant rain events, with an increased risk of sewage overflows, higher pumping and treatment costs. Areas targeted in the reporting period included Bairnsdale, Mallacoota, Orbost, Cann River, Bemm River and Dinner Plain, where significant improvements were achieved.

Around \$10 million will be invested over the year ahead to maintain and operate water and sewerage infrastructure. This is to ensure customers continue to receive reliable, efficient water and sewerage services as we look after the day-to-day operation of more than 900km of water pipelines and around 700km of sewer pipelines, along with numerous treatment plants, pump stations and pumps.

### **Diversity and Inclusion**

In 2016/17 we appointed a Manager for People, Diversity and Inclusion to bring a strong focus on implementing our Diversity and Inclusion Plan. This plan complements the Water Industry Diversity Strategy and we continued to work closely with the wider water industry as we strive to achieve statewide best practice.

Amongst our commitments, we have set ourselves a goal to have two and a half percent Aboriginal or Torres Strait Islander identifying employees by 1 July 2020.

Every member of our staff is committed to playing 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.

Finally, we would like to recognise the valuable contributions of the board, management and employees throughout East Gippsland for their ongoing commitment to the success and positive achievements of the corporation.



Joanne Booth  
Chairperson  
6 September 2017



Bruce Hammond  
Managing Director  
6 September 2017

# Corporate Governance

## 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 at Harvard Business School (USA). Her current appointments include: a Director of Access Health and Community; Independent Chair of the Nominations Committee at Western Victoria PHN; Independent Member of the Audit Committee at Latrobe City Council; and Independent Member of the Finance Audit and Risk Committee at Victorian Health Promotion Foundation (VicHealth).

Joanne was formerly: Chair/Director of Gippsland Lakes Community Health; Independent Chair of the Audit Committee at Gippsland Water; A Director of the Victorian Healthcare Association; Director of Workways Australia; and Executive Director of the, Australian College of Optometry.

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

*Committee memberships:*

Chairperson, People & Remuneration Committee

Chairperson, Strategy 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 Finance Officer (CFO) roles. Michelle is currently the Chief Executive Officer (CEO) of Sale Elderly Citizens Village Inc.

Her financial management, strategy application and governance experience is exemplified in being a Certified Practising Accountant (CPA), having achieved a Master of Business

Administration (MBA) and also through being a Certified Member of the Governance Institute of Australia (GIA Cert).

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.

Michelle has developed her project management skills within the property development, valuation and consulting field. Her graduate membership of the Australian Institute of Company Directors (GAICD) is well utilised in her governance roles: on the Board, and as Treasurer, of Within Australia Ltd; as Independent Chair of the Audit & Risk Committee of the Municipal Association of Victoria; Independent Co-Chair of the Audit & Risk Committee of the Gunaikurnai Traditional Land Owners Management Board; as Board Director and Member of the Federation Training Audit & Risk Committee; and in her roles with East Gippsland Water.

*Committee memberships:*

Chairperson, Audit & Risk Committee

Member, Strategy Committee

### 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, Member of the Regional Partnership and was previously Chairperson of Gippsland Water.

He brings invaluable water industry expertise to the Board of East Gippsland Water where he is the Chair of the Infrastructure, Operations and Environment Committee.

*Committee memberships:*

Chairperson, Infrastructure, Operations & Environment Committee

Member, People & Remuneration Committee  
(until October 2016)

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 of Bairnsdale Regional Health Service, a Board Member of Federation Training, a Director of Workways Australia and a Member of the Gunaikurnai Traditional Owner Land Management Board.

She has a Master in Organisational Leadership, a Bachelor of Arts, a Graduate Diploma of Business Entrepreneurship & Innovation and a Diploma of Education.

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 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, Diploma in Training and Assessment Systems and a Diploma of Quality Auditing.

*Committee memberships:*

Member, Infrastructure, Operations & Environment 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 Region 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

Member, People & Remuneration Committee (since October 2016)

## **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 forty 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 Councilor 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 the HR/IR Committee at Melbourne Health.

He is a recipient of an Order of Australia Medal.

*Committee memberships:*

Member, Infrastructure, Operations & Environment Committee

Member, Strategy 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, Professionals Australia and 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 composition of the committee will be revised from 1 July 2017 to include up to two independent persons.

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)
- Steve Bird
- Therese Tierney
- Chris Trotman (Independent) - until May 2017
- Gerald Kraft (Independent)

### Infrastructure, Operations & Environment Committee

This committee, previously known as the Technical Committee up to May 2017, changed its name to better reflect its roles. The Infrastructure, Operation & Environment Committee focuses on effective management of technical, operational and environmental risks, compliance with laws and regulations and the infrastructure program.

Members:

- Richard Elkington (Chairperson)
- Gail Morley
- Bill Deveney

### 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 people working for the Corporation.

Members:

- Joanne Booth – (Chairperson)
- Richard Elkington (until October 2016)
- Angela Hutson
- Steve Bird (since October 2016)

### Strategy Committee

The Strategy Committee 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, price submission, response 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 staff have completed a register of interests form for the reporting period.

## Meeting Attendance 2016/17

Director	Board		Audit & Risk Committee		Infrastructure, Operations & Environment Committee		People & Remuneration Committee		Strategy Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Joanne Booth	10	9	-	-	-	-	4	3	6	6
Michelle Dowsett	10	9	4	3	-	-	-	-	6	4
Richard Elkington	10	9	-	-	5	5	2	1	6	5
Angela Hutson	10	10	-	-	-	-	4	4	6	3
Gail Morley	10	10	-	-	5	4	-	-	6	5
Steve Bird	10	8	4	4	-	-	2	2	6	4
Therese Tierney	10	9	4	3	-	-	-	-	6	4
Bill Deveney	10	7	-	-	5	5	-	-	6	3
Bruce Hammond	10	10	4	4	5	5	4	4	6	6

## Customer Committee

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.

Its input provides the corporation with an invaluable customer perspective on key areas of its business.

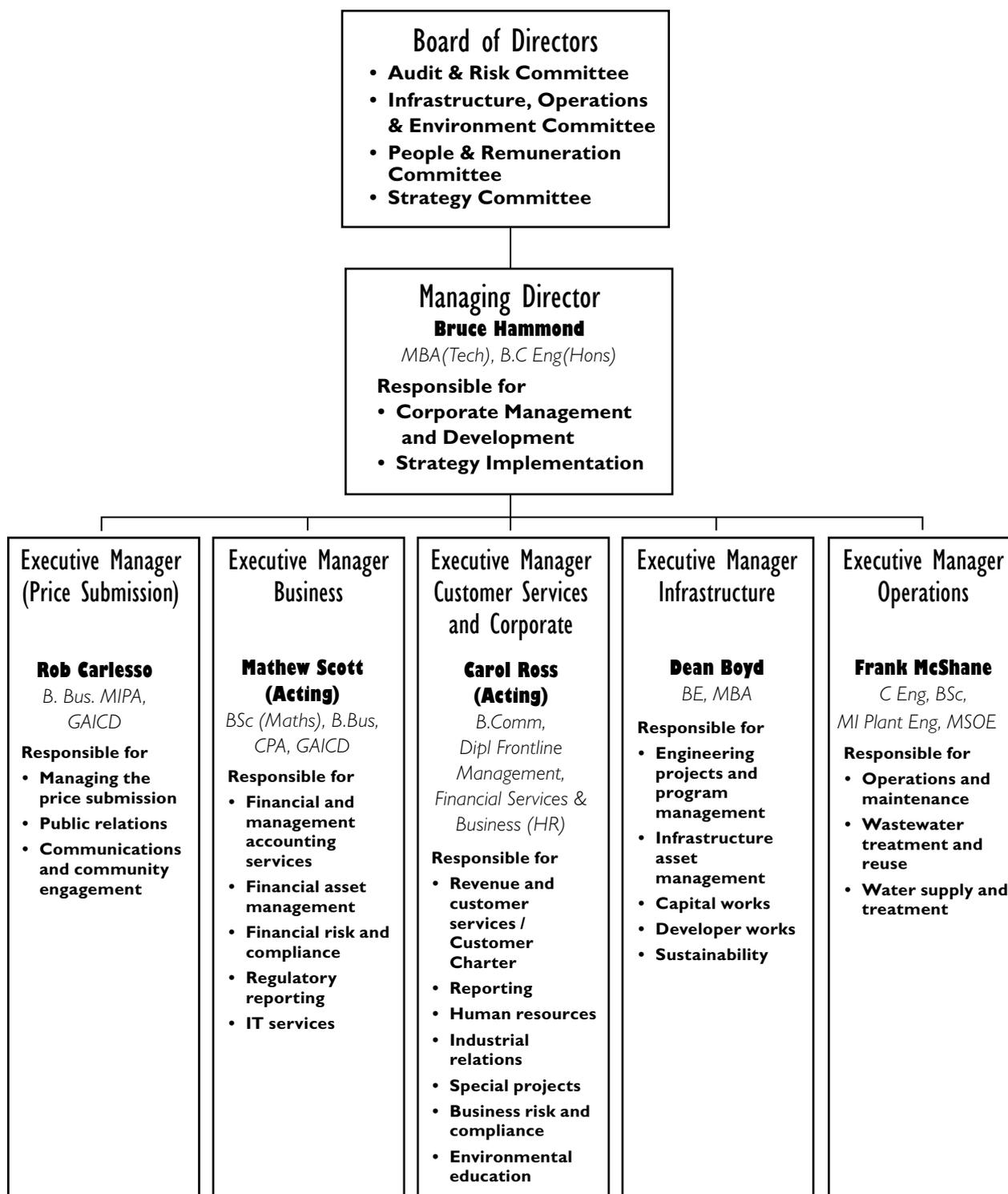
The committee comprises seven community members, who are all East Gippsland Water customers. The aim is that they be representative of the broad customer base demographically.

The committee is essentially an advisory group to the Board. It meets quarterly, with additional meetings held as required.

During the reporting period the committee had an instrumental role in development of the community engagement elements for East Gippsland Water's 2018-23 Price Submission (its five year business plan). It made recommendations to the Board on the community's behalf in relation to service preferences and priorities. Exceptionally, it was also empowered by the Board to determine guaranteed service levels.

In addition, the committee helped shape questions for the annual customer satisfaction survey, conducted jointly with Gippsland Water, South Gippsland Water and Westernport Water in the latter half of 2016.

## Organisation Structure - East Gippsland Water's organisation structure as at 30 June 2017:



# People and Culture

## Our Philosophy

East Gippsland Water maintains 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 2016/17, 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 the 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 2016/17

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
<b>TOTAL</b>	<b>14</b>

## 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 in support of each theme which included cancer, anxiety and depression-related initiatives.

### The Victorian Government LIFE Program

Eleven staff enrolled in a six week health and wellbeing program called LIFE. This program, delivered by a nurse and nutritionist, was made available to all staff with the focus on reducing the risks of heart disease, diabetes and strokes.

## 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 \$1,600 for 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.

## 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.

All employees are expected to actively promote a workplace that abides by the principles of Equal Employment Opportunity and the Victorian Charter of Human Rights and Responsibilities. They are provided with appropriate training to inform them of this obligation.

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.

East Gippsland Water has an identified Equal Opportunity Officer, and three 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.

In October 2016 all Board Members and the executive team undertook Unconscious Bias training provided by The Centre for Ethical Leadership.

## 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 (VPSC) People Matter Survey to assess staff satisfaction with the

organisation and its employment practices. This is held every year and was most recently conducted in May 2017.

The results from this survey are 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. East Gippsland Water prides itself on being an employer of choice and maintaining a high level of public trust.

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

## Workforce Inclusion

East Gippsland Water is working towards the creation of a balanced working environment where equal opportunity and diversity are valued. As part of its Diversity and Inclusion Plan, East Gippsland Water has a target to have two-and-a-half percent Aboriginal or Torres Strait Islander (ATSI) identifying staff by 1 July 2020.

The following table outlines East Gippsland Water's progress towards this target in 2015/16 and 2016/17.

Diversity and Inclusion Plan Initiative	2020 Target	2016/17	2015/16
ATSI Workforce Participation	2.5% ATSI identifying staff	2% ATSI identifying staff	1% ATSI identifying staff

## 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. East Gippsland Water commenced negotiations for a new agreement in April 2017.

## Workforce Data

As at 30 June 2017, the corporation employed 97 people, or 93.87 full-time equivalent (FTE), compared to 99 people, or 94.11 FTE, on 30 June 2016.

The breakdown of staff was as follows:

### Breakdown of staff 2017

Employment levels	June 2017						
	All Employees		Ongoing			Fixed term and Casual	
	Number (Headcount)	FTE	Full-Time (Headcount)	Part-Time (Headcount)	FTE	Number (Headcount)	FTE
<b>Gender</b>							
Male	74	73	63	0	62	11	11
Female	23	20.87	12	7	16.87	4	4
<b>Age</b>							
15-24	9	9	5		5	4	4
25-34	21	20	13	3	15	5	5
35-44	19	17.9	16	3	17.9		
45-54	26	25.97	24	1	24.97	1	1
55-64	18	17	14		13	4	4
65+	4	4	3		3	1	1
<b>Classification</b>							
Trainees	2	2				2	2
Technical and Administrative Staff	51	48.67	39	4	40.67	8	8
Field Staff	28	28	27		27	1	1
Senior Managers *	10	9.2	7	3	9.2		
Executive and Managing Director **	6	6	2		2	4	4
<b>Total Employees</b>	<b>97</b>	<b>93.87</b>	<b>75</b>	<b>7</b>	<b>78.87</b>	<b>15</b>	<b>15</b>

\* Senior Managers = Managers paid above Band 4 level

\*\* Executive and Managing Director = contracted positions, 2 ongoing reflect that two of the acting executive officers are not on contracts

## Breakdown of staff 2016

Employment levels	June 2016						
	All Employees		Ongoing			Fixed Term and Casual	
	Number (Headcount)	FTE	Full-Time (Headcount)	Part-Time (Headcount)	FTE	Number (Headcount)	FTE
<b>Gender</b>							
Male	73	72.89	60	0	60	13	12.89
Female	26	21.22	13	9	18.41	4	2.81
<b>Age</b>							
15-24	9	8.42	4	1	4.53	4	3.89
25-34	21	20.13	14	3	16.13	4	4
35-44	26	22.56	17	5	19.75	4	2.81
45-54	25	25	23		23	2	2
55-64	17	17	14		14	3	3
65+	1	1	1		1		
<b>Classification</b>							
Trainees	2	2				2	2
Technical and Administrative Staff	52	48.11	36	6	39.41	10	8.7
Field Staff	28	28	28		28		
Senior Managers *	10	9	7	3	9		
Executive and Managing Director **	7	7	2		2	5	5
<b>Total Employees</b>	<b>99</b>	<b>94.11</b>	<b>73</b>	<b>9</b>	<b>78.41</b>	<b>17</b>	<b>15.7</b>

\* Senior Managers = Managers paid above Band 4 level

\*\* Executive and Managing Director = contracted positions, 2 ongoing reflect that two of the acting executive officers are not on contracts

As at 30 June 2017 the corporation hosted trainees, apprentices and vacation students from various training organisations and universities.

Staff classification	Total	Male	Female
	2016/17	2016/17	2016/17
Trainees & Apprentices (hosted)	3	3	0
Vacation Students	4	0	4
<b>Total</b>	<b>7</b>	<b>3</b>	<b>4</b>

## Executive Officer Data

As at 30 June 2017, East Gippsland Water employed five Executive Officers, excluding responsible persons (ministers and accountable officers).

This is a decrease of one on the previous year and is a result of one Acting Executive Officer being appointed to an additional department temporarily.

The breakdown of Executive Manager numbers 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	5	1	4	1	1	0
<b>Total</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>0</b>

\*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	4	1	1	0	0
<b>Total</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

## Reconciliation of Executive Numbers

		2016	2017
	Executives with total remuneration over \$156,374 (Financial Statement Chapter 9.2, (page 75) *	4	4
Add	Vacancies	0	0
	Executives with total remuneration below \$156,374	0	0
Less	Separations**	0	1
	<b>Total executive numbers at 30 June</b>	<b>4</b>	<b>3</b>

\*Chapter 9.2 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 \$156,374 in the financial year and have left the corporation during this year.

## Health & Safety (H&S)

Managing the diverse and high H&S risks in the water industry, and putting people first, continues to be our top 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
- modern and tailored work instructions and procedures, and
- developing and maintaining competent staff.

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 2016/17, 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 2016/17

	Audits/Inspections Conducted	External Audit Compliance*	Safety Meetings Conducted	Incidents Reported on Time
Result (%)	100	100	92	90

\*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 2016/17 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
- ongoing participation in the Water Industry as a member and chair of the VicWater OH&S task group and member of the WSAA Health & Safety Network.

## 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 30 incidents in 2016/17 (or 31.52 incidents per 100 FTE), two of which were 'lost time injuries' that resulted in a total of eight days off work. All significant incidents, whether a near hit or an injury, were formally investigated so that suitable preventive controls could be agreed and implemented.

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\*)

Incidents Reported	2012/13	2013/14	2014/15	2015/16	2016/17
No. of reported incidents for the year	15.92	22.08	22.67	27.63	31.52
No. of reported hazards for the year	20.4	20.9	19.4	16.57	17.86
No. of lost time standard claims	1.14	0	2.16	1.11	2.10
No. of medical treatment incidents	0	0	0	1.11	0
Average cost per claim for the year	\$14,632	\$19,651	\$69,906	\$10,111	\$1,457
WorkSafe estimate of outstanding claim costs	N/A	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 =  $\frac{\text{Number of Working Days Lost}}{\text{Number of Incidents in the Period}}$

Average Time Lost	2012/13	2013/14	2014/15	2015/16	2016/17
Days lost per total incidents	0.08	0	0.35	0.32	0.27
Days lost per lost time incident	2	0	3.63	8.00	4.00

# 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 risk matrix introduced in June 2017. Regular reviews of risk registers with its business units allows East Gippsland Water to maintain an appropriate level of training and awareness. Similarly, its Code of Conduct, another key risk management tool, is reviewed annually and regular refresher sessions are conducted with all staff.

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

- Drinking Water Quality Management System
- Health & Safety Management System, including the Project and 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; Bushfire Preparation, Response and Recovery Plan; and 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 Department of Environment, Land, Water and Planning (Water Sector) Security Resilience Network, which focuses on the management of critical infrastructure.

A key element of the updated Victorian Government Risk Management Framework (May 2015), 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 was a new focus during 2016/17 and East Gippsland Water took a lead role locally and within the water industry 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 2016/17, this included pollution liability and cyber enterprise risk management policies, undertaken jointly with the other Victorian water corporations.

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. Premium savings were maintained for 2016/17 and again for the 2017/18 renewals completed in June.

## Attestation for compliance with Standing Direction 3.7.1

I, Joanne Booth, certify that East Gippsland Water has complied with Ministerial Standing Direction 3.7.1 (2016) – Risk Management Framework and Processes. East Gippsland Water's Audit & Risk Committee has verified this.



Joanne Booth  
Chairperson  
East Gippsland Water

6 September 2017

# 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 adverse impacts to land, water and air in order to ensure services and resources are sustained into the future.

During 2016/17 the corporation's ongoing commitment to sustainability and protecting the environment was reinforced through:

- Achieving 95 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
- ongoing participation in an innovative project aimed at cutting the amount of food waste sent to landfill and reusing it to generate energy
- the Environmental Management System, that continued to conform with ISO 14001 - as assessed by an independent external auditor.

A program of works carried out by the corporation as part of the Victorian Efficient Government Buildings initiative included an ongoing project fitting pressure management controls at a number of pump stations. This is designed to optimise night-time pumping – enabling a reduction in energy consumption and water losses through leakage.

Other energy efficiency-driven initiatives implemented by East Gippsland Water during the reporting period included:

- the desludging of Newmerella Wastewater Treatment Plant lagoons, where 1,610 of sludge was removed - improving the efficiency of the treatment process and reducing methane emission levels
- fitting variable speed drives at the Brodribb Water Pump Station - enabling pumps to operate more efficiently and economically at a lower speed
- upgrading electrical equipment and pumps at Bairnsdale Wastewater Treatment Plant, as well as at sewer pump stations in Bairnsdale, Sarsfield, Kalimna and Newmerella to reduce energy usage and improve the efficiency of pressure control.

## Water Consumption Report

The reporting period saw a total of 4,671ML of water consumed by residential and non-residential customers, which is in line with the 4,664ML of water consumed in 2015/16.

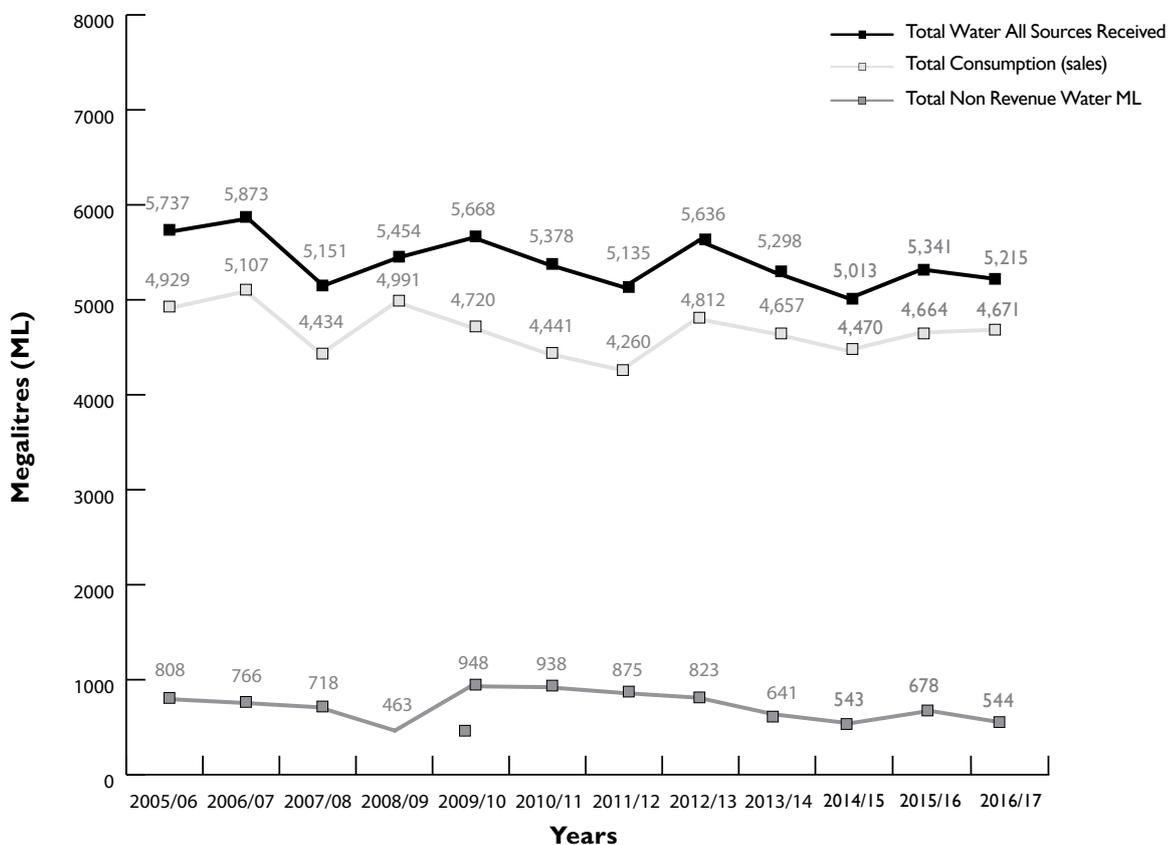
Residential water consumption showed a small increase from 176L to 183L per person, per day. Similarly, average annual residential consumption went up from 146kL to 148kL – a rise of 1.4 percent.

There was a notable reduction in the total amount of non-revenue water in 2016/17 - down from 678ML to 544ML. This was due largely to successfully managing a leak discovered in the liner of covered water storage at Wy Yung, by temporarily lowering the storage's maximum water level. On site work on a permanent repair is expected to commence in 2018/19. In addition, East Gippsland Water enhanced its automated monitoring of night time water flows, enabling detection of leaks in various water supply systems at an early stage. This enabled prompt action to investigate and rectify issues.

During the reporting period the amount of water harvested by the corporation to meet customer demand, decreased from 5,341ML to 5,215ML.

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

### Water Consumption Trends 2005/06 to 2016/17



### Water Consumption Statistics by District/System 2016/17

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)	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	8	N/A	N/A	N/A	13	7	N/A	N/A	15	15	154	0	0	6	21	
Buchan	85	11	N/A	N/A	N/A	34	8	N/A	N/A	19	19	212	5	0	0	25	
Cann River	153	14	N/A	N/A	N/A	63	14	N/A	N/A	28	31	269	4	0	4	36	
Dinner Plain	491	20	N/A	N/A	N/A	52	7	N/A	N/A	27	27	385	13	0	1	41	
Mallacoota	1,001	95	N/A	N/A	N/A	108	48	N/A	N/A	143	142	1,827	0	0	1	144	
Mitchell*	19,182	2,605	N/A	N/A	N/A	2,449	1,175	N/A	N/A	3,780	3,727	50,096	417	0	13	4,210	
Omeo	221	26	N/A	N/A	N/A	76	22	N/A	N/A	48	44	500	12	0	3	63	
Orbost	1,721	243	N/A	N/A	N/A	379	337	N/A	N/A	580	585	4,673	55	0	4	640	
Swifts Creek	102	14	N/A	N/A	N/A	32	17	N/A	N/A	31	32	269	5	0	0	36	
<b>Total 2016/17</b>	<b>23,051</b>	<b>3,036</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>3,206</b>	<b>1,635</b>	<b>N/A</b>	<b>N/A</b>	<b>4,671</b>	<b>4,623</b>	<b>58,385</b>	<b>510</b>	<b>0</b>	<b>34</b>	<b>5,215</b>	

Notes:

#1 Excludes Non-Revenue Water

#2 Average calculated between the years 2012/13 and 2016/2017

#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 2015* and its Customer Charter.

The corporation complied fully with the Act, Regulations and the Charter during the reporting period in the provision of drinking water services.

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.

### 2016/17 Compliance with the Water Quality Standards specified in the Safe Drinking Water Act 2003 and the Safe Drinking Water Regulations 2015

Water quality location	<i>E. coli</i> (0 organisms in 100% of samples taken) <sup>1</sup>	Turbidity ( $<5$ NTU) <sup>1</sup>	Disinfection a By-products <sup>2</sup>
Bairnsdale	✓	✓	✓
Bemm River	✓	✓	✓
Buchan	✓	✓	✓
Cann River	✓	✓	✓
Dinner Plain	✓	✓	N/A <sup>3</sup>
Eagle Point / Paynesville	✓	✓	✓
Kalimna	✓	✓	✓
Lindenow	✓	✓	✓
Lindenow South	✓	✓	✓
Mallacoota	✓	✓	✓
Merrangbaur	✓	✓	✓
Metung	✓	✓	✓
Nicholson / Swan Reach	✓	✓	✓
Nowa Nowa	✓	✓	✓
Omeo	✓	✓	✓
Orbost	✓	✓	✓
Sarsfield / Bruthen	✓	✓	✓
Sunlakes / Toorloo	✓	✓	✓
Swifts Creek	✓	✓	✓

1 95th percentile of results for samples in any 12 month period must be less than, or equal to, 5.0 NTU

2 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

3 N/A - Dinner Plain uses UV disinfection and disinfection by-products are not created during this process

### Water quality compliance incidents

In 2016/17 no Section 18 notifications were made to the Department of Health & Human Services (DHHS).

There were two issues that required Section 22 notifications. The first occurred in December 2016 when there was an increase in complaints from customers regarding an earthy taste to the water at Bemm River. Water sampling at the Bemm River Clearwater Storage confirmed that the cause was an organic compound known as geosmin. In accordance with the *Safe Drinking Water Act 2003*, a Section 22 report was submitted to the DHHS. Remedial works, including significant upgrades at Bemm River Water Treatment Plant, were initiated to minimise the geosmin and eliminate the taste issue, and are due for completion in 2017/18.

The second issue involved a potential health risk at Cann River, following the discovery of a dead rabbit in the Cann River Clearwater Storage. A Section 22 notification and a

precautionary boil water advisory were issued to minimise any risk to the local community while comprehensive water testing and remedial treatment works were implemented. The boil water advisory was lifted after ten days, following clear results for pathogenic contamination and completion of the remedial works.

### Maintaining and improving water quality

During 2016/17, the corporation implemented and continued a number of major initiatives to maintain and improve water quality for customers, such as:

- inspecting lined and covered water storages using a remotely operated underwater vehicle to assess their integrity against any risks of external contamination
- carrying out upgrades to all shade cloth covers over clear water storages to enhance their integrity

- installing an innovative cover over the 10ML raw water storage at Omeo - comprising thousands of interlocking hexagonal blocks intended to cut the potential for algal and airborne contamination of the stored water, while also cutting evaporation
- installing backup generators at a number of water treatment plants to safeguard their ongoing operation in the event of a power outage
- conducting water quality risk management upgrades to water treatment plants to ensure the continuation of effective treatment practices
- carrying out design work for future water tank installations and basin augmentations
- undertaking further improvements to wastewater treatment processes at water treatment plants to ensure high quality water is retained
- on-going management of water quality risks associated with stock access to rivers and streams in drinking water catchments, weed spraying and willows
- high-pressure cleaning (air scouring) of water mains across the water distribution network (see the Maintenance and Renewal of Assets Section on page 26 for more details).

During the reporting period East Gippsland Water changed the way water quality complaints are registered. For more on this please see the Performance Report on page 36.

## Sustainable Water Use

During 2016/17 the corporation continued to progress a number of initiatives in line with the Victorian Government's objectives for sustainable water use, and specifically its 'Water for Victoria' plan. This plan sets a long-term direction for managing precious water resources across the state as we deal with the challenges presented by climate change and a growing population.

### 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 2016/17 meter replacement program resulted in 866 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.

The reporting period saw the Victorian Government launch the 'Target Your Water Use' water efficiency program targeted at rural and regional Victorians. This complements the 'Target 155' program operating across metropolitan Melbourne.

East Gippsland Water encouraged the community to get behind this voluntary initiative, which is a key action of 'Water for Victoria'. It is designed to assist customers to use their water wisely and help ensure there will be enough water to meet all our needs now and into the future.

The program's focus is on taking a longer-term view of water usage habits, while providing customers with better access to information needed to make informed decisions about the amount of water they use - including through the East Gippsland Water website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au). This links through to the Smart Approved WaterMark website, which highlights useful ways to save water in the home and garden.

East Gippsland Water also actively promoted the state-wide mandatory Permanent Water Saving Rules (common-sense rules) that apply every day of the year, to encourage the efficient use of water.

(In addition please see the Community Engagement and Social Sustainability sections of this annual report – pages 26-27).

### 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 2016/17 the corporation had one customer exceeding the water consumption threshold of 100ML per year and is therefore classified as a 'major non-residential water user' under Section 122ZJ of the *Water Act 1989*.

### Customer by volume range for 2016/17

Volumetric Range – ML/year	Number of Customers
Equal to or greater than 100ML and less than 200ML	1
Equal to or greater than 200ML and less than 300ML	0
Equal to or greater than 300ML and less than 400ML	0
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1000ML	0
Greater than 1000ML	0
<b>Total number of customers</b>	<b>1</b>

Name of customer	Customer's participation in a water conservation program
Vegco	Yes – water management plan developed and water consumption reduced from 179ML in 2015/16 to 139ML in 2016/17

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 fuel.

## 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, installing intelligent water meters at the council's Bairnsdale Aquatic and Recreation Centre, Lakes Entrance Aquadome and Mallacoota Caravan Park. These will provide accurate monitoring of water usage and identify any leaks, helping with council efforts to improve water efficiency and reduce operational costs.

East Gippsland Water has also been working closely with the council to:

- develop long term plans which identify future water and sewerage infrastructure needs for the region, to cater for future growth and demand, and
- identify opportunities to use recycled water and stormwater instead of drinking water such as watering public gardens.

## Water Supply and Security - Future Strategies

East Gippsland Water's Urban Water Strategy and Drought Preparedness Plan were approved by the Minister for Water at the end of the reporting period. These are significant planning documents (replacing the previous Water Supply Demand Strategy and Drought Response Plans developed in 2010/11).

The Urban Water Strategy has been designed to be consistent with the State Government's 'Water for Victoria' plan. It provides a detailed, 50 year forecast of water demands for communities across the region, along with supply options to meet these demands, taking into account the impacts of climate change and population growth. The strategy also details the corporation's approach to manage demand, the use of recycled wastewater and enhancing aboriginal values.

The Drought Preparedness Plan details how East Gippsland Water will prepare and respond to periods of water shortage including triggers and procedures for water restrictions and identifying key public assets to be considered for water restriction exemption, such as sporting facilities.

Both strategies have been important in determining the direction of the corporation's 2018-23 Price Submission (business plan) and its 20-year capital works program.

The Urban Water Strategy concludes that the current supply and storages in the Mitchell supply system (covering 83 percent of customers) is sufficient to cater for projected future demand until 2028 at the very earliest, and possibly until 2048, depending on the extent of climate change impacts, customer growth and other factors. Similarly, supply in the smaller water supply systems is also predominantly sufficient to cater for long term growth, with additional storage possibly needed in Orbost and Dinner Plain beyond 2040.

## Water Recycling

The corporation maintained its position as a leader in the Victorian water industry for water recycling, achieving 95 percent beneficial reuse across its eleven wastewater treatment plants.

The target of 100 percent reuse, achieved by East Gippsland Water over a number of recent years, was hampered by unusually high rainfall in July and September 2016. As a result, Paynesville Wastewater Treatment Plant reached maximum storage capacity, necessitating the release of 141ML of recycled water. The corporation managed this as a wastewater wet weather discharge in accordance with its Environment Protection Authority (EPA) licence. The recycled water was discharged into Forge Creek, with regular monitoring conducted to ensure there was no negative environmental impact.

## Recycled Water Performance

	Volume (ML)				
	2012/13	2013/14	2014/15	2015/16	2016/17
Wastewater collected	2,763	3,016	3,227	3,065	3,200
Recycled water produced	2,984*	2,903	2,754	3,242 *	3,074
Recycled water used	2,959	2,903	2,754	3,172	2,933
Recycled water used (%)	99%	100%	100%	98%	95%
<b>Target</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*The volume of recycled water produced was greater than the amount of wastewater collected in 2012/13 and 2015/16, due to a carry-over of recycled water held in water storages from the previous year.

## Volume of Recycled Water Used per Town/System - 2016/17

Town/System	Number of Assessments	Annual Wastewater Volume Re-used (ML)
Bairnsdale	7,592	1,275
Bemm River	102	7
Cann River	172	23
Dinner Plain	544	80
Lakes Entrance	4,751	725
Lindenow	188	9
Mallacoota	1,049	100
Metung / Bruthen	2,050	157
Omeo	248	35
Orbost / Marlo	1,722	237
Paynesville	3,919	284
<b>Total</b>	<b>22,337</b>	<b>2,933</b>

## How Reuse is Achieved

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

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, Bemm River and the Bruce's Track Farm at Swan Reach to irrigate pasture, tree plantations and open areas.

Third parties to benefit from the recycled water include three golf courses and the Bairnsdale Racecourse, as well as farmers in Swan Reach, Paynesville, Omeo, Newmerella and Cann River.

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

## **Macleod Morass**

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

As part of its current Water Plan (2013-18) the corporation is progressing with major upgrades to the wastewater treatment plant, sections of which are some 80 years old. Consideration is being given to the long-term requirements of the Macleod Morass from a water quality and quantity perspective.

The EPA intends on reviewing the plant's EPA Licence in the 2019/20 financial year. To accommodate this, East Gippsland Water will be conducting an Ecological Risk Assessment on Macleod Morass.

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

## **Biosolids Management**

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

In 2016/17 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. (Also see page 25).

## **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. This included initiatives to improve water quality such as willow removal, the installation of stock exclusion fencing and revegetation projects adjacent to waterways.

The East Gippsland Waterway Strategy not only safeguards drinking water quality, but also provides for wider river health benefits. Specific targets include the Mitchell River upstream of Glenaladale and the Tambo River at Swifts Creek. It informs catchment water quality risk assessments, which are used to identify works to maintain drinking water quality standards.

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

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

The corporation is actively involved in 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
- working with the EGCMA, Gippsland Land and Waters Aboriginal Corporation (GLaWAC), the Department of the Environment, Land, Water and Planning (DELWP), and the Romawi Landcare group to identify sources of nutrients relating to Forge Creek
- ongoing water conservation measures - such as promoting the 'Target Your Water Use' water efficiency program, designed to assist customers to use their water wisely, and continuing a leak detection program designed to minimise the volume of bulk water diverted from the region's streams and aquifers.

## **Regional Catchment Management Strategy and Biodiversity**

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 DELWP 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 projects included:

- working with DELWP in relation to the department's District Action Plan (DAP) and its implications for the supply of drinking water throughout the region. The DAP covers all maintenance activities to be undertaken by DELWP in East Gippsland, such as road widening, bridge works and other civil works
- revegetation works in the Forge Creek catchment, working with GLaWAC, DELWP, the EGCMA and Romawi Landcare
- native grass protection near the Omeo Water Treatment Plant
- working with the Gippsland Plains Conservation Management Network to install a Masked Owl nesting box at the Bruce's Track irrigation site, and to monitor cameras on the Bairnsdale water tower for Peregrine Falcon activity.

East Gippsland Water also has conservation covenants over properties at Bruce's Track irrigation site and Cobblers Creek which protect the biodiversity assets at these sites.

## **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 2016/17

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 BE 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	4,537	9,208	4,671	0	No	N/A	No	No	Cl.8
Mitchell System*	Groundwater	3	171	3	0	No	N/A	No	No	N/A
Bemm River	Bemm River	23	100	77	0	No	N/A	No	No	Cl.7
Cann River	Cann River	36	192	156	0	No	N/A	No	No	Cl.7
Mallacoota	Betka River	65	330	265	0	No	N/A	No	No	Cl.7
Mallacoota	Groundwater	80	220	140	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	25	170	145	0	No	N/A	No	No	Cl.7
Orbost	Brodribb River / Rocky River	655	2,031	1,336	0	No	N/A	No	No	Cl.7
Omeo	Butchers Creek	66	77	11	0	No	N/A	No	No	Cl.7
Dinner Plain	Groundwater	41	120	79	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 0ML was injected into the Latrobe Valley Group of aquifers and 3ML extracted. A further 168ML 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 Urban Water Strategy, East Gippsland Water has continued to develop 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 Mitchell River water is being injected into five ASR bores and stored underground in a group of deep aquifers. This 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 ASR groundwater licence was renewed and extended to June 2032, allowing an annual injection and extraction volume of up to 200ML per financial year. The licence now incorporates inter-annual banking provisions allowing any un-used injected water from the year to be carried over to the next financial year (previously, the volume of water injected and available for extraction was reset to zero at the start of each year). The addition of inter-annual banking is a major step forward in the application of ASR in the region reducing operational injection costs and increasing the security of supply.

The licence with Southern Rural Water comes with strict environmental conditions and monitoring requirements. Water quality samples and groundwater levels are regularly monitored in bores owned by East Gippsland Water and the 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.

More than half of the corporation's 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. A number of consultants also spent long periods working out of the Bairnsdale office throughout the reporting period.

Total energy usage for the Bairnsdale office was 362,350MJ. While this was an increase on 295,800MJ in 2015-16, it was still significantly below the 500,311MJ and 543,737MJ recorded in the previous two years.

The amount of energy used per member of staff was 6,486 MJ/FTE, up from 5,076MJ/FTE in 2015/16, but still down from 9,659MJ/FTE in 2014/15 and 11,820 the year before. This does not include non-corporation staff located within the office.

A continued reduction of mail outs to customers, in favour of other forms of communication such as email, and the changing culture in the organisation towards reducing printing material, helped achieve another notable reduction in paper usage. A total of 225 reams of paper were used, compared with 289 in 2015/16 and 352 in 2014/15.

## Office Impacts

Parameter	Quantity 2015/16	Quantity 2016/17	Units
<b>Energy</b>			
Energy used per full time employee	5,076	6,486	MJ/FTE*
Energy per square metre of office space	233	285	MJ/m <sup>2</sup>
Total energy usage	295,800	362,350	MJ
Greenhouse gas emissions	93	110	t CO <sub>2</sub> -e
<b>Waste Production</b>			
Total units of waste produced	93	70	Kg/FTE
Total units of waste recycled	3,475	2,318	Kg
<b>Paper Use</b>			
Units of paper used per employee	4.9	4	Reams/FTE
Total units of paper used	289	225	Reams
<b>Water Consumption</b>			
Units of water used per employee	4.1	5.4	kL/FTE
Total units of water consumed	239	304	kL
Units of water used per square metre of office space	0.2	0.2	kL/ m <sup>2</sup>
<b>Transport</b>			
Total energy consumption	931	965	GJ
Total CO <sub>2</sub> equivalent	62	62	t CO <sub>2</sub> -e
Energy consumption per employee	21	17	GJ / FTE
CO <sub>2</sub> equivalent/per employee	1.1	1.1	t CO <sub>2</sub> -e / FTE
Kilometres travelled per employee	5,194	5,246	km / FTE
Total kilometres travelled (not private or commuting)	302,689	293,070	km
Percentage of employees using public transport, car pool, cycling or walking to work.	2	4	%

Note: \* FTE = Full time equivalent staff

## Corporate Water Consumption

Total water consumption within the corporation's Bairnsdale office increased from 239kL in 2015/16 to 304kL in 2016/17.

The volume of water consumed per member of staff in the office went up from 4.1kL/FTE to 5.4kL/FTE. This rise in consumption can be attributed to an increase in visitors, including consultants and those attending training sessions and meetings. In addition there were a variety of health initiatives to encourage staff to drink more tap water.

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.

Initiatives implemented or furthered during 2016/17 included:

- an ongoing program to implement energy-efficient pumps, motors and operating systems
- ongoing investigation of innovative ways to minimise energy consumption
- an ongoing program to reduce infiltration into our sewer network, which reduces the energy required to pump extra water
- 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

- submission of East Gippsland Water's carbon emissions pledge to reduce baseline emissions by 21 percent, by 1 July 2025 (based on average emissions from 2011/12 to 2015/16).

Net greenhouse gas emissions exceeded the 2016/17 target of 8,270 tonnes of CO<sub>2</sub>-e equivalent (t CO<sub>2</sub>-e) set in 2012, with 8,556.93 t CO<sub>2</sub>-e recorded for the year. This was due largely to a change in the way the figure is required by DELWP to be reported, with East Gippsland Water including a new direct emission source – Nitrous Oxide – for the first time. This accounted for 948 t CO<sub>2</sub>-e of the net greenhouse emissions recorded for 2016/17. Excluding Nitrous Oxide would have reduced emissions to 7,609.17 t CO<sub>2</sub>-e – representing a five percent reduction overall.

The Bairnsdale office's electricity usage, and therefore greenhouse gas emissions, went up by 12 per percent, but this was still well below the average of the last four years. Overall electricity usage fell by two percent on that reported in 2015/16.

### Greenhouse Gas Emissions 2016/17

Greenhouse Gas Emissions	t CO <sub>2</sub> - e						Commentary
	2012/13	2013/14	2014/15	2015/16	2016/17	Variance	
Water Treatment and Supply	4,235	3,809	3,632	3,289	3,241	-1%	There was a 3.5% decrease in the grid emission factor, and a 19% increase in consumption. The remainder of the variation is efficiency savings.
Sewerage Treatment and Management	3717	3,836	3,824	4,350	4,939	12%	The increase was due to an additional 948 t CO <sub>2</sub> -e from nitrous oxide –following a change in reporting methods.
Transport	257	228	247	231	216	-7%	There was a 5% reduction in total km travelled. The remainder of the variation was due to differences in vehicles and fuel economies.
Other activities	233	225	209	142	160	12%	While there was an increase in office electricity usage over 2015/16, the figure was lower than previous years – possibly weather related (hot summer / depot air conditioning).
Offsets	0	0	0	0	0	0%	
<b>Totals</b>	<b>8,442</b>	<b>8,098</b>	<b>7,912</b>	<b>8,011</b>	<b>8,557</b>	<b>7%</b>	<b>Accumulation of above</b>

Energy Consumption	KWh/ML						
	2012/13	2013/14	2014/15	2015/16	2016/17	Variance	Commentary
Water Treatment and Supply	749	605	613	619	630	2%	There was a slight increase due to a change in the calculation method.
Sewerage Treatment and Management	707	704	695	771	706	9%	The decrease was due to a change in the calculation method.

Energy Generation	MWh						
	2012/13	2013/14	2014/15	2015/16	2016/17	Variance	Commentary
Water Treatment and Supply	N/A	N/A	N/A	7,097	11,957	41%	Variance due to the installation of additional solar panels at various sites.
Sewerage Treatment and Management	N/A	N/A	N/A	N/A	7,878	100%	2016/17 saw the installation of solar panels at various sites.
Other	N/A	N/A	11	20	21	2%	Variance due to the installation of solar panels at the Bairnsdale office.

N/A Not Applicable

## 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 three-yearly re-certification audit conducted by external auditors BSI Group in March 2017.

## 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 made sure that 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 will feed into the corporation's Price Submission for 2018-23.

In formulating the program, the corporation has reviewed and updated customer demand forecasts, water and sewer hydraulic models and related asset management plans.

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

## New Assets and Projects

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

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

Key projects during the reporting period included:

### Water Main and Sewer 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 2016/17 the program included:

- replacing 1km of water main in Calvert Street, and a 300m section in Macleod Street, Bairnsdale
- commencing the replacement of 500m of water pipeline in Main Street, Bairnsdale. This is due to be completed in 2017
- realigning 200m of water main in Tamhaven Drive, Swan Reach
- relining around 1,000m of gravity sewer in Bairnsdale, Lakes Entrance and Orbost
- coordinating with East Gippsland Shire Council a number of water main renewal projects, which were conducted in conjunction with local road improvements.

## Wy Yung Water Storage Site

A major program of initiatives got underway at the Wy Yung water storage site to help maintain the long-term reliability of the Mitchell River water supply system from Bairnsdale to Nowa Nowa – helping to secure water supplies well into the future for some 24,000 customers.

Projects undertaken during the reporting period included the installation of two 400kL water storage tanks to supplement the covered storage capacity. Work also commenced on construction of a bypass system (making it easier to carry out maintenance at the site while minimising inconvenience to customers), a realignment of 500m of the Wy Yung to Sarsfield transfer main and investigations into the refurbishment/ replacement of the uncovered Wy Yung water storage basin.

The opportunity is also being taken to address a leak in the liner of the covered basin.

## Innovative Water Storage Cover at Omeo

The corporation installed an innovative cover over its 10ML raw water storage basin at Omeo, comprising thousands of interlocking hexagonal blocks intended to cut the potential for algal and airborne contamination of the stored water, while also cutting evaporation. This will be monitored for effectiveness in 2017/18. If it proves successful and cost-effective the technology may be rolled out across other East Gippsland Water storage basins.

## Bairnsdale Wastewater Treatment Plant Upgrades

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

- the completion of electrical upgrades, enabling the cogeneration unit, solar panels and on-site generator to operate. This means any surplus electricity produced by the wastewater treatment plant can be fed back into the grid
- the commencement of design work for a sludge dewatering unit and flow balancing system, which will improve the plant's operational efficiency.

## Bairnsdale and Lakes Entrance Sewerage Systems

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

Within the Bairnsdale sewerage network a 145kL emergency storage was constructed adjacent to Howitt Avenue and 1.4 km of new sewer rising main was installed between the Flinns Road Sewage Pump Station and Bridge Sewage Pump Station. In addition three pumps were replaced and a generator installed at the Dalmahoy Street Sewage Pump Station, boosting energy efficiency, reducing ongoing power costs and improving the transfer of sewage to the Bairnsdale Wastewater Treatment Plant during periods of peak flow.

Two sewage pump stations, in Marine Parade and Ferndale Parade at Lakes Entrance, were targeted to receive a combination of new pumps, new electrics, additional storage tanks for peak flows and new rising mains. The Marine Parade Sewage Pump Station and rising main upgrade works were completed during the reporting period, with the Ferndale Parade Sewage Pump Station works due to commence in July 2017.

These upgrades are designed to meet EPA compliance requirements.

## Bio-solids

Bunds were constructed at the Newmerella Wastewater Treatment Plant and Bruces Track Farm sites to facilitate the future storage and treatment of bio-solids prior to re-use to land.

Wastewater treatment lagoons are required to be desludged periodically as part of their ongoing maintenance. A \$900,000 lagoon desludging program was undertaken at the Newmerella Wastewater treatment plant, with 1,600 tonnes of dried sludge removed from the treatment lagoons - increasing their operational efficiency, along with storage capacity, and minimising odour issues into the future.

Following preparation work undertaken during the reporting period, lagoon desludging at Lakes Entrance wastewater treatment plant is due to be carried out in 2017/18.

## Newmerella and Bruces Track Wastewater Reuse Upgrades

The irrigation systems at Newmerella and Bruces Track wastewater reuse farms received an upgrade during 2016/17.

Around seven hectares of fixed sprinkler irrigation was installed at Bruces Track to reduce manual handling requirements. Also, 13.5 hectares of fixed sprinkler irrigation was installed at Newmerella to increase the area of land under irrigation. This is to ensure ongoing compliance with EPA requirements and is in addition to addressing stormwater infiltration in the Orbost sewer network.

## 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 in 2016/17 included:

- bringing the Cann River Water Treatment Plant, Brodribb Water Pump Station at Orbost and Betka River Water Pump Station at Mallacoota under full remote control
- adding six new sewage pump stations to the SCADA system - in Eagle Point, Paynesville, Newlands Arm, Bruthen and Lakes Entrance
- rolling out dual level sensors to critical storages and tanks, as well as spill prevention devices on sewerage maintenance holes
- continuing the update of SCADA software and hardware to enhance the system's cyber-security.

## Developer Works and Subdivisions

A total of 489 new serviced properties were added to East Gippsland Water's networks during 2016/17. The value of the owner-financed water and sewer assets was around \$1.05 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 2016/17 included:

- air scouring and swabbing various sections of water main to clean and ensure the efficiency of the supply network, maintain drinking water quality and address operational issues. Communities targeted included Dinner Plain, Paynesville, 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
- utilising trenchless technology to patch-repair damaged and aged sewerage pipelines. This technology enables staff to undertake pipeline repairs without excavation or service interruptions. This technology was employed in the Paynesville, Bairnsdale, Lakes Entrance and Dinner Plain areas
- 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, Mallacoota, Orbost, Cann River, 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 non-revenue water.

- reducing potential points of water supply contamination by removing small, elevated storage tanks from water supply systems and replacing these with in-line pressurised pumping systems. This helps ensure an improved and consistent water flow and pressure to our customers.

## Community Engagement

The corporation continued to actively pursue opportunities to implement individual engagement programs targeted at stakeholder and customer groups.

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 *On Tap* news sheet (mailed to all account holders with their quarterly bill)
- 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.

It had an integral role to play when the corporation issued a precautionary boil water alert to the community of Cann River at the start of 2017. Staff door-knocked residents to keep them informed. They also worked closely with the Cann River Neighbourhood House to keep residents informed via Facebook, including on the availability of bottled water, until the alert was lifted after water quality tests and precautionary rectification works confirmed the all-clear.

East Gippsland Water is always exploring ways to expand its 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.

## Price Submission

During the reporting period further extensive community engagement was conducted to determine customer needs and priorities – helping to shape the future direction of East Gippsland Water's 2018-23 Price Submission (its five year business plan).

Feedback was gathered from more than 1,400 customers across East Gippsland, with surveys completed online, by mail, or in person at one of the many 'water cafes' hosted around the region. Copies of the survey were also available from neighbourhood and community houses.

In many ways feedback reflected the direction being taken by the State Government's 'Water for Victoria' plan. The areas identified by customers for East Gippsland Water to focus on are: environmental sustainability; liveability; service levels, and its assistance program for customers in genuine financial need. Respondents also provided an indication of how much they would be willing to pay through their water and sewerage bills for the corporation to invest in these areas.

East Gippsland Water's Customer Committee continued to have an instrumental role in relation to the community engagement process for the Price Submission. It made recommendations to the Board on the community's behalf relating to service preferences and priorities. It was also empowered by the Board to determine guaranteed service levels.

Early in 2017/18 customers will have a further opportunity to make submissions - this time on the corporation's final draft of proposals, which will also include capital and operational expenditure levels for the next five years, along with the level of customer bills. The approved Price Submission will then be submitted to the water industry's independent regulator, the Essential Services Commission, for review, before it is implemented from July 2018.

## Urban Water Strategy

Early in 2017, East Gippsland Water invited customers and other stakeholders to participate in a survey (on its website, or via its Facebook page) to help with the development of its Urban Water Strategy.

The strategy was adopted by the corporation at the end of the reporting period, following approval from the Minister for Water. It has also been important in determining the direction of East Gippsland Water's Price Submission, and like the Price Submission, it is intended to be consistent with the State Government's 'Water for Victoria' plan.

It provides a detailed, 50 year forecast of water demands for communities across the region, along with supply options to meet these demands, taking into account the impacts of climate change and population growth. (For more information see page 18).

## Social Media

Building on previous years 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 help 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

The East Gippsland Water website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au) 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 the Glenaladale off-take and pump station at the Mitchell River, Woodglan Water Treatment Plant and storages, Bairnsdale Wastewater Treatment Plant and the Macleod Morass, as well as the Buchan Water Treatment Plant. An information stand was operated at the Bairnsdale career expo.

In addition, East Gippsland Water included a float in the Bairnsdale Christmas Parade to proactively engage with 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, Buchan, Newmerella and Lucknow 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.

East Gippsland Water distributes 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 perceptions 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.

2016 was the third year the survey was conducted as a joint initiative with Gippsland and Westernport water corporations, with South Gippsland Water also participating for the second time. It proved particularly valuable, assisting with the Price Submission process.

The survey was carried out on behalf of all the corporations by Insync Surveys during September and October, involving a random sample of 400 customers in each water region. 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 East Gippsland Water's business, as perceived by customers, and benchmark the results with neighbouring water corporations.

East Gippsland Water was again ranked very highly for the overall level of customer satisfaction, with 86 percent at least 'satisfied' (compared with 92 percent in 2015) and 38 percent 'very satisfied' (a reduction of one percent).

The vast majority of water customers (67 percent) had not been in touch over the previous 12 months (for example, with a query or water/sewerage service issue). However, of those that had contacted the corporation, 92 percent indicated that they found East Gippsland Water easy to deal with, compared with 97 percent in 2015.

Other notable results from the survey:

- 88 percent of customers were satisfied with the quality of their tap water and 97 percent with the reliability of wastewater services.
- 76 percent felt that they received value for money services.
- 72 percent felt East Gippsland Water was a valued member of the local community.
- 88 percent of customers felt that the service provided by the corporation remained the same over the past year, while 11 percent said it improved and one percent that it deteriorated.
- 97 percent of customers preferred to drink tap water to bottled water, with 76 percent opting to take the tap water straight from the tap and 21 percent using a filter.
- 91 percent said they were aware of what they could and could not put down sinks, toilets and drains.

Of those surveyed, 93 percent felt it at least important that East Gippsland Water invests in environmental or sustainability initiatives, with 63 percent finding this very important. In addition, 89 percent felt the corporation should use renewable energy alternatives where possible and 96 percent felt it important that the corporation helps customers in genuine need of assistance through a customer support program.

## 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
- aiming for 100 percent environmentally beneficial, affordable and sustainable reuse of wastewater
- the State Government's 'Water for Victoria Plan' – addressing the long term challenges of climate change and population growth on water management and supply. Key areas of focus include environmental sustainability, liveability and affordability, as well as recognising and managing for aboriginal values

- sharing professional knowledge and expertise with other community-focused organisations in the region, such as the Gippsland and East Gippsland Aboriginal Co-operative, local councils, 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 1,680 in 2015/16 to 2,252 in 2016/17.

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	2015/16	2016/17
Concessions to Pensioners	\$1,875,180	\$1,939,174
Rebates to Not-For-Profit Organisations under the Water & Sewerage Rebate Scheme	\$167,294	\$166,966
Utility Relief Grant Scheme Payments*	\$41,087	\$52,915
Water Concessions on Life Support Machines - Haemodialysis	\$950	\$725
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0
<b>Total</b>	<b>\$2,084,511</b>	<b>\$2,159,780</b>

The corporation also granted \$39,755 in hardship incentive payments.

The focus of the Victorian Government's Community Water Rebate Program is on helping vulnerable and hardship customers that cannot afford water efficiency products and services, and are struggling to pay bills. It aims to reduce costs for customers and help them avoid high bills in the future.

The program provides water saving audits and rebates on products aimed at reducing water lost through leaks and old appliances.

During 2016/17 East Gippsland Water allocated a total of \$21,862 and 71 rebates to eligible customers under the program.

## 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 \$11,563 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.

## Be Smart Choose Tap and Fountains

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.

Choose Tap-branded water refill stations are available to use at a number of key outdoor locations in Bairnsdale, Newlands Arm, Nicholson and Cann River, adding to other drinking water fountains that can be found around East Gippsland.

Installed as part of a region-wide, healthy lifestyle drive involving East Gippsland Water, East Gippsland Shire Council and community groups, each Choose Tap refill station is equipped with a wheelchair accessible bubble tap, a drink bottle filling point and a dog bowl. They are free to use.

During the reporting period, three additional Choose Tap

stations were requested – in Bairnsdale, Swan Reach and Omeo. Preparations are underway to install fountains at these locations and installation will be completed in 2017/18.

## Sip-tember

East Gippsland Water joined forces with Gippsland's other three water corporations, GippSport and Gippsland's Primary Care Partnerships to promote healthy drinking habits throughout September 2016.

Complementing the Be Smart Choose Tap campaign, the initiative, known as Sip-tember, encouraged people to drink more water, preferably from the tap, because it is cheap, healthy and readily available - costing much less than bottled water and a healthier option to sugary drinks.

To help mark the month East Gippsland Water also sponsored the Be Smart Choose Tap stage of the Tour of Gippsland elite cycle race, which went from Paynesville to Metung.

## Indigenous Artwork

During the reporting period the corporation commenced an art project with indigenous students from Bairnsdale's Clontarf Academy, along with GLaWAC, to give the digester building at the Bairnsdale Wastewater Treatment Plant a much-needed makeover.

The art, which is being designed to reflect the significance of the immediate environment to the Gunaikurnai people, is due to be completed in 2017/18, with other East Gippsland Water sites being explored for a similar makeover.

## Water Trailer and Meet PAT Portable Fountains

East Gippsland Water's mobile drinking water trailer creates a highly visible and positive image for the corporation at community events. It is available free of charge to community and not-for-profit regional organisations.

During 2016/17 the water trailer attracted 27 bookings and was utilised at a variety of events including community festivals, major sporting events and field days with hundreds of people benefitting across the region.

Meet PAT portable drinking water fountains were also introduced, which operate under the slogan of *Be Smart Choose Tap*. They have proved popular with 17 bookings taken in the reporting period.

# Summary of Financial Results

<b>Financial Result</b>	<b>2012/13 (\$000)</b>	<b>2013/14 (\$000)</b>	<b>2014/15 (\$000)</b>	<b>2015/16 (\$000)</b>	<b>2016/17 (\$000)</b>
Core business revenue	28,815	28,899	29,653	30,798	31,449
Government contributions	103	0	0	0	0
Other revenue	3,605	5,045	3,931	2,930	2,856
<b>Total revenue</b>	<b>32,523</b>	<b>33,944</b>	<b>33,584</b>	<b>33,728</b>	<b>34,305</b>
Operating expenditure	15,925	16,415	16,483	17,472	18,500
Depreciation & amortisation	9,452	9,658	9,887	10,298	11,701
Finance costs	2,144	1,934	1,589	1,235	1,035
Other expenditure	1,023	1,912	1,326	2,743	1,385
<b>Total expenditure</b>	<b>28,544</b>	<b>29,919</b>	<b>29,285</b>	<b>31,748</b>	<b>32,621</b>
<b>Net result before tax</b>	<b>3,979</b>	<b>4,025</b>	<b>4,299</b>	<b>1,980</b>	<b>1,684</b>
Current assets	11,918	10,350	10,194	12,453	12,479
Non-current assets	332,506	333,370	335,033	450,994	450,972
<b>Total assets</b>	<b>344,424</b>	<b>343,720</b>	<b>345,227</b>	<b>463,447</b>	<b>463,451</b>
Current liabilities	12,650	10,441	9,884	9,346	11,083
Non-current liabilities	69,781	63,333	62,161	95,680	92,751
<b>Total liabilities</b>	<b>82,431</b>	<b>73,772</b>	<b>72,045</b>	<b>105,026</b>	<b>103,834</b>
Net cash flows from operations	12,410	12,112	14,377	12,060	13,949
Payments for property, plant and equipment (including infrastructure)	7,050	10,040	9,966	7,646	11,149

# Summary of Financial Performance

<b>Performance indicator</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Internal financing ratio	176.03%	120.36%	150.51%	154.30%	126.48%
Gearing ratio	8.71%	7.56%	5.90%	3.88%	3.24%
Interest cover (EBIT) times	3.01	3.30	4.21	1.79	2.86
Interest cover (Cash) times	7.28	7.80	11.11	11.78	16.15
Return on assets	1.73%	1.67%	1.70%	0.76%	0.56%
Return on equity	1.07%	1.07%	1.21%	0.44%	0.33%

## Overview

East Gippsland Water recorded a surplus before tax of \$1.68 million for 2016/17. This was in line with budget expectations, despite lower than forecast water sales and increased expenditure associated with major desludging operations at the Newmerella Wastewater Treatment Plant.

There was also a large increase in depreciation expenses, due to increased asset values recorded in the 2015/16 asset revaluation.

Expenditure on capital works totalled \$10.94 million for the year, with a number of major projects completed. These included sewerage system upgrades in Bairnsdale, Lakes Entrance and Orbost and a number of water main replacements across the region.

In addition, work commenced on a major program of upgrades at the Wy Yung water storage facility, which serves some 24,000 people along the Mitchell River water supply system, from Bairnsdale through to Nowa Nowa.

The corporation was able to reduce total debt from \$18 million to \$15 million for the reporting period. A total of \$3 million was recorded in cash at the bank at the end of the financial year.

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

- reducing borrowings from \$18 million to \$15 million
- desludging work at the Newmerella Wastewater Treatment Plant, with 1,600 tonnes of dried sludge removed from the treatment lagoons in 2016/17
- capital expenditure totalling \$10.94 million, compared to a budget of \$7.24 million – addressing an underspend in the previous two years plus new commitments
- residential customers (owner occupiers and tenants) receiving a Victorian Water Rebate of \$28 on their bills
- continuation of a proactive efficiency programs across the corporation's activities
- commencing a number of projects as part of East Gippsland Water's carbon emissions pledge to reduce baseline emissions by 21 percent, by 1 July 2025.

# Other Information

## Consultancy Expenditure

### Details of consultancies (valued at \$10,000 or greater)

In 2016/17, there were 16 consultancies where the total fees payable to each consultant was \$10,000 or greater. The total expenditure incurred during 2016/17 in relation to these consultancies was \$547,687 (excl. GST).

Details of individual consultancies are outlined on East Gippsland Water's website, at [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au).

### Details of consultancies (valued at less than \$10,000)

In 2016/17, there were 22 consultancies engaged during the year, where the total fees payable to each consultant was less than \$10,000. The total expenditure incurred during 2016/17 in relation to these consultancies was \$55,958 (excl. GST).

## Major Contracts

East Gippsland Water did not award any major contracts (valued at \$10 million or more) during 2016/17.

## 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](mailto:foi@egwater.vic.gov.au).

The fee for requests from 1 July 2017 is \$28.40.

During the reporting period one request for information was received by the corporation. Full access was granted in relation to this request.

Further information regarding Freedom of Information can be found at [www.foi.vic.gov.au](http://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 [www.data.vic.gov.au](http://www.data.vic.gov.au) in electronic readable format.

## Compliance with the Protected Disclosures Act 2012

The *Protected Disclosures Act 2012* (PD Act) enables people to make disclosures about improper conduct by public officers and public bodies. The Act 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](http://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](http://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.

## Government Advertising Expenditure

East Gippsland Water's expenditure in the 2016/17 reporting period on government campaign advertising was nil.

## Local Jobs First - Victorian Industry Participation Policy

During the reporting period the corporation did not commence or complete any contracts to which the Local Jobs First - Victorian Industry Participation Policy applied.

## Information and Communication Technology (ICT) expenditure

For the 2016/17 reporting period, East Gippsland Water had a total ICT Expenditure of \$2,026,000, with the details shown below:

(\$ thousand)			
<b>Business As Usual (BAU) ICT expenditure</b> (Total)	<b>Non-Business As Usual (non-BAU) ICT expenditure</b> (Total = Operational expenditure and Capital Expenditure)	<b>Non-BAU ICT expenditure</b> • Operational expenditure (OPEX)	<b>Non-BAU ICT expenditure</b> • Capital expenditure (CAPEX)
<b>1,336</b>	<b>690</b>	<b>0</b>	<b>690</b>

"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.

"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.

## Compliance with the Building Act

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

Its building portfolio includes offices, combined office/depot sites, depots, pump stations, water and wastewater treatment plants. It is responsible for maintaining these facilities in a safe and serviceable condition in accordance the Act and for providing the annual essential safety measures report for these assets under the Building Regulations 2006.

Either an Occupancy Permit or Certificate of Final Inspection, endorsed by a Registered Building Surveyor Practitioner, is obtained for new buildings, or upgrades to existing buildings as required.

Two building permits were issued during 2016/17. One in relation to construction of a small storage shed at the Bairnsdale Depot site and the other for upgrade work to the co-digestion building at Bairnsdale Wastewater Treatment Plant.

No major building works projects (greater than \$50,000) were commenced or completed during the reporting period.

No emergency orders or building orders were issued in relation to East Gippsland Water buildings and no buildings needed modification to conform with building standards.

## 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 no complaints that required investigation by EWOV for resolution.

## National Competition Policy

Under the National Competition Policy (NCP), the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- The benefits of the restriction to the community as a whole outweigh costs; and
- The objectives of the legislation can only be achieved by restricting competition.

East Gippsland Water continues to comply with the requirements of the NCP.

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

East Gippsland Water is working to ensure that Victoria fulfils its requirements on competitive neutrality reporting for technological based businesses against the enhanced principles as required under the Competition and Infrastructure Reform Agreement.

## Subsequent Events

No significant events occurred between the end of the 2016/17 financial year and this Annual Report going to print that may significantly affect East Gippsland Water's operations in subsequent reporting periods.

## Availability of Other Information

### Additional information available on request -

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by East Gippsland Water and are available (in full) on request, subject to the provisions of the *Freedom of Information Act 1982*:

- Details of publications produced by East Gippsland Water about itself and how these can be obtained.
- 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 major promotional, public relations and marketing activities undertaken by East Gippsland Water to develop community awareness of the corporation and its services (see also the Environmental Sustainability and Community Engagement sections of this annual report and our website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au)).
- 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 (see also pages 5-7 of this annual report).
- Details of all consultancies and contractors including
  - consultants/contractors engaged
  - services provided, and
  - expenditure committed to for each engagement (see also our website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au))
- Details of changes in prices, fees, charges, rates and levies charged by East Gippsland Water.

The information is available on request from:

Freedom of Information Officer,  
East Gippsland Water  
Ph: 1800 671 841  
Email: [foi@egwater.vic.gov.au](mailto:foi@egwater.vic.gov.au)

### Additional information included in this annual report -

Details in respect of the following items have been included in East Gippsland Water's annual report, on the pages indicated below:

- A statement that declarations of pecuniary interests have been duly completed by all relevant officers (page 6).
- Details of assessments and measures undertaken to improve the occupational health and safety of employees (the People and Culture section – pages 8-12).
- A general statement on industrial relations within East Gippsland Water and details of time lost through industrial accidents and disputes (the People and Culture section – pages 8-12).

### Information that is not applicable to East Gippsland Water -

The following information is not relevant to East Gippsland Water for the reasons set out below:

- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary (No shares have ever been issued in East Gippsland Water).
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit (No Board directors or senior executives took overseas work-related trips).

# 2016/17 Performance Report

## EAST GIPPSLAND REGION WATER CORPORATION

### Financial Performance Indicators

KPI Number	Key Performance Indicator	2015/16 Result	2016/17 Result	2016/17 Target	Variance to prior year	Notes	Variance to target	Notes
<b>F1</b>	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax/net interest payments	11.78	16.15	15.80	37.1%	1a	2.2%	
<b>F2</b>	<b>Gearing Ratio</b> Total debt (including finance leases) / Total Assets * 100	3.88%	3.24%	3.90%	-16.5%	2a	-16.9%	2b
<b>F3</b>	<b>Internal Financing Ratio</b> Net operating cash flow less dividends/net capital expenditure * 100	154.30%	126.48%	129.60%	-18%	3a	-2.4%	
<b>F4</b>	<b>Current Ratio</b> Current assets/current liabilities (excluding long term employee provisions and revenue in advance)	1.68	0.91	0.89	-45.7%	4a	2.2%	
<b>F5</b>	<b>Return on Assets</b> Earnings before net interest and tax/average assets * 100	0.76%	0.56%	0.50%	-26.3%	5a	12%	5b
<b>F6</b>	<b>Return on Equity</b> Net profit after tax/average total equity * 100	0.44%	0.33%	0.30%	-25.0%	6a	10.0%	6b
<b>F7</b>	<b>EBITDA Margin</b> Earnings before Interest, Tax, Depreciation and Amortisation/ total revenue * 100	39.69%	41.89%	40.54%	5.5%	7a	3.3%	

1a The Corporation has been in a position to pay down \$5.5 million in borrowings over the last 2 years, including \$3 million in the 2016/17 financial year. This has improved the cash interest cover ratio as interest costs have decreased.

2a Debt levels were reduced by \$3 million in 2016/17 as the Corporation continued to pay down debt in line with the Corporate Plan. Total assets increased by \$120 million on the back of the 2015/16 land, building and infrastructure revaluation.

2b The impact of the infrastructure asset revaluation (\$120 million) was greater than forecast in the 2016/17 Corporate Plan. This increased the asset base and with the Corporation lowering borrowings by \$3 million (in line with the Corporate Plan) meant a better result was achieved.

3a Capital expenditure was \$3.5 million higher than 2015/16, which resulted in a lower ratio being achieved. The additional expenditure was due to delays in projects from the 2015/16 financial year and future capital works budget setting will take into consideration timing requirements for approvals associated with works.

4a The corporation held additional short-term borrowings (\$0.5 million) and additional payables (\$1.2 million) associated with increased capital works at the end of the financial year which has impacted this result compared to 2015/16. Phasing of the capital works program will be managed to ensure the increased payables amount recorded in June is minimised to help improve the result in the future.

5a The Corporation delivered a smaller earning result for 2016/17 on the back of an increase in costs associated with desludging (\$0.8 million) and depreciation (\$1.4 million). The asset base remained constant, leading to the lower result. Management will continue to implement strategies aimed at delivering results in line with budget expectations to minimise the variances between reporting periods.

5b An increase in revenue from unplanned projects undertaken by the corporation in 2016/17, has meant the earnings result for 2016/17 is higher than the target set for the reporting period.

6a An increase in the asset revaluation reserves flowing from the 2015/16 revaluation impacted on the 2016/17 result. Management will continue to implement strategies aimed at delivering results in line with budget expectations to minimise the variances between reporting periods

6b The increase in revaluation reserves was greater than anticipated in the Corporate Plan leading to a positive result against target.

7a The EBITDA margin increased due to an increase in EBITDA for 2016/17 due to an additional depreciation expense (\$1.4 million) and the revenue base only increasing by 2% when compared to 2015/16.

# EAST GIPPSLAND REGION WATER CORPORATION

## Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2015/16 Result	2016/17 Result	2016/17 Target	Variance to prior year	Notes	Variance to target	Notes
<b>WS1</b>	<b>Unplanned water supply interruptions</b> No. of customers receiving more than 5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100	0.00	0.00	0.00	0.0%		0.0%	
<b>WS2</b>	<b>Interruption time</b> Average duration of unplanned water supply interruptions (minutes)	71.48	91.99	75.00	28.7%	1a	22.7%	1b
<b>WS3</b>	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	100.00%	98.12%	98%	-1.9%		0.1%	
<b>SSI</b>	<b>Containment of sewer spills</b> Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers * 100	100.00%	100.00%	100.00%	0.0%		0.0%	
<b>SS2</b>	<b>Sewer spills interruptions</b> 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/b The 2016/17 result was skewed by two major water mains bursts in June 2017. Due to the low number of unplanned water supply interruptions across the Corporation's asset base, the final numbers can be easily compromised by one or two significant events, as was the case in 2016/17 and when comparing to the 2015/16 results and the 2016/17 target. Prior to the mains bursts, the Corporation was on track to achieve an end result of under 75 minutes. The Corporation will continue to maintain its proactive maintenance program to reduce unplanned interruptions where possible.

# EAST GIPPSLAND REGION WATER CORPORATION

## Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2015/16 Result	2016/17 Result	2016/17 Target	Variance to prior year	Notes	Variance to target	Notes
<b>CR1</b>	<b>Water quality complaints</b> No. of complaints per 100 customers	0.03	0.30	0.05	900.0%	1a	500.0%	1b
<b>CR2</b>	<b>Sewerage service quality complaints</b> No. of complaints per 100 customers	0.02	0.01	0.12	-50%	2a	-91.7%	2b
<b>CR3</b>	<b>Sewerage odour complaints</b> No. of complaints per 100 customers	0.01	0.03	0.03	200.0%	3a	0.0%	
<b>CR4</b>	<b>Billing complaints</b> No. of complaints per 100 customers	0.04	0.03	0.02	-25.0%	4a	50.0%	4b

Notes:

- 1a For 2016/17 a new, broader definition for water quality complaints was adopted by East Gippsland Water in line with a request from the Essential Services Commission. This resulted in 70 water quality complaints being registered, compared with eight in 2015/16. 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.
- 1b Of the 70 water quality complaints registered in 2016/17, 27 were for taste and odour, 34 for water colour and nine for other types of quality (like the types of chemicals that we use). Once again, the increase against the 2016/17 target was due to a change in the reporting of water quality complaints, as requested by the Essential Services Commission. Customer complaints are actively monitored and where possible they are investigated to ensure they do not reoccur in the future.
- 2a Sewer complaints have reduced from three in 2015/16 to two in the current year 2016/17. East Gippsland Water does continue to review processes to try to reduce complaint numbers.
- 2b The Corporation received two sewer complaints have received were for blockages which resulted in overflows. The number of sewer complaints was well below the target of 12 set for 2016/17.
- 3a Four sewer odour complaints were received in total, compared to one in the previous year. The Corporation will continue to review the performance of sewer odour strategies to reduce complaints.
- 4a Eight billing complaints received in total, compared to ten in the previous year. Proactive customer awareness of how customers can lower their bills has helped with this result. East Gippsland Water continues to review processes and where possible eliminate customer complaints in the first instance.
- 4b Eight complaints were received compared to a target of five. The eight complaints covered a number of different areas with no single consistent theme. The Corporation will continue to engage with customers to better develop their understanding of their bills.

# EAST GIPPSLAND REGION WATER CORPORATION

## Environmental Performance Indicators

KPI Number	Key Performance Indicator	2015/16 Result	2016/17 Result	2016/17 Target	Variance to prior year	Notes	Variance to target	Notes
<b>E1</b>	<b>Effluent re-use volume (end use)</b> Percentage recycled for each category	97.8%	95.4%	100%	-2.5%		-4.6%	
<b>E2</b>	<b>Total net CO<sub>2</sub> emissions</b> Net tonnes CO <sub>2</sub> equivalent	8,011	8,557	8,270	6.8%	2a	3.5%	

Notes:

- 2a The increase in the total net CO<sub>2</sub>-e emissions followed a change to the National Greenhouse and Energy Reporting Scheme (NGERS) in reporting period. This meant direct emissions from nitrous oxide were included for the first time. This resulted in an additional 948 tonnes CO<sub>2</sub>-e (t CO<sub>2</sub>-e) of direct emissions recorded for 2016/17. The Corporation has pledged to reduce its CO<sub>2</sub>-e by 21% by 2025. The Corporation is committed to undertake projects where feasible to reduce its net CO<sub>2</sub>-e emissions and meet the pledge made in 2016/17.

# East Gippsland Region Water Corporation

## Certification of Performance Report for 2016/17

We certify that the accompanying Performance Report of East Gippsland Region Water Corporation in respect of the 2016/17 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2016/17 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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



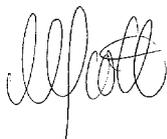
Joanne Booth  
Chairperson

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

6 September 2017

# Independent Auditor's Report

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

<p><b>Opinion</b></p>	<p>I have audited the accompanying performance report for the year ended 30 June 2017 of the East Gippsland Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• financial performance indicators</li> <li>• water and sewerage service performance indicators</li> <li>• customer responsiveness performance indicators</li> <li>• environmental performance indicators</li> <li>• certification of performance report for 2016/17.</li> </ul> <p>In my opinion, the performance report of the corporation in respect of the year ended 30 June 2017 presents fairly, in all material respects, in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>.</p>
<p><b>Basis for Opinion</b></p>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. My responsibilities under the Act are further described in the <i>Auditor's responsibilities for the audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Australia and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<p><b>Board's responsibilities for the performance report</b></p>	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i> and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p>

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**Auditor's responsibilities for the audit of the performance report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

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

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

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

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MELBOURNE  
7 September 2017



Roberta Skliros  
*as delegate for the Auditor-General of Victoria*

# Financial Report

## For the Year Ended 30 June 2017

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# EAST GIPPSLAND REGION WATER CORPORATION

## Comprehensive Operating Statement for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
<b>Revenue</b>			
Service charges	2.1, 2.2.1	21,767	21,353
Water usage charges	2.1, 2.2.1	9,576	9,261
Trade waste charges	2.1, 2.2.1	106	184
Developer contributions	2.1, 2.2.2	1,277	1,473
Other income	2.1, 2.2.3	1,579	1,457
Net gain/(loss) on disposal of non-financial assets	4.1.3	(187)	(1,545)
<b>Total Revenue</b>		<b>34,118</b>	<b>32,183</b>
<b>Expense</b>			
Interest Expense	6.1.2	1,035	1,235
Depreciation	4.1.1	11,559	10,159
Amortisation	4.1.1	142	139
Employee costs	3.1, 3.2.1	8,944	8,755
Environmental contribution	8.2, 8.2.1	1,198	1,198
Suppliers and materials	3.1, 3.3	9,004	8,173
Government water rebate	3.1	552	544
<b>Total Expense</b>		<b>32,434</b>	<b>30,203</b>
<b>Net Result before Tax</b>		<b>1,684</b>	<b>1,980</b>
Income tax expense	8.1, 8.1.1	488	588
<b>Net Result for the Period</b>		<b>1,196</b>	<b>1,392</b>
<b>Other Comprehensive Income</b>			
<i>Items that will not be reclassified to net result</i>			
Net gain on revaluation of land, buildings and infrastructure		-	120,881
Net gain/(loss) on disposal of non-financial assets		-	(1,099)
Income tax relating to comprehensive income	8.1.1	-	(35,935)
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>83,847</b>
<b>Comprehensive Result</b>		<b>1,196</b>	<b>85,239</b>

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Balance Sheet as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6.2	4,524	4,604
Receivables	5.1	7,142	7,151
Inventories		442	381
Prepayments		371	317
<b>Total Current Assets</b>		<b>12,479</b>	<b>12,453</b>
<b>Non Current Assets</b>			
Receivables	5.1	221	287
Infrastructure assets, property, plant and equipment	4.1, 4.1.2, 4.1.3, 7.3.2	443,539	445,026
Intangible assets	4.2	966	898
Capital works in progress	4.1, 4.1.2	6,246	4,783
<b>Total Non Current Assets</b>		<b>450,972</b>	<b>450,994</b>
<b>Total Assets</b>		<b>463,451</b>	<b>463,447</b>
<b>Current Liabilities</b>			
Payables	5.2	4,811	3,642
Interest bearing liabilities	6.1, 6.1.1	3,500	3,000
Employee benefits	3.2.2	2,631	2,678
Deferred revenue - Developer deposits		141	26
<b>Total Current Liabilities</b>		<b>11,083</b>	<b>9,346</b>
<b>Non Current Liabilities</b>			
Interest bearing liabilities	6.1, 6.1.1	11,500	15,000
Employee benefits	3.2.2	200	117
Net deferred tax liabilities	8.1.2	81,051	80,563
<b>Total Non Current Liabilities</b>		<b>92,751</b>	<b>95,680</b>
<b>Total Liabilities</b>		<b>103,834</b>	<b>105,026</b>
<b>Net Assets</b>		<b>359,617</b>	<b>358,421</b>
<b>Equity</b>			
Contributed capital	9.1.1	95,967	95,967
Asset revaluation reserve	9.1.2	174,756	174,756
Accumulated funds	9.1.3	88,894	87,698
<b>Total Equity</b>		<b>359,617</b>	<b>358,421</b>

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Statement of Changes in Equity for the year ended 30 June 2017

	Contributed Capital \$'000	Asset Revaluation Reserve \$'000	Accumulated Funds \$'000	Total \$'000
<b>Reported Balance as at 1 July 2015</b>	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)
<b>Balance as at 30 June 2016</b>	<b>95,967</b>	<b>174,756</b>	<b>87,698</b>	<b>358,421</b>
Total comprehensive income for the year	-	-	1,196	1,196
<b>Balance as at 30 June 2017</b>	<b>95,967</b>	<b>174,756</b>	<b>88,894</b>	<b>359,617</b>

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Cash Flow Statement for the year ended 30 June 2017

	Notes	2017 \$'000 Inflows / (Outflows)	2016 \$'000 Inflows / (Outflows)
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Rates, tariffs, fees and charges		32,193	30,609
Interest received		129	128
Other		1,262	1,223
GST received from ATO <sup>1</sup>		1,628	1,374
Developer contributions		169	482
<b>Payments</b>			
Interest paid		(1,050)	(1,247)
Employees		(9,157)	(8,609)
Environmental contribution		(1,198)	(1,198)
Suppliers and others		(10,027)	(10,702)
<b>Net Cash Inflow from Operating Activities</b>	6.2.1	<b>13,949</b>	<b>12,060</b>
<b>Cash Flows from Investing Activities</b>			
Payment for infrastructure, property, plant and equipment		(10,939)	(7,280)
Payments for intangibles	4.2	(210)	(366)
Trust monies paid		-	(1)
Proceeds from sale of property, plant and equipment		120	108
<b>Net Cash (Outflow) from Investing Activities</b>		<b>(11,029)</b>	<b>(7,539)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of borrowings		(3,000)	(2,500)
<b>Net Cash (Outflow) from Financing Activities</b>		<b>(3,000)</b>	<b>(2,500)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		(80)	2,021
<b>Cash and Cash Equivalents at the Beginning of Financial Year</b>		4,604	2,583
<b>Cash and Cash Equivalents at end of Financial Year</b>	6.2	<b>4,524</b>	<b>4,604</b>

<sup>1</sup> 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 2017

### I. ABOUT THIS REPORT

#### Basis of Accounting

The 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 2017. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. The Corporation is a not-for-profit entity for the purpose of preparing the financial statements.

Where appropriate, those AASs 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.

The annual financial statements were authorised for issue by the Board on the 6th day of September 2017.

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 is 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 3.2.2 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 statements may not equate due to rounding.

#### Historical Cost Convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets, all classes of property, plant and equipment and investment property.

#### Accounting Estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are made in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgments and assumptions made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (Note 7.3)
- estimation of useful life (Note 4.1)
- impairment of assets (Note 4.1)
- employee benefit provisions (Note 3.2)
- actuarial assumptions for employee benefit provisions based on likely staff, pattern of leave claims, future salary movements and future discount rates (Note 3.2)
- Deferred tax calculations (Note 8.1)
- Accrued Expenses (Note 5.1)

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 2. FUNDING DELIVERY OF OUR SERVICES

#### Introduction

The Corporation is responsible for harvesting, storage, treatment and distribution of drinking water, and wastewater collection, treatment and reuse for urban customers throughout East Gippsland. Our activities cover an area from Bairnsdale eastwards through to the Victoria-New South Wales border and to the high country of the Victorian Alps.

To enable the Corporation to fulfil its objective and provide services mentioned above, it receives income from customers for services used. This income is in the form of tariffs approved by the Essential Services Commission. The Corporation also receives income from a number of miscellaneous activities provided and through developer contributions to the asset base.

#### Structure

2.1 Summary of income that funds the delivery of our services

2.2 Income from transactions

2.2.1 Service and usage charges

2.2.2 Developer contributions

2.2.3 Other income

#### 2.1 Summary of income that funds the delivery of our services:

	Notes	2017 \$'000	2016 \$'000
<b>Revenue</b>			
Service charges	2.2.1	21,767	21,353
Water usage charges	2.2.1	9,576	9,261
Trade waste charges	2.2.1	106	184
Developer contributions	2.2.2		
Fees paid by developers		144	419
Assets received from developers		1,133	1,054
Other Income	2.2.3	1,579	1,457
<b>Total revenue</b>		<b>34,305</b>	<b>33,728</b>

#### 2.2 Income from transactions

##### 2.2.1 Service and usage charges

	2017 \$'000	2016 \$'000
<b>Service charges</b>		
Water service charges	5,927	5,899
Sewage charges	15,840	15,454
Trade waste charges	106	184
Water usage charges	9,576	9,261
<b>Total service and usage charges</b>	<b>31,449</b>	<b>30,798</b>

Service and water usage 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 on a quarterly basis.

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 2.2.2 Developer contributions

	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>
Developer contributions		
New customer contributions	144	419
Assets received from developers	1,133	1,054
<b>Total revenue</b>	<b>1,277</b>	<b>1,473</b>

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.

### 2.2.3 Other income

	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>
Planning fees	563	537
Farm operation income	116	194
Miscellaneous	619	480
Legal fees recovered	70	67
Interest	129	128
Rental income	82	51
<b>Total other income</b>	<b>1,579</b>	<b>1,457</b>

Other income includes income from farm operations, new development administration fees and other 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 from operating leases is recognised on a straight line basis over the lease term.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 3. THE COST OF DELIVERING SERVICES

#### Introduction

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

#### Structure

- 3.1 Expenses incurred in the delivery of services
- 3.2 Our people
  - 3.2.1 Employee benefits – comprehensive operating statement
  - 3.2.2 Employee benefits - balance sheet
  - 3.2.3 Superannuation
- 3.3 Suppliers and materials

#### 3.1 Expenses incurred in the delivery of services

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Employee benefit expenses	8,944	8,755
Government water rebate	552	544
Suppliers and materials	9,004	8,173
<b>Total expenses incurred in the delivery of services</b>	<b>18,500</b>	<b>17,472</b>

#### 3.2 Our people

##### 3.2.1 Employee benefits – comprehensive operating statement

Employee benefits		
Salaries and wages	5,909	5,728
Leave payments	1,822	1,774
Employer superannuation contributions	752	738
Other	461	515
<b>Total employee benefit costs</b>	<b>8,944</b>	<b>8,755</b>

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

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

##### 3.2.2 Employee benefits - balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>Current provisions:</b>		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	494	512
Unconditional and expected to settle after 12 months	323	365
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	163	121
Unconditional and expected to settle after 12 months	1,333	1,355
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	93	95
Unconditional and expected to settle after 12 months	225	231
<b>Total current provisions for employee benefits</b>	<b>2,631</b>	<b>2,679</b>
<b>Non-current provisions:</b>		
Long service leave	175	106
On-costs	25	11
<b>Total non-current provisions for employee benefits</b>	<b>200</b>	<b>117</b>
<b>Total provisions for employee benefits</b>	<b>2,831</b>	<b>2,796</b>
<b>Reconciliation of movement in on-cost provision</b>		<b>2017 \$'000</b>
<b>Opening Balance</b>		337
Additional provisions recognised		6
<b>Closing Balance</b>		<b>343</b>
Current		318
Non-current		25
<b>Total</b>		<b>343</b>

### Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including annual leave, long service leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the State does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and long service 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

### Long service leave

Liability for long service leave is recognised in the provision for employee benefits.

Unconditional long service leave is disclosed 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; or
- present value – if the Corporation does not expect to wholly settle within 12 months.

Conditional long service leave 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 long service liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### On-costs

On costs, such as payroll tax and workers' compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are not employee benefits and are to be disclosed separately from provisions for employee benefits.

### 3.2.3 Superannuation

The Corporation makes all of its employer superannuation contributions in respect of its 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. 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 2017, this was 9.5% as required under Super Guarantee (SG) legislation).

#### Defined benefit

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 pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the corporation in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

#### 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. The vested benefit index (VBI) of the defined benefit category of which the Corporation is a contributing employer was 102.0%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns	7.00% pa
Salary information	4.25% pa
Price inflation (CPI)	2.50% pa

Vision Super has advised that the estimated VBI at June 2017 was 103.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 interim actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangements from prior years.

#### Employer contributions

##### Regular contributions

On the basis of the results of the 2016 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 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the SG contribution rate.

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.

##### Funding calls

If the defined benefit category is in an unsatisfactory financial position at an actuarial investigation or the defined benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the defined benefit category 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. 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.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

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.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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.

### The 2016 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the defined benefit category of which the corporation is a contributing employer:

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2016.

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 2016 VBI during August 2016.

### The 2017 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

### Superannuation contributions

Contributions by the Corporation (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2017 are detailed below:

Scheme	Type of scheme	Rate	2017 \$'000	2016 \$'000
Vision Super	Defined benefits	9.5%	93	90
Vision Super	Accumulation	9.5%	593	625
ESS Super	Defined benefits	17.3%	32	30

There was \$81,290 in super guarantee contributions outstanding for the Vision Super Accumulation fund and no loans issued from or to the above schemes as at 30 June 2017.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2018 is \$96,000.

### 3.3 Suppliers and materials

#### Suppliers and materials

Contractors	2,908	2,064
Consultants	1,027	853
Electricity	894	1,049
Licences	631	602
Materials	615	651
IT software	475	506
Chemicals	369	383
Bad and doubtful debt	73	105
Other	2,012	1,960

#### Total suppliers and materials

<b>9,004</b>	<b>8,173</b>
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Suppliers and material expenses are recognised as an expense in the reporting period in which they are incurred. It also includes bad debts expense from transactions that are mutually agreed.

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

#### Introduction

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

#### Structure

4.1 Infrastructure, property, plant and equipment: Carrying amount

4.1.1 Depreciation and impairment

4.1.2 Reconciliation of movements in carrying values of property, plant and equipment

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

4.1.4 Capital commitments

4.2 Intangible assets

#### 4.1 Total infrastructure, property, plant and equipment: Carrying amount

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Land at fair value	13,666	13,666	0	0	13,666	13,666
Buildings at fair value	2,565	2,559	105	0	2,460	2,559
Infrastructure - water at fair value	215,094	212,828	6,144	49	208,950	212,810
Infrastructure - wastewater at fair value	220,928	213,784	4,624	97	216,304	213,688
Plant and equipment at fair value	3,328	3,148	2,787	2,572	541	576
Motor vehicles at fair value	2,189	2,133	1,223	1,083	966	1,050
Office equipment at fair value	2,189	1,920	1,537	1,243	652	677
Capital works in progress at cost	6,246	4,783	0	0	6,246	4,783
	<b>466,205</b>	<b>454,821</b>	<b>16,420</b>	<b>5,044</b>	<b>449,785</b>	<b>449,809</b>

#### Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water and wastewater infrastructure, plant, equipment and motor vehicles used by the Corporation in its operations. Items with a cost or value in excess of \$500 (2016: \$500) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Items of infrastructure, property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

#### Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value, less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on an asset, public announcements or commitments made in relation to the intended use of an asset). Refer to Note 7.3.2 for fair value disclosures.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### Revaluation of infrastructure, property, plant and equipment

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluation is undertaken every five years with an annual assessment of fair value 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 of 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.

Revaluation increments are credited directly to equity in the asset revaluation reserve, 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 surplus/(deficit) on derecognition of the relevant asset.

### 4.1.1 Depreciation and amortisation

<b>Charge for the period</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Building	105	44
Infrastructure - water	6,102	4,545
Infrastructure - wastewater	4,533	4,776
Plant and equipment	228	231
Motor vehicles	295	291
Office equipment	296	272
<b>Sub Total</b>	<b>11,559</b>	<b>10,159</b>
Intangible assets	142	139
<b>Total depreciation and amortisation</b>	<b>11,701</b>	<b>10,298</b>

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, 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 generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life, commencing from the time the asset is held ready for use.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

<b>Assets</b>	<b>Useful life: years</b>
Buildings	50
Water infrastructure	5 to 350
Sewerage and drainage infrastructure	5 to 350
Plant and equipment	3 to 20
Motor vehicles	6 to 8
Office equipment	1 to 10
Intangible assets	3 to 10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

### Indefinite life assets

Land which is considered to have an indefinite life, is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

# EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2017

## 4.1.2 Reconciliation of movements in carrying values of property, plant and equipment

	Land \$'000	Building \$'000	Plant and equipment \$'000	Office equipment \$'000	Water infrastructure \$'000	Wastewater infrastructure \$'000	Vehicle \$'000	Capital works in progress \$'000	Total \$'000
<b>Balance as at 1 July 2015</b>	<b>13,813</b>	<b>2,345</b>	<b>634</b>	<b>711</b>	<b>171,675</b>	<b>137,234</b>	<b>1,206</b>	<b>6,405</b>	<b>334,023</b>
Developer contributed assets	-	-	-	-	350	736	-	(1,086)	-
Additions	-	-	-	-	-	-	-	7,817	7,817
Disposal	-	-	-	(1)	(2,517)	(133)	(102)	-	(2,753)
Transfer between asset Classes	-	-	174	238	2,917	4,787	237	(8,353)	-
Revaluation	(147)	258	-	-	44,930	75,840	-	-	120,881
Impairment of assets	-	-	-	-	-	-	-	-	-
Depreciation	-	(44)	(231)	(272)	(4,545)	(4,776)	(291)	-	(10,159)
<b>Balance as at 30 June 2016</b>	<b>13,666</b>	<b>2,559</b>	<b>577</b>	<b>676</b>	<b>212,810</b>	<b>213,688</b>	<b>1,050</b>	<b>4,783</b>	<b>449,809</b>
Developer contributed assets	-	-	-	-	319	896	-	(1,215)	-
Additions	-	-	-	-	-	-	-	11,842	11,842
Disposal	-	-	-	-	(108)	(112)	(87)	-	(307)
Transfer between asset classes	-	6	192	272	2,031	6,365	298	(9,164)	-
Revaluation	-	-	-	-	-	-	-	-	-
Impairment of assets	-	-	-	-	-	-	-	-	-
Depreciation	-	(105)	(228)	(296)	(6,102)	(4,533)	(295)	-	(11,559)
<b>Balance as at 30 June 2017</b>	<b>13,666</b>	<b>2,460</b>	<b>541</b>	<b>652</b>	<b>208,950</b>	<b>216,304</b>	<b>966</b>	<b>6,246</b>	<b>449,785</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

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

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

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Net gain/(loss on disposal)		
Infrastructure, property, plant and equipment	(187)	(1,545)
	<b>(187)</b>	<b>(1,545)</b>

### 4.1.4 Capital commitments

Capital commitments arising from contracts are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Capital project commitments due within 12 months - Inclusive of GST	1,828	2,442
	<b>1,828</b>	<b>2,442</b>

### 4.2 Intangible assets

	Software		Groundwater licence		Total	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Gross carrying amount</b>						
Opening balance	3,704	3,374	217	181	3,921	3,555
Additions	210	330	-	36	-	366
Disposals	-	-	-	-	210	-
<b>Closing Balance</b>	<b>3,914</b>	<b>3,704</b>	<b>217</b>	<b>217</b>	<b>4,131</b>	<b>3,921</b>
<b>Accumulated amortisation and impairment</b>						
Opening balance	3,023	2,884	-	-	3,023	2,884
Amortisation	142	139	-	-	142	139
<b>Closing Balance</b>	<b>3,165</b>	<b>3,023</b>	<b>-</b>	<b>-</b>	<b>3,165</b>	<b>3,023</b>
<b>Net book value as at end of financial year</b>	<b>749</b>	<b>681</b>	<b>217</b>	<b>217</b>	<b>966</b>	<b>898</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### Recognition

Intangible assets represent identifiable non-monetary assets without physical substance.

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

	<b>Software</b>	<b>Groundwater licences</b>
<b>Useful life</b>	Finite	Indefinite
<b>Amortisation method used</b>	10 years – straight line	Not amortised or revalued
<b>Internally generated/acquired</b>	Internally generated	Acquired
<b>Impairment test/recoverable amount testing</b>	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment	Annually and where an indicator of impairment exists

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 for 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 annually as outlined below.

### Impairment of intangible assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 5. OTHER ASSETS AND LIABILITIES

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

#### Structure

##### 5.1 Receivables

##### 5.1.1 Movement in the provision for impaired receivables

##### 5.1.2 Ageing analysis of contractual receivables

##### 5.2 Payables

#### 5.1 Receivables

	2017 \$'000	2016 \$'000
<b>Current</b>		
<u>Contractual</u>		
Trade receivables	1,671	1,860
Provisions for impaired receivables	(144)	(137)
Other receivables	5,184	4,784
<u>Statutory</u>		
GST Input tax credit receivables	405	392
Other receivables	27	252
<b>Total current receivables</b>	<b>7,143</b>	<b>7,151</b>
<b>Non-current</b>		
<u>Contractual</u>		
Private Schemes	221	287
<b>Total non-current receivables</b>	<b>221</b>	<b>287</b>
<b>Total receivables</b>	<b>7,364</b>	<b>7,438</b>

Receivables consist of:

- Contractual receivables, classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 28 days for other debtors.
- Statutory receivables, do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

#### 5.1.1 Movement in the provision for impaired receivables

As at 30 June 2017, current receivables of the Corporation with a nominal value of \$232K (2016: \$220K) were impaired. The amount of the provision was \$144K (2016: \$137K). The individually impaired receivables mainly relate to tenant debtors, which are experiencing difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

	2017 \$'000	2016 \$'000
<b>Balance at beginning of the year</b>	137	146
Provision for doubtful debts recognised during the year	(58)	(113)
Receivables written off during the year as uncollectible	65	104
Unused amount reversed	-	-
<b>Balance at end of the year</b>	<b>144</b>	<b>137</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for impaired receivables is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off are included in the provision for doubtful debts at reporting date.

### 5.1.2 Ageing analysis of contractual receivables

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but impaired			
			Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000
<b>2017</b>						
Trade receivables	1,671	1,265	52	16	249	89
Other receivables	5,184	5,184	-	-	-	-
Private schemes	221	218	1	1	1	-
Provisions for impaired receivables	(144)	(144)	-	-	-	-
<b>Total</b>	<b>6,932</b>	<b>6,523</b>	<b>53</b>	<b>17</b>	<b>250</b>	<b>89</b>
<b>2016</b>						
Trade receivables	1,860	1,452	44	24	268	102
Other receivables	4,784	4,784	-	-	-	-
Private schemes	287	278	1	-	1	7
Provisions for impaired receivables	(137)	(137)	-	-	-	-
<b>Total</b>	<b>6,794</b>	<b>6,377</b>	<b>45</b>	<b>24</b>	<b>239</b>	<b>109</b>

No interest is charged for the first 28 days from the invoice date. Thereafter, interest is charged at 6.1 per cent on the outstanding balance. The average credit period for sales of goods/services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

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

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

### 5.2 Payables

#### Current

##### Contractual

	2017 \$'000	2016 \$'000
Trade creditors	3,139	1,935
Sundry creditors	503	311
Accrued expense	161	600
Contractor deposits and retention	528	365
<b>Total current payables</b>	<b>4,811</b>	<b>3,642</b>
<b>Total payables</b>	<b>4,811</b>	<b>3,642</b>

Payables consist of:

- Contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the corporation prior to the end of the financial year that are unpaid; and
- Statutory payables, that 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 contracts.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 6. HOW WE FINANCED OUR OPERATIONS

#### Introduction

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

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional, specific financial instrument disclosures.

#### Structure

##### 6.1 Interest bearing liabilities

###### 6.1.1 Maturity analysis of interest bearing liabilities

###### 6.1.2 Interest expense

##### 6.2 Cash flow information

###### 6.2.1 Reconciliation of net result to cash flow from operating activities

##### 6.3 Commitments for expenditure

#### 6.1 Interest bearing liabilities

##### Current interest bearing liabilities

Secured TCV borrowings

##### Non-current interest bearing liabilities

Secured TCV borrowings

##### Total interest bearing liabilities

	2017 \$'000	2016 \$'000
Secured TCV borrowings	3,500	3,000
Secured TCV borrowings	11,500	15,000
<b>Total interest bearing liabilities</b>	<b>15,000</b>	<b>18,000</b>

Interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. 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 non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Borrowings known as 11am debt are classified as current borrowings.

#### 6.1.1 Maturity analysis of borrowings

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000	5+ years \$'000
<b>2017</b>							
Secured TCV borrowings	15,000	15,877	-	-	3,500	7,000	4,500
<b>Total</b>	<b>15,000</b>	<b>15,877</b>	<b>-</b>	<b>-</b>	<b>3,500</b>	<b>7,000</b>	<b>4,500</b>
<b>2016</b>							
Secured TCV borrowings	18,000	19,498	-	-	3,000	10,500	4,500
<b>Total</b>	<b>18,000</b>	<b>19,498</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>10,500</b>	<b>4,500</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 6.1.2 Interest expense

	2017 \$'000	2016 \$'000
Interest on government loans	828	1,006
Financial accommodation levy	207	229
<b>Total interest expense</b>	<b>1,035</b>	<b>1,235</b>

Interest expense includes costs incurred in connection with the borrowing of funds. Interest costs include interest on bank overdrafts, short term and long term borrowings and the financial accommodation levy.

Interest expense is recognised in the period in which it is incurred.

### 6.2 Cash flow information and balances

Cash and deposits, including cash equivalents, 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 which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

	2017 \$'000	2016 \$'000
Cash at bank	1,524	604
Deposits at call	3,000	4,000
<b>Balance as per cash flow statement</b>	<b>4,524</b>	<b>4,604</b>

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

	2017 \$'000	2016 \$'000
<b>Non-cash movements</b>		
Net result for the period	1,196	1,392
Depreciation and amortisation	11,701	10,298
(Gain) / loss on sale of non-current assets	187	1,545
Bad debts	65	105
Donated assets	(1,063)	(992)
<b>Movement in assets and liabilities</b>		
(Increase)/decrease in receivables	75	(232)
(Increase)/decrease in inventories	(61)	13
(Increase)/decrease in prepayments	(54)	4
Increase/(decrease) in employee benefits	36	206
Increase/(decrease) in payables	1,169	(1,048)
Increase/(decrease) in deferred revenue - developer deposits	115	(115)
Increase/(decrease) in net deferred tax liabilities	583	884
	<b>13,949</b>	<b>12,060</b>

### 6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. Please refer to Note 4.1.4 and Note 8.2.1 for details on capital and environmental commitments, respectively. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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

#### Structure

- 7.1 Financial instruments specific disclosures
  - 7.1.1 Financial instruments: categorisation
  - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination
  - 7.3.1 Fair value determination of financial assets and liabilities
  - 7.3.2 Fair value determination of non-financial physical assets

#### 7.1 Financial instruments specific disclosures

##### Introduction

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

##### Categories of financial instruments

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

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

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

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

##### Derecognition of financial assets

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

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

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

##### Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets are subject to annual review for impairment.

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 7.1.1 Financial instruments: Categorisation

	<b>Contractual financial assets – loans and receivables and cash \$'000</b>
<b>2017</b>	
<b>Contractual financial assets</b>	
Cash and deposits	4,524
<b>Receivables</b>	
Trade receivables	1,671
Other receivables	5,184
<b>Total contractual financial assets</b>	<b>11,379</b>
	<b>Contractual financial liabilities at amortised cost \$'000</b>
<b>2017</b>	
<b>Contractual financial liabilities</b>	
<b>Payables</b>	
Contractual	3,139
Other payables	1,192
<b>Borrowings</b>	
Secured TCV borrowings	15,000
<b>Total contractual financial liabilities</b>	<b>19,331</b>
	<b>Contractual financial assets – loans and receivables and cash \$'000</b>
<b>2016</b>	
<b>Contractual financial assets</b>	
Cash and deposits	4,604
<b>Receivables</b>	
Sale of goods and services	6,487
Other receivables	287
<b>Total contractual financial assets</b>	<b>11,378</b>
	<b>Contractual financial liabilities at amortised cost \$'000</b>
<b>2016</b>	
<b>Contractual financial liabilities</b>	
<b>Payables</b>	
Contractual	1,935
Other payables	1,707
<b>Borrowings</b>	
Secured TCV borrowings	18,000
<b>Total contractual financial liabilities</b>	<b>21,642</b>

### 7.1.2 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. As a whole, the Corporation's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage the Corporation's financial risks within the government policy parameters. The Corporation's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk.

Risk management is carried out by the Corporation under policies approved by the Board of Directors. The Corporation identifies, evaluates and hedges financial risks in close co-operation with the Corporation's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 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(i)

2017	Government agencies	Other	Total
	Triple-A Credit Rating \$'000	Min Triple-B Credit Rating \$'000	\$'000
Cash and deposits	-	1,524	1,524
Receivables	-	6,855	6,855
Secured TCV investments	3,000	-	3,000
<b>Total contractual financial assets</b>	<b>3,000</b>	<b>8,379</b>	<b>11,379</b>

2016	Government agencies	Other	Total
	Triple-A Credit Rating \$'000	Min Triple-B Credit Rating \$'000	\$'000
Cash and deposits	-	604	604
Receivables	-	6,774	6,774
Secured TCV investments	4,000	-	4,000
<b>Total contractual financial assets</b>	<b>4,000</b>	<b>7,378</b>	<b>11,378</b>

Notes:

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

### Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of a 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 continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

### Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is no exposure to foreign exchange risk and insignificant exposure to other price risks.

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

#### a. Interest rate risk

The Corporation minimises its exposure to interest rate changes on its long term borrowings by borrowing at fixed rates and holding multiple maturity dates on loans. Debt is sourced from the Treasury Corporation of Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

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

#### b. Foreign exchange risk

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

#### c. Other price risk

The Corporation has no significant exposure to other price risk.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### Interest rate exposure of financial instruments

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

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

The Corporation manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing the Corporation to significant risk.

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

2017	Weighted average interest rate % \$'000	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
<b>Financial assets</b>					
Cash and deposits	1.45%	4,524	-	4,524	-
Receivables					
Contractual and statutory	0%	1,671	-	-	1,671
Private schemes	6.8%	221	-	-	221
Other receivables	5.5%	5,471	-	-	5,471
<b>Total financial assets</b>		<b>11,887</b>	<b>-</b>	<b>4,524</b>	<b>7,363</b>
<b>Financial liabilities</b>					
Payables					
Contractual and statutory	0%	3,139	-	-	3,139
Other payables	0%	1,672	-	-	1,672
Secured TCV borrowings	5.67%	15,000	15,000	-	-
<b>Total financial liabilities</b>		<b>19,811</b>	<b>15,000</b>	<b>-</b>	<b>4,811</b>

2016	Weighted average interest rate % \$'000	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
<b>Financial assets</b>					
Cash and deposits	1.70%	4,604	-	4,604	-
Receivables					
Contractual and statutory	0%	1,860	-	-	1,860
Private schemes	6.8%	287	-	-	287
Other receivables	6.1%	4,627	-	-	4,627
<b>Total financial assets</b>		<b>11,378</b>	<b>-</b>	<b>4,604</b>	<b>6,774</b>
<b>Financial liabilities</b>					
Payables					
Contractual and statutory	0%	1,935	-	-	1,935
Other payable	0%	1,707	-	-	1,707
Secured TCV borrowings	5.74%	18,000	18,000	-	-
<b>Total financial liabilities</b>		<b>21,642</b>	<b>18,000</b>	<b>-</b>	<b>3,642</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### Interest rate risk sensitivity

	Carrying amount \$'000	Interest rate risk			
		-0.50%		0.50%	
		Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<b>2017</b>					
<b>Contractual financial assets</b>					
Cash and deposits	4,524	(23)	(23)	23	23
<b>Total impact</b>	<b>4,524</b>	<b>(23)</b>	<b>(23)</b>	<b>23</b>	<b>23</b>
<b>2016</b>					
<b>Contractual financial assets</b>					
Cash and deposits	4,604	(23)	(23)	23	23
<b>Total impact</b>	<b>4,604</b>	<b>(23)</b>	<b>(23)</b>	<b>23</b>	<b>23</b>

### 7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

#### Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

#### Contingent liabilities

Contingent liabilities are:

- Possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- Present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

The Corporation has no contingent assets or liabilities to disclose in this reporting period (2016: Nil).

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 7.3 Fair value determination

#### Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the corporation.

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.

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 and financial instruments and for non-recurring fair value measurements such as assets held for sale.

#### Fair value hierarchy

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.

#### 7.3.1 Fair value determination of financial assets and liabilities

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

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

The Corporation currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2017-18 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables:
Receivables:	Contractual and statutory
Contractual and statutory	Other payables
Other receivables	Borrowings:
Term deposits	Secured TCV borrowings

Due to the short-term nature of the financial assets and liabilities held by the corporation, their carrying value is assumed to approximate their fair value. All financial assets and liabilities held by the Corporation are considered to fall within level 1 of the fair value hierarchy, except for borrowings which falls into level 2.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 7.3.2 Fair value determination: Non-financial physical assets

2017	Carrying amount as at 30 June 2017	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	-
<b>Total of land at fair value</b>	<b>13,666</b>	<b>-</b>	<b>4,085</b>	<b>9,581</b>
Buildings at fair value				
Specialised buildings	2,460	-	-	2,460
<b>Total of buildings at fair value</b>	<b>2,460</b>	<b>-</b>	<b>-</b>	<b>2,460</b>
Plant and equipment at fair value				
Motor vehicles	966	-	-	966
Plant and equipment	541	-	-	541
Office equipment	652	-	-	652
<b>Total of plant and equipment at fair value</b>	<b>2,159</b>	<b>-</b>	<b>-</b>	<b>2,159</b>
Water infrastructure at fair value				
Water infrastructure	208,950	-	-	208,950
<b>Total of water infrastructure</b>	<b>208,950</b>	<b>-</b>	<b>-</b>	<b>208,950</b>
Wastewater infrastructure at fair value				
Wastewater infrastructure	216,304	-	-	216,304
<b>Total of wastewater infrastructure</b>	<b>216,304</b>	<b>-</b>	<b>-</b>	<b>216,304</b>
<b>Total</b>	<b>443,539</b>	<b>-</b>	<b>4,085</b>	<b>439,454</b>

2016	Carrying amount as at 30 June 2016	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	-
<b>Total of land at fair value</b>	<b>13,666</b>	<b>-</b>	<b>4,085</b>	<b>9,581</b>
Buildings at fair value				
Specialised buildings	2,559	-	-	2,559
<b>Total of buildings at fair value</b>	<b>2,559</b>	<b>-</b>	<b>-</b>	<b>2,559</b>
Plant and equipment at fair value				
Motor vehicles	1,050	-	-	1,050
Plant and equipment	576	-	-	576
Office equipment	677	-	-	677
<b>Total of plant and equipment at fair value</b>	<b>2,303</b>	<b>-</b>	<b>-</b>	<b>2,303</b>
Water infrastructure at fair value				
Water infrastructure	212,810	-	-	212,810
<b>Total of water infrastructure</b>	<b>212,810</b>	<b>-</b>	<b>-</b>	<b>212,810</b>
Wastewater infrastructure at fair value				
Wastewater infrastructure	213,688	-	-	213,688
<b>Total of wastewater infrastructure</b>	<b>213,688</b>	<b>-</b>	<b>-</b>	<b>213,688</b>
<b>Total</b>	<b>445,026</b>	<b>-</b>	<b>4,085</b>	<b>440,941</b>

There have been no transfers between levels during the period.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

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

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

### **Non-specialised land**

Non-specialised land is valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

An independent valuation of the Corporation's non-specialised land was performed by the Valuer General Victoria. The effective date of the valuation is 30 June 2016. The Corporation conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

To the extent that non-specialised land do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

### **Specialised land and specialised 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 majority of the Corporation's 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.

An independent valuation of the Corporation's specialised land and specialised buildings was performed by the Valuer General Victoria. The effective date of the valuation is 30 June 2016. The Corporation conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

### **Plant and equipment**

Plant and equipment is held at fair value. When plant and equipment is 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 is classified as a Level 3 fair value measurement.

### **Water and wastewater infrastructure**

Water and sewer infrastructure are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component 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 structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction includes structure services and finishes as applicable.

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 of Victoria, using a depreciated replacement cost methodology to determine fair value.

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.

The Corporation conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

There were no changes in valuation techniques throughout the period to 30 June 2017.

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 2017

2017	Specialised land \$'000	Specialised buildings \$'000	Plant and equipment \$'000	Office equipment \$'000	Water infrastructure \$'000	Wastewater infrastructure \$'000	Motor vehicles \$'000	Total \$'000
<b>Opening balance</b>	13,666	2,559	577	676	212,810	213,688	1,050	445,026
Purchases	-	6	192	272	2,350	7,261	298	10,379
Disposal	-	-	-	-	(1)	1	(120)	(120)
Gains or losses recognised in net result	-	-	-	-	(107)	(113)	33	(187)
Depreciation	-	(105)	(228)	(296)	(6,102)	(4,533)	(295)	(11,559)
<b>Closing balance</b>	<b>13,666</b>	<b>2,460</b>	<b>541</b>	<b>652</b>	<b>208,950</b>	<b>216,304</b>	<b>966</b>	<b>443,539</b>
<b>2016</b>	<b>Specialised land \$'000</b>	<b>Specialised buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Office equipment \$'000</b>	<b>Water infrastructure \$'000</b>	<b>Wastewater infrastructure \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Total \$'000</b>
<b>Opening balance</b>	13,813	2,345	634	711	171,675	137,234	1,206	327,618
Purchases	-	-	174	238	3,267	5,523	237	9,439
Disposal	-	-	(8)	(1)	(1,100)	-	(99)	(1,208)
Gains or losses recognised in net result	-	-	8	-	(1,417)	(133)	(3)	(1,545)
Depreciation	-	(44)	(231)	(272)	(4,545)	(4,776)	(291)	(10,159)
Subtotal	13,813	2,301	577	676	167,880	137,848	1,050	324,145
Revaluation	(147)	258	-	-	44,930	75,840	-	120,881
<b>Closing balance</b>	<b>13,666</b>	<b>2,559</b>	<b>577</b>	<b>676</b>	<b>212,810</b>	<b>213,688</b>	<b>1,050</b>	<b>445,026</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### Description of significant unobservable inputs to Level 3 valuations

2017 and 2016	Weighted average cost per unit	Valuation technique (i)	Significant unobservable inputs (i)
<b>Specialised Land</b>			
Land	\$9,587 (CSO) adjustment 0% - 30% (14%) (ii)	Market approach	Community Service Obligation (CSO) adjustment (0% to 30%)  VGV provided to Egan National valuer 1,417 Hectres
<b>Specialised Buildings</b>			
Buildings	\$546 50 years	Depreciated replacement cost	Direct cost per square metre (4,687 Sq metres)
<b>Water Infrastructure</b>			
Water mains (939,980 metres)	\$150 40 to 90 years (70 years)	Depreciated replacement cost	Cost per metre (20mm - 750mm)
Water treatment Plants (9 in total)	\$2,493,736 5 to 75 years (23 years)	Depreciated replacement cost	Cost per unit
Water pump stations (45 in total)	\$244,529 5 to 75 years (25 years)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure
Water storage facility (tank / storage) (26 in total)	\$1,785,34 5 to 350 years (98 years)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure
<b>Wastewater Infrastructure</b>			
Wastewater mains (696,990 metres)	\$153 50 to 100 years (84 years)	Depreciated replacement cost	Cost per metre (40mm - 900mm)
Wastewater treatment plant (11 in total)	\$5,197,090 5 to 350 years (59 years)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure
Sewer pump stations (132 in total)	\$148,991 5 to 75 years (28 years)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure
Sewer treatment lagoons (11 in total)	\$2,822,285 5 to 350 years (121 years)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure
Reuse farm facilities (11 in total)	\$1,051,400 5 to 350 years (35 years)	Depreciated replacement cost	Cost per unit Useful life of the infrastructure
<b>Motor Vehicles</b>			
Motor vehicles (60 Units)	\$35,553	Depreciated replacement cost	Cost per unit (18,000 - 63,260)
<b>Plant and Equipment</b>			
Plant and equipment (628 Units)	\$5,013	Depreciated replacement cost	Cost per unit (500 - 85,000)
<b>Office Equipment</b>			
Office equipment (644 Units)	\$2,981	Depreciated replacement cost	Cost per unit (500 - 122,548)

(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.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 8. STATUTORY OBLIGATIONS

#### Introduction

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

#### Structure

##### 8.1 Tax

###### 8.1.1 Income tax

###### 8.1.2 Deferred tax assets and liabilities

##### 8.2 Environmental contribution

###### 8.2.1 Environmental contribution commitments

### 8.1 Tax

#### 8.1.1 Income tax

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 corporate 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.

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

	2017 \$'000	2016 \$'000
<b>Tax reconciliation</b>		
Net result before income tax expense	1,684	1,980
Tax at the Australian tax rate of 30% (2016: 30%)	505	594
Adjustment in respect of income tax of previous year	-	-
Non deductible items		
Depreciation on buildings	32	13
Entertainment	4	3
Amortisation on buildings	(53)	(22)
Other	-	-
<b>Income tax on profit before tax</b>	<b>488</b>	<b>588</b>
<b>Tax expense (income relating to items of other comprehensive income)</b>		
Net gain on revaluation of land, building and infrastructure	-	120,881
Net gain/(loss) on disposal of non-financial assets	-	(1,099)
	<b>-</b>	<b>119,782</b>
Tax at Australian Tax Rate of 30% (2016:30%)	-	(35,935)

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered 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 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.

#### Deferred tax assets

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Doubtful debts	43	41
Employee benefits - Annual Leave	250	263
Employee benefits - Long Service Leave	574	552
Other	10	13
<b>Total deferred tax assets</b>	<b>877</b>	<b>869</b>
<b>Movements</b>		
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Opening balance at 1 July	869	817
Credited/(debited) to the Comprehensive Operating Statement	8	52
Credited/(debited) to other comprehensive income	-	-
Closing balance at 30 June	877	869
Tax losses	4,831	7,178
<b>Ending balance at 30 June offset against deferred tax liabilities</b>	<b>5,708</b>	<b>8,047</b>
Deferred tax asset to be recovered after more than 12 months	877	869

#### Deferred tax liabilities

	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Cumulative depreciation and amortisation	11,876	13,727
<b>Amounts recognised directly in equity</b>		
Revaluation of infrastructure property, plant and equipment	74,883	74,883
Offset from deferred tax assets	(5,708)	(8,047)
<b>Total deferred tax liabilities</b>	<b>81,051</b>	<b>80,563</b>
<b>Movements</b>		
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Opening balance at 1 July	80,563	44,040
Credited/(debited) to the net result	488	588
Credited/(debited) to other comprehensive income	-	35,935
<b>Closing balance at 30 June</b>	<b>81,051</b>	<b>80,563</b>
Deferred tax liabilities to be recovered after more than 12 months	81,051	80,563

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 8.2 Environmental contributions

	2017 \$'000	2016 \$'000
Environmental contribution levy	<b>1,198</b>	<b>1,198</b>

Environmental contributions are funds collected from water supply authorities under the *Water Industry Act 1994* (the Act). Under a 2004 amendment to the Act, environmental contributions are collected to fund initiatives that seek to promote the sustainable management of water or address adverse water-related environmental impacts.

The Victorian Government has committed to a fourth round or ('tranche') of the environmental contribution. The four-year tranche commenced on 1 July 2016. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 July 2016 to 30 June 2020 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation.

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 obligation 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.

#### 8.2.1 Environmental contributions commitments

At 30 June 2017, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>2017</b>				
Environmental contributions commitments payable	1,198	2,998	-	4,196
	<b>1,198</b>	<b>2,998</b>	<b>-</b>	<b>4,196</b>
<b>2016</b>				
Environmental contributions commitments payable	1,198	3,594	-	4,792
	<b>1,198</b>	<b>3,594</b>	<b>-</b>	<b>4,792</b>

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 9. OTHER DISCLOSURES

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

#### Structure

##### 9.1 Equity

9.1.1 Contributed capital

9.1.2 Asset revaluation surplus

9.1.3 Accumulated surplus/(deficit)

9.2 Events occurring after the balance date

9.3 Remuneration of executives and other personnel

9.4 Responsible persons

9.5 Remuneration of auditors

9.6 Related parties

9.7 Australian Accounting Standards issued that are not yet effective

#### 9.1 Equity

##### 9.1.1 Contributed capital

	2017 \$'000	2016 \$'000
Contributed capital		
Balance 1 July	95,967	95,967
Capital contributions	-	-
<b>Balance at 30 June</b>	<b>95,967</b>	<b>95,967</b>

##### 9.1.2 Asset revaluation reserve

	2017 \$'000	2016 \$'000
Land	4,244	4,244
Buildings	404	404
Infrastructure	170,108	170,108
<b>Total</b>	<b>174,756</b>	<b>174,756</b>

<b>Movements during the reporting period</b>	<b>Land</b>	<b>Buildings</b>	<b>Infrastructure</b>	<b>Total</b>
Opening Balance	4,244	404	170,108	174,756
Revaluation increment / (decrement)	-	-	-	-
	<b>4,244</b>	<b>404</b>	<b>170,108</b>	<b>174,756</b>

##### 9.1.3 Accumulated surplus

	2017 \$'000	2016 \$'000
Accumulated surplus		
Accumulated surplus at beginning of financial year	87,698	86,306
Net profit / (loss) for the year	1,196	1,392
<b>Accumulated surplus at end of financial year</b>	<b>88,894</b>	<b>87,698</b>

## 9.2 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.

## 9.3 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

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

- Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.
- Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.
- Other long-term benefits include long service leave, other long-service benefit or deferred compensation.
- Termination benefits include termination of employment payments, such as severance packages.

	<b>Total remuneration 2017</b>
<b>Remuneration</b>	
Short-term employee benefits	649
Post-employment benefits	61
Other long term benefits	9
<b>Total remuneration</b>	<b>719</b>
<b>Total number of executives</b>	<b>4</b>
<b>Total annualised employee equivalents (i)</b>	<b>3.4</b>

(i) Annualised employee equivalent is based on the time fraction worked over the reporting period.

## 9.4 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period.

### Ministers

The Hon. Lisa Neville MP Minister for Water 1 July 2016 to 30 June 2017

### Board

Chairperson	Joanne Booth	1 July 2016 to 30 June 2017
Deputy Chairperson	Michelle Dowsett	1 July 2016 to 30 June 2017
Director	Richard Elkington	1 July 2016 to 30 June 2017
Director	Gail Morley	1 July 2016 to 30 June 2017
Director	Stephen Bird	1 July 2016 to 30 June 2017
Director	Angela Hutson	1 July 2016 to 30 June 2017
Director	Therese Tierney	1 July 2016 to 30 June 2017
Director	Bill Deveney OAM	1 July 2016 to 30 June 2017
Managing Director	Bruce Hammond	1 July 2016 to 30 June 2017

### Remuneration of Responsible Persons'

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet.

	<b>2017</b>	<b>2016</b>
\$0,000 - \$9,999	-	4
\$10,000 - \$19,999	-	5
\$20,000 - \$29,999	7	2
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	1	-
\$270,000 - \$279,999	-	1
\$280,000 - \$289,999	1	-
<b>Total Numbers</b>	<b>9</b>	<b>13</b>

### Retirement Benefits

The Corporation has made superannuation payments of \$48,240 (2016: \$43,000) on behalf of the board directors.

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 9.5 Remuneration of auditors

Victorian Auditor General's Office  
Internal auditor

#### Total remuneration of auditors

	2017 \$'000	2016 \$'000
Victorian Auditor General's Office	45	44
Internal auditor	70	57
<b>Total remuneration of auditors</b>	<b>115</b>	<b>101</b>

### 9.6 Related parties

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

Related parties of the Corporation include:

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

Any related party transactions have been entered into on an arm's length basis.

#### Significant transactions with government-related entities

During the year, the Corporation had the following government-related entity transactions:

- Treasury Corporation of Victoria (Investment and Borrowings). Refer to Notes 6.1 & 6.2
- Department of Environment, Land, Water and Planning (Environment Contribution). Refer to Note 8.2.
- East Gippsland Catchment Management Authority (Nicholson Dam Funding). Total \$145,000 ex GST.
- Department of Treasury and Finance (Financial Accommodation Levy). Total \$207,000 ex GST.
- Other transactional based dealings including VicRoads (\$35K) and Department of Health and Human Services (\$1.94M).

#### Key management personnel

Key management personnel of the Corporation include the Portfolio Minister the Hon. Lisa Neville MP, the board of directors and the Managing Director.

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

#### Compensation

Short-term employee benefits

Post-employment benefits

Other long-term benefits

Termination benefits

#### Total

	2017 \$'000
Short-term employee benefits	424
Post-employment benefits	48
Other long-term benefits	-
Termination benefits	-
<b>Total</b>	<b>472</b>

#### Transactions with key management personnel and other related parties

Given the breadth and depth of the Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

During the year, Bairnsdale Regional Health Service (BRHS), an entity of which Therese Tierney is CEO and Angela Hutson is a Director, was one of the Corporation's largest customers. BRHS receives water, wastewater and tradewaste services from the Corporation. The total amount of revenue generated from BRHS for 2016/17 was \$160,239.

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

# EAST GIPPSLAND REGION WATER CORPORATION

## Notes to the Financial Report for the year ended 30 June 2017

### 9.7 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2018	1 July 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	1 July 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-to-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-to-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.
AASB 2016-4 <i>Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	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 January 2017	1 July 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restriction of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives.	1 January 2019	1 July 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will not be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

# East Gippsland Region Water Corporation

## Accountable Officers and Chief Finance and Accounting Officer's Declaration for 2016/17

The attached financial statements for East Gippsland Region Water Corporation have been prepared in accordance with Standing Direction 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including 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 accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of the corporation at 30 June 2017.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 6th September 2017.



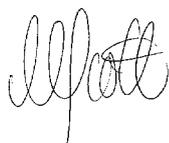
Joanne Booth  
Chairperson

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

# Independent Auditor's Report

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

<p><b>Opinion</b></p>	<p>I have audited the financial report of the East Gippsland Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2017</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial report</li> <li>• accountable officer's and chief finance and accounting officer's declaration for 2016/17.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<p><b>Basis for Opinion</b></p>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<p><b>Board's responsibilities for the financial report</b></p>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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Roberta Skliros

*as delegate for the Auditor-General of Victoria*

MELBOURNE  
7 September 2017

# 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
BE	Bulk Entitlement
DAP	District Action Plan
DELWP	Department of Environment, Land, Water and Planning
DoH	Department of Health
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
EGCMA	East Gippsland Catchment Management Authority
EPA	Environment Protection Authority
EWOV	Energy and Water Ombudsman Victoria
FTE	Full Time Equivalent
Gigalitre (GL)	One billion litres
GLaWAC	Gippsland Land and Waters Aboriginal Corporation
H&S	Health & Safety
Kilolitre (kL)	One thousand litres
Megalitre (ML)	One million litres
NATA	National Association of Testing Authorities
SCADA	Supervisory Control and Data Acquisition
t CO <sub>2</sub> –e	tonnes of CO <sub>2</sub> equivalent
WSAA	Water Services Association of Australia





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