

**EAST GIPPSLAND WATER
MINUTES OF THE MEETING OF THE BOARD OF THE EAST GIPPSLAND WATER
CORPORATION
HELD AT ORBOST ON THE 20 JUNE 2017**

Directors:

Joanne Booth (Chairperson), Gail Morley, Therese Tierney, Bill Deveney, Michelle Dowsett, Richard Elkington (via phone link), Steve Bird, Angela Hutson and Bruce Hammond (Managing Director)

In Attendance:

James Sanford (Acting Executive and Board Operations Officer)

Item 3.3 onwards: Dean Boyd (Executive Manager Infrastructure), Frank McShane (Executive Manager Operations) and Rob Carlesso (Executive Manager Business)

Item 3.4 onwards: Mathew Scott (Acting Executive Manager Business) and Iain McDougall (Acting Executive Manager Organisational Development)

Item 3.6 & 5.2 Tony Smith (Manager Business Risk)

Apologies:

The Chairperson led the Welcome to Country, acknowledging Traditional Owners and opened the meeting at 8.02am.

1. CHAIRPERSON'S OPENING

The Chairperson welcomed all Directors to the June Regional Board meeting. Items discussed were:

- VicWater Chairs Forum noting:
 - current diversity shift in sector and discussion about embedding outcomes into business as usual practice. Steering Committee is resetting strategy for next stage.
 - Vicwater review with overall strong support for Vicwater structures and fees
 - The Board Director appointments process is progressing ahead of schedule with initial recommendations likely to be with the Minister toward the end of June.
 - VicWater correspondence to the Secretary in relation to structure of Director remuneration
 - The Victorian Public Sector Commission (VPSC) review of GSERP Executive Remuneration with findings in a few months.
 - VicWater is seeking legal advice in relation to the expectation of the ESC for Boards to attest to their price submissions
- The recent correspondence from the ESC Chairperson relating to the PREMO framework, providing price submission review guidance to Directors

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- The Managing Director’s planned long service from Monday 26 June to Friday 4 August 2017 and the need to appoint an acting managing director during the period.
- The 2017/18 Corporate Plan was submitted on 31 May 2017. The Managing Director and Executive Managers presented to the Department of Environment, Land, Water and Planning (DELWP) in Melbourne on Monday 29 May 2017.
- The Managing Director advised the East Gippsland Water Executive appointments have been finalised with successful applicants being:
 - Carol Ross – Executive Manager Customers
 - Lara Caplygin – Executive Manager Strategy
 - Jenny Gregory – Executive Manager Organisational DevelopmentThe planned start date for all three candidates is Monday 14 August 2017.
- Executive Manager Operations, Frank McShane has announced his retirement with a finish date to be confirmed, but likely in September 2017.
- Director Bill Deveney attended VicWater’s ‘A Blueprint for Water in The Future State of Electricity’ event which was held in Melbourne on Thursday 25 May and Friday 26 May 2017, noting the main focus being Hydro innovation.

The Board resolved to:

- **note the verbal report**
- **appoint Dean Boyd as the Acting Managing Director from 24 June to 6 August 2017**
- **Request management to provide a brief summary to Directors to address the PREMO guidance prompts in the correspondence from the ESC Chairperson.**

2. BOARD OPERATIONS

2.1. DECLARATION OF PECUNIARY OR CONFLICT OF INTEREST

Nil

The Board’s Register of Interests record was noted.

2.2. CONFIRMATION OF THE MINUTES OF THE BOARD MEETING HELD ON THE 16 MAY 2017.

The Board resolved that the minutes of the meeting of the Board held on 16 May 2017 be confirmed.

2.3. ACTION LIST

The Board reviewed the action list, noting the DELWP ‘Dam Safety Risks and Emergency Management Presentation’ and Pitcher Partners 2017/18 and subsequent ‘Three Year Internal Audit Plan’ have been uploaded to the Board Portal for reference.

The Board resolved to note the action list

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2.4. BOARD CALENDAR AND ANNUAL AGENDA

The Board reviewed the Board calendar and annual agenda, noting the VicWater Conference has been rescheduled for Thursday 14 and Friday 15 September 2017 and the Annual Report is due by the 6 October 2017. Director Richard Elkington has advised he will be away on leave from Monday 26 June to Monday 7 August 2017. Angela Hutson also advised she will be away on leave from Saturday 19 August to Monday 11 September 2017.

The Board resolved to:

- **note the calendar and annual agenda**
- **request management update the calendar to include the rescheduled VicWater Conference**
- **request management update the calendar to include the rescheduled Annual Report submission date**
- **request management update the calendar to include Director Elkington and Hutson leave**

2.5. EXCEPTION REPORT

The Board resolved to note the exception report

3. MATTERS FOR DECISION

3.1. AUDIT AND RISK COMMITTEE

Director Steve Bird addressed the report, noting the resignation of Chris Trotman (External Independent Member) and recommendation to reappoint Gerald Kraft (External Independent Member) until May 2020. In depth discussion ensued around POL 014 Audit and Risk Committee Charter relating to independent external members, quorum requirements and relevant skills/experience requirements.

The Board resolved to:

- **note the report and the unconfirmed minutes of the meeting held on the 24 May 2017**
- **note the results of the Committee's annual self-assessment survey**
- **endorse the reappointment of Gerald Kraft as an external independent member of the Audit and Risk Committee for a three year term, expiring May 2020**
- **schedule a further review of the Committee membership following October 2017, once the Director appointment process has concluded**
- **adopt POL 005 Code of Conduct with minor amendments as at attachment one**
- **adopt POL 057 Gifts Benefits and Hospitality with significant amendments as at attachment two**
- **adopt POL 050 EGW Water Trading with no amendments as at attachment three**
- **adopt POL 014 Audit and Risk Committee Charter with minor amendments as at attachment four**
- **request management upload Pitcher Partners - Internal Audit Plan, the Property Holdings and Leases Review Paper and VAGO Audit Strategy Report to the Board Portal for reference**

3.2. PEOPLE AND REMUNERATION COMMITTEE

The Chairperson addressed the report, noting the revised Managing Director's position description. Reference was made to the inclusion of the Corporate Governance and Compliance section.

The Board resolved to:

- note the report and the unconfirmed minutes of the meeting held on the 6 June 2017
- note the results of the Committee's annual self-assessment survey
- adopt POL 016 People and Remuneration Committee Charter with minor amendments as at attachment five
- adopt the revised Managing Director Position Description

(Item 3.6 was considered at this time)

3.3. INFRASTRUCTURE, OPERATIONS AND ENVIRONMENT COMMITTEE

(The Acting Executive Manager Business and Acting Executive Manager Organisational Development were not present for this item)

Director Gail Morley addressed the report, noting the Engineering Service Contract review. Discussion ensued around the current contract (5001/2013.1) arrangement with MWH and the proposal to retain MWH for a further three to five years. Reference was made to the setting of engineering services KPIs to measure and drive expected performance improvements.

The Executive Manager Infrastructure provided a presentation to the Board on the 2018 Pricing Submission Capital Works Program Update, referencing the risk management and prioritisation process, associated risk heat maps, key projects and risks and future activities leading up to the finalisation of the Price Submission.

The Board resolved to:

- note the report and the unconfirmed minutes of the meeting held on the 7 June 2017
- note the results of the Committee's annual self-assessment survey
- endorse the current single service provider model for delivery of EGW's external engineering services be retained, with on-going transition to allocate selected projects to Tier 2 engineering consultants as appropriate
- endorse the current contract arrangement for the period from 1 July 2018 not be re-tendered and that MWH is retained as EGW's Tier 1 external engineering services provider for a further period of 3 years with additional 2 years (conditional) totalling 5 years
- endorse the contract with MWH is updated to incorporate performance improvement provisions
- adopt in-principle the Optimal (\$70M five year capital expenditure program) scenario for inclusion in the 2018 Price Submission, noting the range of uncertainty yet to be refined in the final submission (of around \$67M - \$72M)
- adopt POL 015 Infrastructure, Operations and Environment Committee Charter with minor amendments as at attachment six

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3.4. ANNUAL REPORT DESIGN AND OUTLINE

The Executive Manager Business provided information on the progress of the annual report for 2016/17, noting the deadline for delivery of the final printed annual report to the Department of Environment, Land, Water and Planning (DELWP) has been extended to 6 October 2017. Tabling of reports in the Victorian Parliament is scheduled to occur between the 16 and 19 October 2017. Three design options for the front cover of the report were presented to the Board for consideration and decision.

The Board resolved to:

- **note the progress on drafting the 2016/17 Annual Report**
- **approve the Annual Report cover page (option three) with minor amendments**

3.5. BOARD ANNUAL AGENDA

The Chairperson addressed the report regarding the Board annual agenda review and suggested amendments. Discussion ensued around the proposal to remove the public Board meeting, which has typically been held in September in previous years. Reference was made to the Committee's annual agenda matrix being a guide to ensure the Board addresses all duties and obligations understanding some flexibility in scheduling will be necessary.

The Board resolved to:

- **note the report**
- **adopt the revised annual agenda, noting the need to maintain flexibility in scheduling and removal of annual public Board meeting as at attachment seven**
- **hold a meeting with stakeholders before the end of the year**
- **request POL 005 Code of Conduct review be removed from the Audit and Risk Committee annual agenda and added to the People and Remuneration Committee annual agenda**

3.6. RISK APPETITE REVIEW

The Manager Business Risk addressed the report, providing a breakdown of the recommended changes to the Risk Appetite Statement for 2017/18 and Risk Matrices. Discussion ensued around the changes to the negative and positive consequences of impact, referencing the economic/financial measures.

The Board resolved to:

- **note the report**
- **approve the recommended changes to the Risk Appetite Statement for 2017/18**
- **approve and recommended changes to the risk matrices**

(Item 5.2 was considered at this time)

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3.7. POL 045 CUSTOMER CHARTER REVIEW

The Managing Director addressed the report, noting POL 045 Customer Charter is required to be reviewed every three years. It was noted that the Charter reflects the provisions in the Customer Service Code, which is unchanged. Reference was made to the Charter's opening statement, with the Board requesting that management consider amendment.

The Board resolved to:

- **note the report**
- **request management make suggested amendments to POL 045 Customer Charter and refer back to the August 2017 Board meeting for approval**

3.8. ACTS REGULATIONS AND MINISTERIAL DIRECTIONS

The Managing Director addressed the report, noting the proposed inclusion of Direction 2.2 "Responsible Body" of the Standing Directions for the Minister of Finance be included in POL 059 Board Governance Guidelines.

The Board resolved to:

- **note the report and changes arising for the Freedom of Information Amendments Act 2016 take effect from 1 September 2017**
- **approve the addition of Direction 2.2 from the Standing Directions for the Minister of Finance into POL 059 Board Governance Guidelines**

3.9. DELWP STATUTORY AND POLICY REQUIREMENTS

The Acting Executive Manager Business addressed the report, noting East Gippsland Water's internal audit program and the extent to which it has reviewed the use of corporate credit cards, travel policy, gifts and benefit, conflict of interest policy and executive contract conditions against relevant statutory and policy requirements.

The Board resolved to:

- **note the report**
- **endorse the recommendation to audit the Travel Policy, Gifts, Benefits and Hospitality Policy, Executive Contracts and Conflict of Interest Policy as part of the compliance audit scheduled for 2017/18**

4. MATTERS FOR DISCUSSION

4.1. MANAGING DIRECTOR STRATEGIC UPDATE

The report was taken as read.

The Board resolved to note the report

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5. MATTERS FOR NOTING

5.1. FINANCE REPORTS – PERIOD TO 31 MAY 2017

The Acting Executive Manager Business addressed the report regarding the financial results of the corporation for the period ending 31 May 2017. Reference was made to operations and maintenance being below budget, noting the Orbost desludging contract as the primary variance.

The Board resolved to note the financial reports for the period to 31 May 2017

5.2. HEALTH SAFETY AND ENVIRONMENT REPORT

The Acting Executive Manager Organisational Development addressed the report, providing a brief update on current Health, Safety and Environment for May 2017. Brief discussion ensued around the odour complaints in Paynesville and Lakes Entrance, noting remedial action is being undertaken.

The Board resolved to note the report

(The Manager Business Risk left the meeting at 9.21am)

5.3. OPERATIONS REPORT

The Executive Manager Operations addressed the report, noting the stream flows across the region are lower than previous years for this time of year. Discussion ensued around the Australian first installation of floating Hexa-cover Blocks at the Omeo Raw Water Storage to reduce evaporation and the risk of algae and faecal contamination.

The Board resolved to note the report

5.4. MOU WITH GIPPSLAND WATER CORPORATIONS REVIEW

The Managing Director addressed the report, noting separate meetings of the Chairperson and Managing Director groups have occurred in May and June 2017 to progress the renewal of the MOU. Reference was made to the request for the Managing Directors to prepare a revised draft MOU, with minor tightening of the principles, for consideration by each Board. It was noted that this body of work has already commenced by the Managing Directors.

The Board resolved to note the report

5.5. INFRASTRUCTURE REPORT

Taken as read.

The Board resolved to note the report

6. MEETING CLOSE

6.1. BOARD MEETING EVALUATION

- Director Therese Tierney led the evaluation of the June Board meeting, with reference to the evaluation template.
- The time management, effectiveness of discussions and decisions and high balance between operations and strategic considerations were noted. In particular it was noted that the Risk Appetite Review by the Manager Business Risk and the 2018 Pricing Submission Capital Works Program Update by the Executive Manager Infrastructure were well presented and informative.

The Board discussed and noted the verbal evaluation report.

The Board confirmed that the next meeting will be held on Tuesday 22 August 2017 in Bairnsdale.

The meeting closed at 10.57am

Confirmed: _____ Joanne Booth, Chairperson

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