



East Gippsland **Water**

2017/18



ANNUAL REPORT



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.

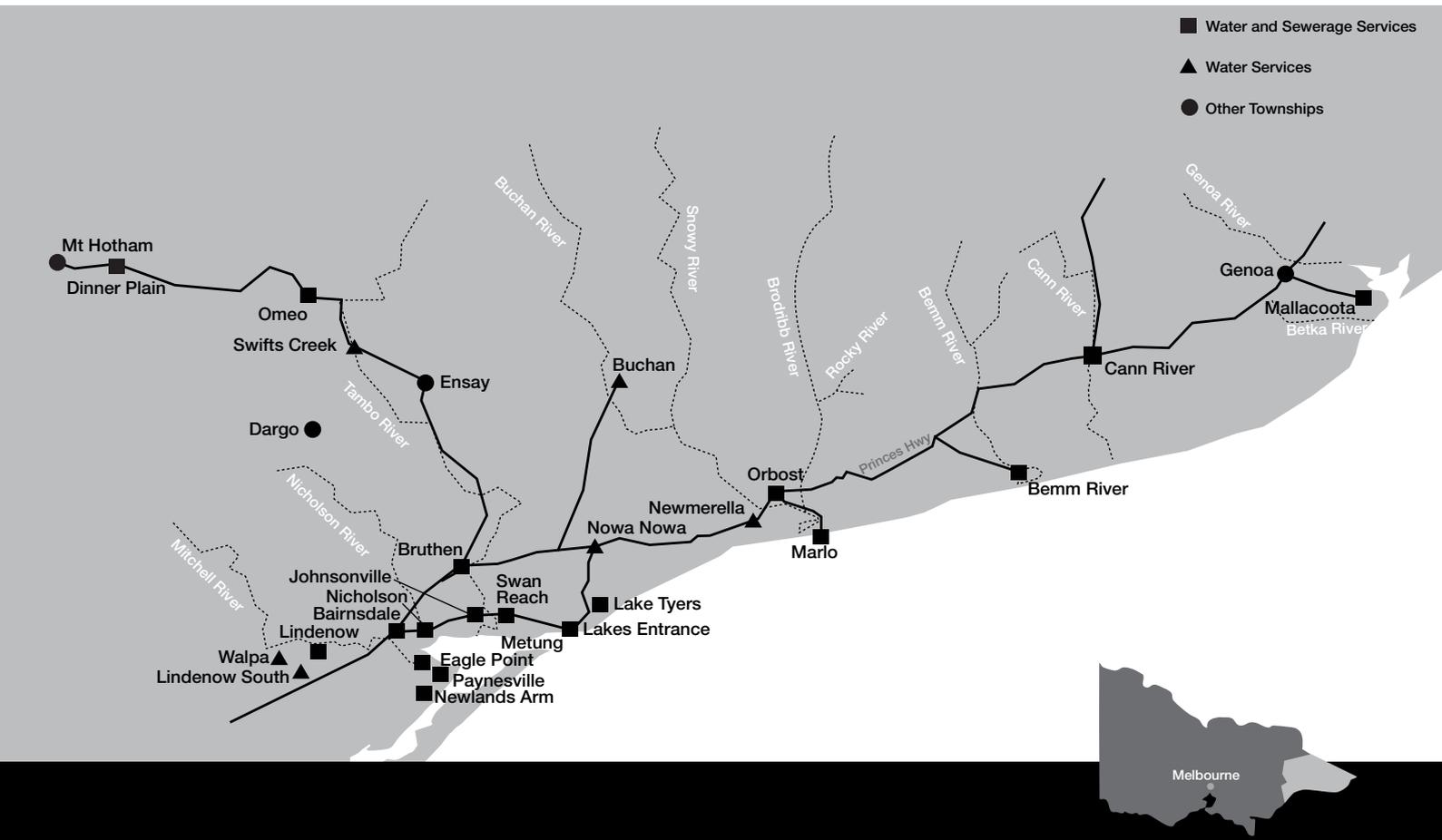
The region's world renowned beaches, lakes, high country and national parks are a natural draw-card for those seeking a lifestyle change, as well as for the many tourists that swell the region's population numbers over the busy holiday periods.

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 26,400 account holders (assessments) with wastewater services also provided to around 22,500 account holders.



Fact File (as at 30 June 2018)

Water

Serviced properties	
- residential assessments	23,194
- non residential assessments	3,256
Volume of water consumed (ML/y)	5,002
Length of water mains (km)	953
Water treatment plants	9
Water disinfection plants	11
Separate water supply systems	9

Wastewater

Serviced properties	
- residential assessments	20,121
- non residential assessments	2,370
Volume of wastewater collected (ML/y)	3,103
Length of sewer mains (km)	706
Wastewater treatment plants	11
Water recycled (%)	100
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 2017/18 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

Sustainability and resilience through leading and innovative water solutions.

Our Mission

Providing quality water and wastewater services to sustain and enhance our community.

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 2017/18. 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

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Responsible Body 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 2018.



Joanne Booth
Chairperson, East Gippsland Water

6th September 2018

Financial Management Compliance Attestation Statement

I Joanne Booth, on behalf of the Board, certify that East Gippsland Water has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



Joanne Booth
Chairperson, East Gippsland Water

6th September 2018



Report from the Chairperson and Managing Director

Initiatives and Key Achievements

East Gippsland Water continued to proactively address the needs of the regional community and expectations of the Victorian Government in the 2017/18 financial year.

We continued to implement significant initiatives in line with 'Water for Victoria' (the Victorian Government's water management strategy) and 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.

There were no significant changes or factors which affected our performance during the reporting period.

Financial Overview

We recorded a surplus before tax of \$3.24 million. This was higher than the budgeted profit of \$1.6 million, due to increased water sales attributable to hotter and drier than average conditions, higher revenue from various sources, stable operating costs and embedding efficiencies into day-to-day business activities.

Expenditure on capital works totalled \$8.85 million for the year, with a number of major projects completed. These included water system upgrades in Bairnsdale, Cann River, Omeo and Bemm River and a number of major water main replacements across the region.

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

The corporation continued to maintain a sound financial position, reducing total debt from \$15 million to \$11.5 million. A total of \$6.5 million was recorded in cash at the bank at the end of the financial year, which is earmarked for planned capital works projects in 2018/19.

Prices

Once again we kept price increases to a minimum for the reporting period as part of our ongoing drive to hold costs down for customers.

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

The average residential customer saw their combined bill for water and sewerage rise by 2.47 percent, or \$28.71 over the 12 month period.

A leader with our Price Submission

During the reporting period further extensive community engagement was conducted to confirm customer preferences and priorities – helping to shape our 2018-23 Price Submission (five year business plan).

In its consideration of the resultant Price Submission, the water industry's independent regulator, the Essential Services Commission, granted "fast track" status in its approval process - reflecting the high quality of the submission and the strong linkages to outcomes preferred by customers. Implementation of related programs, initiatives and outcomes is due to commence in July 2018.

We will be maintaining current levels of service for the next five years, with no increase in the average customer bill, except for inflation. Our commitment to deliver affordable water and sewerage services means we'll be absorbing increases in any external business costs as much as we can.

Our plan allows for a total of around \$62 million to be invested in a major capital works program over the next five years. Complementing this, we will be spending around \$19 million a year on the day-to-day operation and maintenance of existing water and sewerage infrastructure.

Excluding inflation, the average residential customer (using 146,000 litres of water a year) will see their combined bills for water and sewerage decrease by \$5 over the 2018/19 financial year and no bill increase from 1 July 2019 to 30 June 2023.

East Gippsland Water's Customer Committee continued to play an instrumental role in relation to the community engagement process for development of the Price Submission. It made recommendations to the Board on the community's behalf relating to service preferences and priorities in the areas of liveability, environmental sustainability, service levels and financial assistance for customers experiencing genuine difficulty paying their East Gippsland Water bills. It was also empowered by the Board to determine guaranteed service levels.

Water for Victoria

During 2017/18 we progressed a number of initiatives aligned with 'Water for Victoria'. 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.

We continued to encourage the community to get behind the 'Target Your Water Use' water efficiency program aimed at rural and regional Victorians and designed to assist customers to use water wisely - including via our website 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.

We have also been actively progressing integrated water management across the region. During the reporting period the East Gippsland Integrated Water Management Forum was established - one of a number established across Victoria to guide the development and implementation of integrated water management projects. It comprises the CEOs and Managing Directors of the region's public sector and traditional owner agencies and is chaired by the Managing Director of East Gippsland Water.

The forum builds on existing collaborative networks established to share and develop ideas in relation to integrated environmental, water and traditional owner issues affecting the region's towns and communities. It is supported by a working group - bringing together an invaluable depth of knowledge across organisations that influence the water cycle.

The first task of the forum and working group has been to develop a Strategic Directions Statement that provides a vision and plan for seeing integrated water management projects to fruition. This is due to be finalised during early 2018/19 and details a number of high priority focus areas, such as water recycling, stormwater management, promoting water sensitive urban design, climate change adaptation and developing integrated water management plans.

Partnership working with Gunaikurnai

We commenced work on a strategy formalising our ongoing commitment to acknowledge and support Aboriginal cultural values and economic inclusion in the water sector. This is due to be completed in 2018/19.

A ground-breaking partnership agreement with the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) was signed by East Gippsland Water and 12 other natural resource agencies and organisations working across Gippsland.

The agreement, proposed through the Gippsland Environmental Agencies alliance, includes DELWP and other Victorian Government departments, water corporations, catchment management authorities and other non-profit organisations.

It forms the basis for working together on land and water initiatives that involve the Gunaikurnai community – providing a framework that supports GLaWAC's objectives under the Gunaikurnai Whole of Country Plan.

The agreement is an innovative initiative that recognises Traditional Owner groups often do not have the resources or time to negotiate separate agreements with individual agencies and facilitates collaboration between all the partners to support the implementation of the integrated action plan.

East Gippsland Water also partnered in GLaWAC's successful application for funding to recruit two Aboriginal Water Officers under the Victorian Government's Aboriginal Water Grants Program. These officers will work in conjunction with east and west Gippsland catchment management authorities, and the region's water corporations, to further the objectives of the program and 'Water for Victoria', which are to: build water literacy; recognise Aboriginal values and objectives of water; include Aboriginal values and traditional ecological knowledge in water planning; support Aboriginal access to water; and, build capacity to increase Traditional Owner and Aboriginal Victorians participation in water management.

In addition, all our staff and board directors participated in an invaluable, indigenous cultural heritage awareness program delivered by GLaWAC during the year.

Diversity and Inclusion

East Gippsland Water is actively working towards a balanced working environment where equal opportunity and diversity are recognised priority commitments.

Our Diversity and Inclusion Plan complements the Water Industry Diversity Strategy and we have 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.

Significantly, a restructuring of the corporation's executive management team during 2017/18 now sees the team evenly balanced with three females and three males.

Construction and Maintenance

A major program of initiatives continued 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.

A number of drinking water storage upgrades were implemented with covered water storage tanks installed at Bemm River, Cann River and Omeo water treatment plants to improve the security, reliability and quality of water supplied to local communities.

We upgraded approximately 1km of water main to boost the capacity in Lindenow South and replaced nearly 2km of ageing water main in Bairnsdale and 500m in Orbost.

The reporting period saw work commence on construction of a new 1.3ML flow balancing tank at Bairnsdale Wastewater Treatment Plant to improve the plant's operational efficiency and performance, and on an odour control facility at Lakes Entrance Wastewater Treatment Plant.

Work progressed on upgrades to key pump stations in the Lakes Entrance, Mallacoota, Bruthen and Swan Reach sewerage networks. The most significant of these upgrades was the installation of a new 46,000 litre underground emergency sewage storage tank at the Ferndale Parade sewer pump station in Lakes Entrance. A back-up generator was also installed to improve the reliability of the site. These upgrades are designed to meet EPA compliance requirements.

During the year we continued with a proactive program of air scouring and swabbing targeted sections of water main (5.2km in total), to clean and ensure the efficiency of the supply network and maintain drinking water quality.

We also continued with a significant program to proactively pressure-clean sections of the sewerage network, to help prevent blockages, overflows and interruptions to sewerage services.

In Bairnsdale, to reduce stormwater infiltration of the sewer network we smoke-tested nearly 10km of sewer, inspected nearly 2,000 properties, replaced over 80 inspection covers, repaired some 180 connections and installed around 200 Overflow Relief Gully savers.

Sustainability Victoria Grant

The corporation continued to work in partnership with the East Gippsland Food Cluster and East Gippsland Shire Council on an innovative project aimed at reducing greenhouse gas emissions by cutting the amount of food waste sent to landfill and converting this into energy.

Sustainability Victoria announced a \$210,000 grant from its Waste to Energy Infrastructure Fund to support the project – specifically to help facilitate a necessary upgrade to infrastructure at Bairnsdale Wastewater Treatment Plant. We are providing the remainder of the funding for the \$840,000 initiative, which will see the installation of specialised infrastructure to receive food waste and an increase to the renewable electricity generation capacity at the facility.

Thanks

The Board saw a number of changes during the year with directors Richard Elkington, Gail Morley and Therese Tierney concluding their terms. Collectively they have significantly influenced East Gippsland Water's success over their respective terms and our special thanks goes to them for their valued contribution. We also welcomed directors Susan Taylor, Tim Weight and Ross Passalacqua, who bring wide ranging experience, capabilities and perspectives to complement the diversity, skills and leadership of the Board.

Finally, we would like to recognise the valuable contributions of the Board and staff across East Gippsland for their ongoing commitment to the success and positive achievements of the corporation over the 2017/18 year.



Joanne Booth
Chairperson
6th September 2018



Bruce Hammond
Managing Director
6th September 2018

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 also 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: Director, Latrobe Community Health Service; 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 the Victorian Health Promotion Foundation (VicHealth).

Joanne was formerly: Chair/Director of Gippsland Lakes Community Health; Independent Chair of the Audit Committee at Gippsland Water; 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, Graduate Certificate in Internal Audit, Advanced Certificate in Nursing, Practitioners, Certificate in Mediation. She is a member of the AICD, Women on Boards and Institute of Internal Auditors Australia

Committee memberships:

Chairperson, People & Remuneration Committee

Chairperson, Strategy Committee

Michelle Dowsett (Deputy Chairperson until October 2017)

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: Independent Member of the Audit & Risk Committee of the Gunaikurnai Traditional Land Owners Management Board; 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, People and Remuneration Committee

Member, Strategy Committee

Angela Hutson

First appointed a Director: October 2015

Current term expires: September 2021

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 also is a member of the Regional Development Australia Gippsland Committee and an independent member of the Latrobe Community Health Services Board Nominations Committee.

She has a Masters in Organisational Leadership, a Bachelor of Arts, a Graduate Diploma of Business in 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

Steve Bird (Deputy Chairperson from October 2017)

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 until October 2017

Chairperson, Infrastructure, Operations and Environment Committee

Member, Strategy Committee

Ross Passalacqua

First appointed a Director: October 2017

Current term expires: September 2021

Ross is a Company Director and business consultant with broad leadership, commercial, operational, and technical experience ranging across multiple sectors including the water, safety, oil, gas, chemicals, transport and logistics, services, tourism, and natural resource management industries in both Australia and internationally.

Following an early career in consulting engineering and project management, Ross progressed to undertake corporate roles involving safety and risk analysis, business development, marketing, and senior operations and commercial management.

He has previously served on the Boards of South East Water, Parks Victoria, and Tourism North East. He is currently a Director of the People and Parks Foundation Board and Disabled Wintersport Australia. He also provides independent safety management consulting and coaching services.

Committee memberships:

Member, Infrastructure, Operations and Environment Committee

Member, Strategy Committee

Susan Taylor

First appointed a Director: October 2017

Current term expires: September 2021

Susan is the founder of Enertique Consulting which specialises in providing legal and regulatory advice to the energy sector and previously was the General Counsel and Company Secretary for AusNet Services for eight years.

She joined the Board of the Royal Flying Doctor Service (Vic) in May 2017 and was previously a Director of AusNet subsidiary companies from 2015 to 2016 and Co-Chair of Yarra Energy Foundation from 2010 to 2011.

Susan has expertise in law, utility regulation, business, strategy, corporate governance and crisis response.

She holds Bachelor qualifications in law and economics, a Graduate Diploma in Corporations and Securities Law, and is a Graduate of the Australian Institute of Company Directors.

Committee memberships:

Member, Audit & Risk Committee

Member, Strategy Committee

Timothy Weight

First appointed a Director: October 2017

Current term expires: September 2021

Tim works with Federation Training – Gippsland's TAFE as Executive Director Strategic Engagement and has been a Director of Tim Weight Consulting since 2014. Previously, he was the Managing Director of Riviera Properties Limited Group for 15 years, and held senior roles with Victorian Properties Pty Ltd for 10 years.

Tim is the Deputy Chair of the Regional Development Australia Committee for Gippsland and is on the board of Committee for Gippsland.

He has expertise in financial and business management, infrastructure and project management and strategic planning and development.

Tim holds a Bachelor of Agricultural Science and is a Fellow of the Australian Institute of Company Directors.

Committee memberships:

Member, Audit & Risk Committee

Member, Strategy Committee

Bill Deveney OAM

First appointed a Director: October 2015

Current term expires: September 2019

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

Richard Elkington

Until September 2017

Richard was Chairperson of East Gippsland Water's Infrastructure, Operations & Environment Committee, and a member of the Strategy Committee.

Gail Morley

Until September 2017

Gail was a member of East Gippsland Water's Infrastructure, Operations & Environment Committee, and a member of the Strategy Committee.

Therese Tierney

Until September 2017

Therese was a member of East Gippsland Water's Audit & Risk Committee, and a member of the 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 strategy, operations and senior executive experience gained over 35 years in a range of water industry roles, principally with urban water businesses.

Bruce is a Member of the Australian Water Association, 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, Chairperson of the East Gippsland Integrated Water Management Forum, Independent Chairperson of the Noweyung Ltd Audit Committee and is a member of the Victorian Integrated Water Management Chairs Forum.

Board Meetings

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

Board Committees

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

Audit & Risk Committee

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

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

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

Members:

- Michelle Dowsett (Chairperson)
- Susan Taylor
- Timothy Weight
- Therese Tierney (Independent)
- Gerald Kraft (Independent)

Infrastructure, Operations & Environment Committee

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

Members:

- Steve Bird (Chairperson)
- Ross Passalaqua
- 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. It also 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)
- Angela Hutson
- Michelle Dowsett

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
- Steve Bird
- Angela Hutson
- Bill Deveney
- Susan Taylor
- Timothy Weight
- Ross Passalaqua
- Bruce Hammond

Meeting Attendance 2017/18

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	11	11	-	-	-	-	4	4	2	2
Michelle Dowsett	11	8	4	4	-	-	3	3	2	1
Angela Hutson	11	8	-	-	-	-	4	3	2	2
Steve Bird	11	10	1	1	4	4	1	1	2	2
Bill Deveney	11	9	-	-	5	3	-	-	2	2
Ross Passalaqua	8	8	-	-	4	4	-	-	2	2
Susan Taylor	8	8	3	3	-	-	-	-	2	2
Timothy Weight	8	8	3	3	-	-	-	-	2	2
Richard Elkington	3	2	-	-	1	1	-	-	-	-
Gail Morely	3	1	-	-	1	1	-	-	-	-
Therese Tierney	3	1	1	-	-	-	-	-	-	-
Bruce Hammond	11	11	-	-	-	-	-	-	2	2

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.

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.

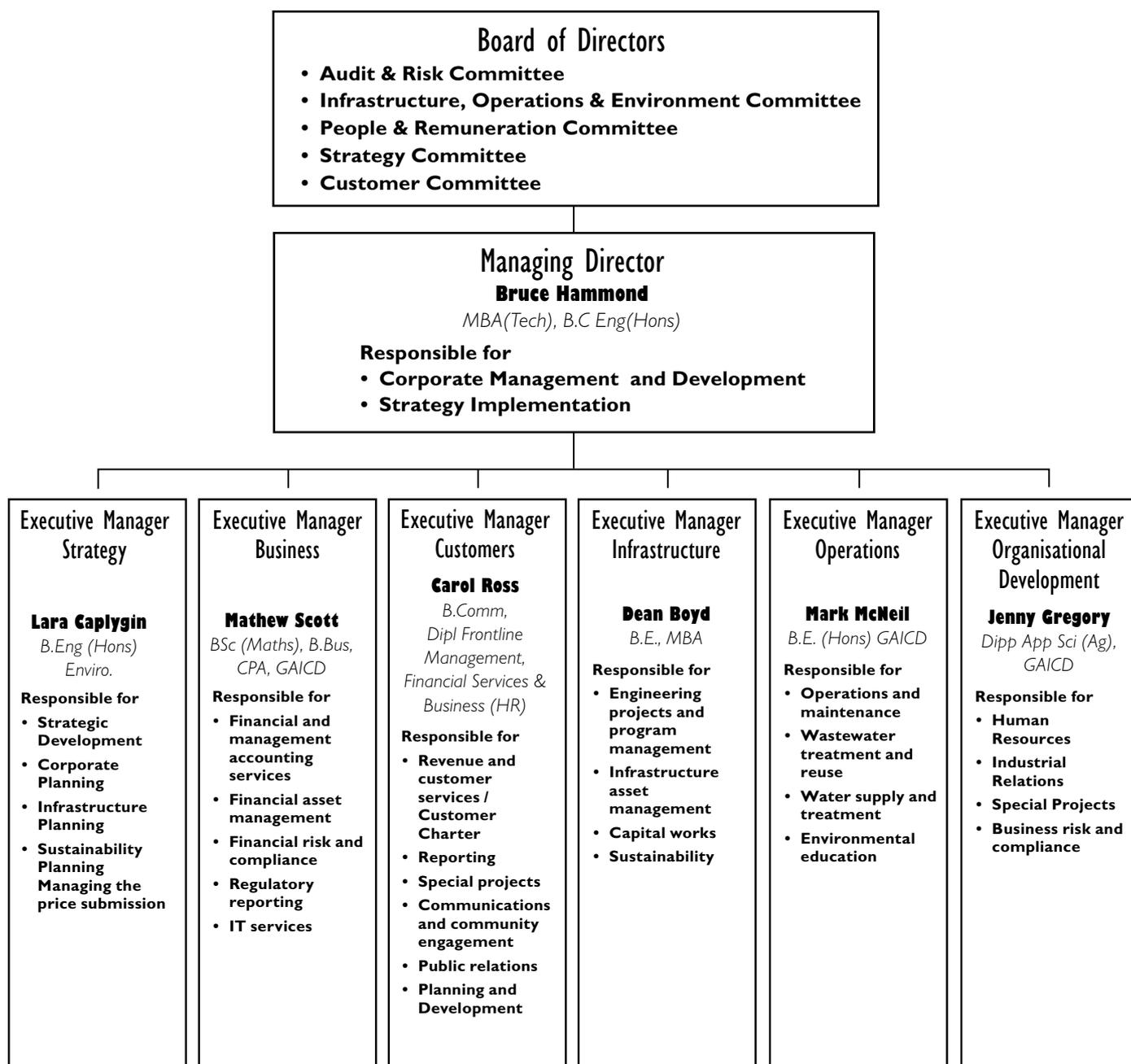
Its input provides the corporation with an invaluable customer perspective on key areas of its business.

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 continued to have an instrumental role in relation to the community engagement process for East Gippsland Water's 2018-23 Price Submission. 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.

Organisation Structure - East Gippsland Water's organisation structure as at 30 June 2018:



People and Culture

Our Philosophy

East Gippsland Water aspires for staff to work at their best and has a commitment to their ongoing development through support and investment in a variety of learning and development opportunities.

The corporation 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. This commitment is enshrined in one of East Gippsland Water's strategic objectives; 'to maximise the potential of our people'.

Staff Training and Achievements

During 2017/18, 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.

East Gippsland Water commenced its inaugural Managers Program in October 2017. The 12 month development program is innovative and has the intent of supporting managers to be the best leaders they can be, whilst strengthening the corporation's leadership team. It is founded on better practice, insight and evidence.

In May 2018 the whole business undertook Family Violence Training, gaining valuable insight into the types, triggers and causes of family violence. East Gippsland Water recognises that this is a serious and widespread issue that affects the whole community. The training was structured to meet the expectations of the Essential Services Commission.

In addition, all staff and Board Directors participated in an invaluable, indigenous cultural awareness program delivered by the Gunaikurnai Land and Waters Aboriginal Corporation.

Staff Undertaking Accredited Training 2017/18

Water Industry Operations Cert II	2
Water Industry Operations Cert III	4
Water Industry Operations Cert IV	2
Water Industry Treatment Cert III	3
Certificate IV in Information Technology	1
Certificate III in Business Administration	1
Diploma of Project Management	2
Bachelor of Business	1
CPA Australia Professional Level	1
TOTAL	17

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 promoted 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, heart research and depression-related initiatives.

There was a staff meditation session, Red Nose Day for SIDS and a scavenger hunt for RU OK Day.

Combining fundraising efforts - Movember and Pink Ribbon

East Gippsland Water once again combined annual fundraising events and staff raised more than \$1,100 for cancer research and mental health campaigns.

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.

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 are integral to East Gippsland Water's annual personal development review process and continue to be the focus for maintaining workplace culture.

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 2018.

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, the corporation 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 2016/17 and 2017/18.

Diversity and Inclusion Plan Initiative	2020 Target	2017/18	2016/17
ATSI Workforce Participation	2.5% ATSI identifying staff	2% ATSI identifying staff	2% 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.

East Gippsland Water negotiated a new Enterprise Agreement during 2017/18, with the previous one expiring in August 2017. Staff voted and approved the revised agreement in October 2017. This agreement was then lodged with the Fair Work Commission, who approved the new East Gippsland Water Enterprise Agreement 2017 in April 2018. It came into effect on 1 May 2018 for a period of four years.

Workforce Data

As at 30 June 2018, the corporation employed 98 people, or 95.04 full-time equivalent (FTE), compared to 97 people, or 93.87 FTE, on 30 June 2017.

Breakdown of staff 2018

Employment levels	June 2018						
	All Employees		Ongoing			Fixed term and Casual	
	Number (Headcount)	FTE	Full-Time (Headcount)	Part-Time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Male	68	68	64		64	4	4
Female	30	27.04	17	8	22.04	5	5
Age							
15-24	8	7.54	5	1	5.54	2	2
25-34	20	19.08	18	2	19.08		
35-44	22	20.5	15	4	17.5	3	3
45-54	24	23.92	23	1	23.92		
55-64	19	19	15		15	4	4
65+	5	5	5		5		
Classification							
Trainees	6	3.54	3	1	3.54		
Technical and Administrative Staff	47	46.71	41	6	44.71	2	2
Field Staff	23	23	23		23		
Senior Managers*	15	14.79	14	1	14.79		
Executive and Managing Director**	7	7				7	7
Total Employees	98	95.04	81	8	86.04	9	9

* Senior Managers= Managers paid above Band 4 level

**Executive and Managing Director = contracted positions

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
Gender							
Male	74	73	63		62	11	11
Female	23	20.87	12	7	16.87	4	4
Age							
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
Classification							
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
Total Employees	97	93.87	75	7	78.87	15	15

* Senior Managers= Managers paid above Band 4 level

**Executive and Managing Director = contracted positions

As at 30 June 2018, the corporation hosted trainees, apprentices and vacation students from various training organisations and universities.

Staff classification	Total	Male	Female
	2017/18	2017/18	2017/18
Trainees & Apprentices (hosted)	4	4	0
Vacation Students	3	2	1
Total	7	6	1

Executive Officer Data

As at 30 June 2018, East Gippsland Water employed six Executive Officers (known as Executive Managers), excluding

responsible persons (ministers and accountable officers). This is an increase of two on the previous year and follows appointments to Executive vacancies in 2016/17.

The breakdown of Executive Officer 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	6	1	6	2	0	1
Total	6	1	6	2	0	1

*Ongoing – Executives responsible for ongoing functions.

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

Executive Officers - Gender

	Ongoing and Special Project				Vacancies No.
	Male		Female		
	No.	Variation on previous year	No.	Variation on previous year	
Executive Managers	3	0	3	2	
Total	3	0	3	2	

Reconciliation of Executive Numbers

	2017	2018
Executives with total remuneration over \$156,374 (Financial Statement Chapter 9.5, (page 80) *	4	1
Add		
Vacancies	0	0
Executives with total remuneration below \$156,374	0	7
Less		
Separations**	1	2
Total executive numbers at 30 June	3	6

*Chapter 9.5 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 less than \$156,374 in the financial year and have left the corporation during this year.

Health & Safety (H&S)

Managing the diverse H&S risks in the water industry, and putting people first, continues to be East Gippsland Water's highest priority - maximising the potential of staff so that the corporation can deliver valuable and safe service to customers.

To this end, East Gippsland Water maintains an H&S management system externally certified to AS/NZ 4801, to manage the safety of staff, contractors and the interface with the public across all areas of the business. This certification has been maintained since 2005.

The basis of the safety management system continues to be:

- creating and maintaining safe workplaces
- open consultation on workplace H&S and environment matters
- delivering relevant and current H&S training for staff and contractors, as well as nationally-accredited formal and industry-specific training
- applying the lessons learnt from incidents, including near misses
- applying modern and tailored work instructions and procedures, and
- developing and maintaining competent staff.

East Gippsland Water takes a significant interest in third party H&S via a Contractor Health, Safety and Environment Management System.

Safety remained a key focus in all contract works during 2017/18, both through the identification of potential hazards and investigation of reported incidents to ensure that lessons could be learnt and preventive actions applied across all relevant business areas.

Safety-related key performance indicators are shown in the table in the next column.

Performance for 2017/18

	Audits/Inspections Conducted	External Audit Compliance*	Safety Meetings Conducted	Incidents Reported on Time
Result (%)	95	100	87	92

*No major non-conformances by external auditor

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 2017/18 included:

- continued certification of the corporation's H&S Management System to AS/NSZ 4801 and compliance across all management system elements
- continued integration of the H&S and environmental management system
- continuation of the corporate health and wellbeing program, with an emphasis on monthly, theme-focused activities, mental health, and social and sporting events
- continued management of H&S workplace inspections and risk assessments 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 and hazard 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.

Whilst the number of incidents reported increased for 2017/18, the number of hazards reported also increased showing improvement in the culture of reporting by staff.

All incidents are tabled at regular committee and Board meetings. Significant incidents are subject to a thorough investigation to determine the cause and prevent a repeat.

There were 38 incidents in 2017/18 (or 39.98 incidents per 100 FTE), two of which were 'lost time injuries' that resulted in a total of five 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	2013/14	2014/15	2015/16	2016/17	2017/18
No. of reported incidents for the year	22.08	22.67	27.63	31.52	39.98
No. of reported hazards for the year	20.9	19.4	16.57	17.86	46.29
No. of lost time standard claims	0	2.16	1.11	2.10	2.10
No. of medical treatment incidents	0	0	1.11	0	0
Average cost per claim for the year	\$19,651	\$69,906	\$10,111	\$1,457	0
WorkSafe estimate of outstanding claim costs	0	0	\$1,174	\$14,351	0

*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	2013/14	2014/15	2015/16	2016/17	2017/18
Days lost per total incidents	0	0.35	0.32	0.27	0.13
Days lost per lost time incident	0	3.63	8.00	4.00	5.00

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 2018. Regular reviews of risk registers within departments allows maintenance of appropriate levels of training and awareness. Similarly, the Code of Conduct, another key risk management tool, is reviewed annually and 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. We continue to be an active member of the DELWP (Water Sector) Security Resilience Network, which focuses on the management of critical infrastructure.

A key element of the updated Victorian Government Risk Management Framework (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 the corporation took a lead role locally and within the water

industry to ensure these requirements are met. Based on its activities to date, in early 2018 East Gippsland Water was invited by the Victorian Managed Insurance Agency, the state government's insurer and risk management advisory body, to be the subject of an inter-agency risk case study.

Victorian Protective Data Security Framework

The Victorian Protective Data Security Framework (VPDSF) was established under the Privacy and Data Protection Act 2014 and introduced on 1 July 2016. This is the overall scheme for managing protective data security risks in the Victorian public sector.

The protective data security obligations under the Act require all Victorian public sector organisations to:

- undertake a detailed security risk profile assessment
- complete a VPDSF self-assessment
- develop a detailed Protective Data Security Plan (PDSP)
- provide an attestation and PDSP to Office of the Victorian Information Commissioner (OVIC) by 31 August 2018, and
- review the PDSP at least every two years (or sooner if there is significant organisational change).

East Gippsland Water undertook this project as a risk management activity and is on schedule to complete the documentation and submit the attestation and PDSP to OVIC by the 31 August deadline.

Insurance

The corporation maintains a full suite of insurance policies that are regularly reviewed to ensure adequate cover with new products considered as they arise. From 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 brokerage 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 have been maintained for all subsequent renewals with accumulated savings to the corporation of around \$260,000 over the last four years.

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 2017/18 the corporation's ongoing commitment to sustainability and protecting the environment was reinforced through:

- actively progressing integrated water management across East Gippsland as part of our commitment to delivering 'Water for Victoria' initiatives – with the East Gippsland Integrated Water Management Forum established to help guide the development and implementation of initiatives
- ongoing participation in an innovative project aimed at reducing greenhouse gases by cutting the amount of food waste sent to landfill and converting this into energy. This was boosted by the announcement of a \$210,000 grant from Sustainability Victoria's Waste to Energy Infrastructure Fund to support the initiative

- achieving 100 percent beneficial reuse across the 11 wastewater management systems - maintaining East Gippsland Water's position as a leader in the Victorian water industry for water recycling
- the Environmental Management System, externally certified to ISO 14001.

Water Consumption Report

The reporting period was one of the warmest and driest on record for East Gippsland.

This was reflected in water usage totalling 5,002ML by residential and non-residential customers, an increase on the 4,671ML consumed in 2016/17.

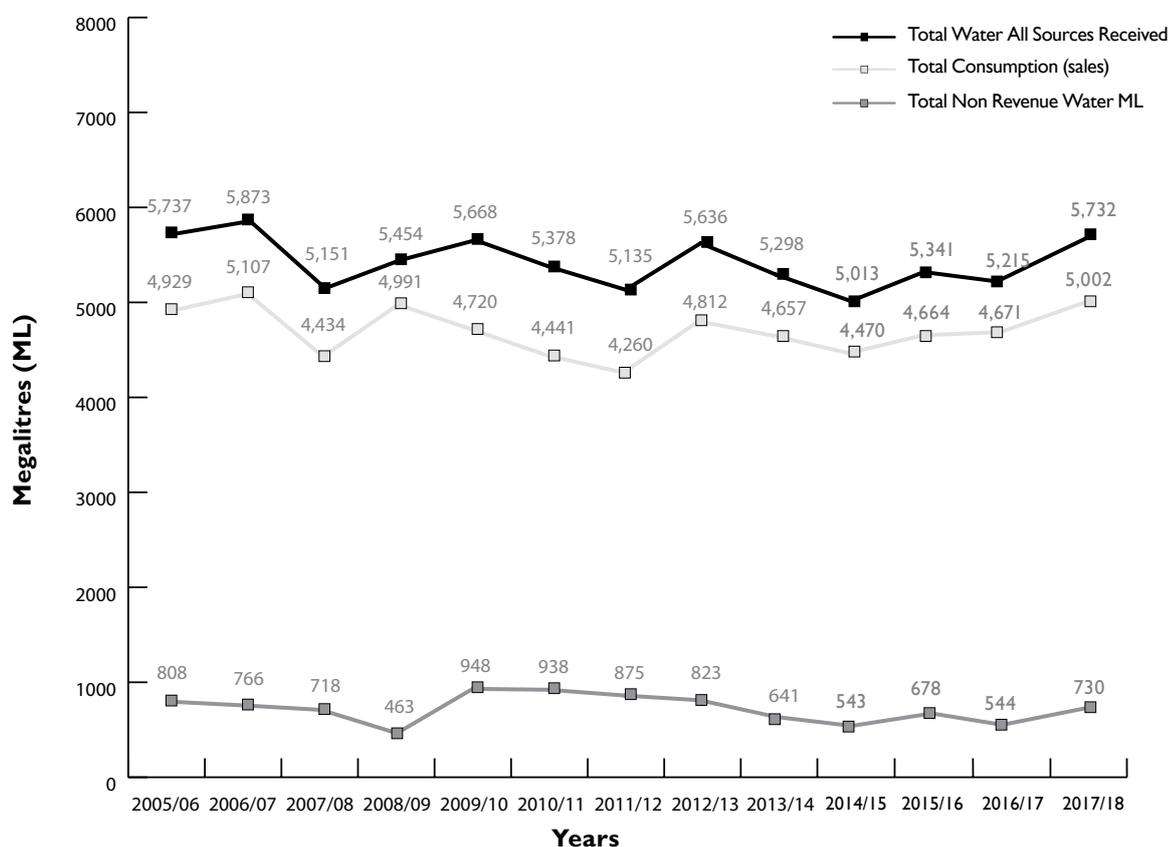
Average residential water consumption rose from 183L to 196L per day. Similarly, average annual residential consumption went up from 148kL to 157kL – a rise of six percent.

There was an increase in the total amount of non-revenue water – up from 544ML to 730ML. The majority of the increase was required for operational purposes at Paynesville Wastewater Treatment Plant.

During the reporting period the amount of water harvested by East Gippsland Water to meet customer and other corporation needs increased from 5,215ML to 5,732ML.

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

Water Consumption Trends 2005/06 to 2017/18



Water Consumption Statistics by District/System 2017/18

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)	#1 (9) Total Water Consumption (ML) (7) + (8)	Average Annual Water Consumption (ML) #2	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	96	9	N/A	N/A	N/A	13	7	N/A	N/A	16	15	1	0	0	1	17
Buchan	85	11	N/A	N/A	N/A	34	12	N/A	N/A	23	20	0	0	0	0	23
Cann River	152	15	N/A	N/A	N/A	64	14	N/A	N/A	29	30	13	0	0	13	42
Dinner Plain	491	23	N/A	N/A	N/A	52	15	N/A	N/A	38	30	10	0	1	11	49
Mallacoota	1,002	100	N/A	N/A	N/A	108	48	N/A	N/A	148	143	10	0	0	10	158
Mitchell*	19,312	2,823	N/A	N/A	N/A	2,497	1,238	N/A	N/A	4,061	3,786	455	0	131	587	4,648
Omeo	223	26	N/A	N/A	N/A	77	22	N/A	N/A	48	45	7	0	0	8	56
Orbost	1,731	256	N/A	N/A	N/A	379	360	N/A	N/A	616	593	92	0	6	98	714
Swifts Creek	102	15	N/A	N/A	N/A	32	8	N/A	N/A	23	30	3	0	1	4	27
Total 2017/18	23,194	3,278	N/A	N/A	N/A	3,256	1,724	N/A	N/A	5,002	4,692	590	0	140	730	5,732

Notes:

#1 Excludes Non-Revenue Water

#2 Average calculated between the years 2013/14 and 2017/2018

#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 2018 and passed with 100 percent compliance.

2017/18 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) ¹	Turbidity (<5 NTU) ¹	Disinfection a By-products ²
Bairnsdale	✓	✓	✓
Bemm River	✓	✓	✓
Buchan	✓	✓	✓
Cann River	✓	✓	✓
Dinner Plain	✓	✓	N/A ³
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 2017/18 no Section 18 notifications were made to the Department of Health & Human Services (DHHS). There were three incidents that required Section 22 notifications.

Two Section 22 notifications were made in February 2018 in response to low chlorine levels entering the reticulation system at Bemm River. In both instances the risk to health was determined as minimal due to the limited volume affected and the absence of *E.coli* in the system. The causes of these incidents were separate mechanical issues that have since been rectified.

The third section 22 notification was made in May 2018 in response to low chlorine levels entering the main supply pipeline at Cann River. Similar to Bemm River's incidents, low disinfected water entered the main supply pipeline as a result of mechanical failure, which was rectified. The risk to health was determined as minimal due to the limited volume affected and the absence of *E.coli* in the system. No customers were impacted.

Maintaining and improving water quality

During 2017/18, the corporation implemented and continued a number of major initiatives to maintain and improve water quality for customers, such as:

- installing three new treated water storage tanks - at Cann River, Bemm River and Omeo
- trialling an innovative cover over Omeo's 10ML raw water storage, comprising thousands of interlocking hexagonal blocks - designed to reduce evaporation and improve water quality in the storage by cutting the potential for algal and airborne contamination
- inspecting lined and covered water storages - using a small, 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 backup generators at 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 25 for more details).

Sustainable Water Use

During 2017/18 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 2017/18 meter replacement program resulted in 893 meters being replaced.

Sustainable and resilient water services systems

Integrated water management

East Gippsland Water is actively progressing integrated water management across the region as part of its commitment to delivering 'Water for Victoria' initiatives.

During the reporting period the East Gippsland Integrated Water Management Forum was established - one of a number being set up across Victoria to guide the development and implementation of integrated water management projects. It comprises the CEOs and Managing Directors of the region's water, environmental and health agencies and is chaired by the Managing Director of East Gippsland Water.

The forum builds on existing collaborative networks established to share and develop ideas to progress integrated environmental, water and traditional owner issues affecting the region's towns and communities. It is supported by a working group - bringing together an invaluable depth of knowledge across organisations that influence the water cycle.

The first task of the forum and working group has been to develop a Strategic Directions Statement that provides a vision and plan for implementing integrated water management projects. This is due to be implemented during 2018/19 and details a number of high priority areas to focus on, such as water recycling, stormwater management, promoting water sensitive urban design, climate change adaptation and developing integrated water management plans.

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 ongoing promotion of 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 continued to encourage 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. This links through to the Smart Approved WaterMark website, which highlights useful ways to save water around the home and garden.

The initiative was publicised regularly in the corporation's On Tap news sheet (mailed to all account holders with their quarterly bill) and in its monthly, full page In the Flow advertorial in the East Gippsland News.

As part of 'Target Your Water Use' 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 the corporation conducted 47 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. This provided the opportunity to promote water efficiency in line with 'Target Your Water Use', whenever appropriate.

(Please also see the Community Engagement and Social Sustainability sections of this annual report – pages 26-29)

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 2017/18 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 2017/18

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
Total number of customers	1

Name of customer	Customer's participation in a water conservation program
Vegco	Yes – water management plan developed and water consumption reduced from 139ML in 2016/17 to 130ML in 2017/18

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 collaborate with the council on projects of mutual interest including:

- design of a replacement water main in the Nicholson Street Mall in Bairnsdale
- replacement of the Lindenow-Glenaladale bridge, to which a section of key water main is attached
- various current and future developer works
- the East Gippsland Integrated Water Management Strategic Directions Statement, to guide the implementation of integrated water management across the region (see Integrated water management section on page 17)

Water Supply and Security - Future Strategies

East Gippsland Water's Urban Water Strategy and Drought Preparedness Plan were approved by the Minister for Water in June 2017.

The Urban Water Strategy 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 in line with 'Water for Victoria' objectives.

It 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.

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.

Both the Urban Water Strategy and the Drought Preparedness Plan informed the corporation's 2018-23 Price Submission (five year business plan) and its 20-year capital works program. For instance, the forward program includes a detailed analysis of options to address the identified long-term shortfall in supply in the Mitchell River water system. These strategies are also informing the approach to Integrated Water Management in the region, including the identification of high value community assets to be exempt from water restrictions and the use of recycled water (see integrated water management section, page 17).

Water Recycling

The corporation maintained its position as a leader in the Victorian water industry for water recycling, achieving 100 percent beneficial reuse across its eleven wastewater treatment plants.

Recycled Water Performance

	Volume (ML)				
	2013/14	2014/15	2015/16	2016/17	2017/18
Wastewater collected	3,016	3,227	3,065	3,200	3,103
Recycled water produced	2,903	2,754	3,242*	3,074	2,773
Recycled water used	2,903	2,754	3,172	2,933	2,773
Recycled water used (%)	100%	100%	98%	95%	100%
Target	100%	100%	100%	100%	100%

*The volume of recycled water produced was greater than the amount of wastewater collected in 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 - 2017/18

Town/System	Number of Assessments	Annual Wastewater Volume Re-used (ML)
Bairnsdale	7,651	1,169
Bemm River	103	7
Cann River	173	16
Dinner Plain	544	58
Lakes Entrance	4,761	736
Lindenow	197	6
Mallacoota	1,051	50
Metung / Bruthen	2,053	126
Omeo	248	22
Orbost / Marlo	1,730	161
Paynesville	3,980	422
Total	22,491	2,773

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 Water Plan 2013-18 the corporation progressed with major upgrades to Bairnsdale wastewater treatment plant, sections of which are some 80 years old. This will continue into the 2018-23 Price Submission period. 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 Environmental 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 2017/18 the corporation continued to implement its *Biosolids Management Plan*, which covers the management of current and forecast levels of biosolids.

Desludging of lagoons at the Lakes Entrance and Newmerella wastewater treatment plants was undertaken in the 2017/18 financial year. Sludge was removed from multiple lagoons and placed within EPA approved drying bunds for further treatment.

It is predicted that these biosolids will be applied to land for agricultural purposes in three years.

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 2014-2022.

During the reporting period the corporation worked closely with the East Gippsland Catchment Management Authority (EGCMA). Regular liaison ensured East Gippsland Water was aware of activities occurring upstream of river offtake points to improve water quality and manage weeds. The corporation will continue to work closely with the EGCMA to support the revegetation and stock exclusion fencing of key waterways.

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 such as:

- 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, Gunaikurnai Land and Waters Aboriginal Corporation, the Department of the Environment, Land, Water and Planning (DELWP), and the Romawi Landcare group to identify sources of nutrients relating to Forge Creek
- conducting an Environmental Risk Assessment on Macleod Morass.

Regional Catchment Management and Biodiversity

The East Gippsland Regional Catchment Strategy for 2013-19 continues to be implemented and includes priorities for natural resource management.

East Gippsland Water has signed a Catchment Partnership Agreement reaffirming its commitment to improving the management of land, water and biodiversity in the region. This agreement is designed to enhance its collaboration with DELWP, the EGCMA and other catchment management partners regarding catchment management activities.

The corporation acts as a referral authority for works that occur in its water supply catchments and contributes 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.
- contributing to the review of the Gippsland Sustainable Water Strategy

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

State Environment Protection Policy (Waters of Victoria)

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

A new streamlined draft policy - that merges the State Environment Protection Policy (Waters of Victoria) and the State Environment Policy (Groundwaters of Victoria) - has been developed, with the aim being to ensure Victoria has clear, relevant water quality standards and obligations to protect and improve the health of water environments. This new State Environment Protection Policy (Waters) is due to be finalised in 2018/19. East Gippsland Water provided input to the draft State Environment Protection Policy through VicWater. The corporation also provided direct input to draft sewerage management guidelines which supports the new policy.

Water Entitlements

East Gippsland Water Entitlement Reporting 2017/18

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	4,953	9,208	4,255	0	No	N/A	No	No	Cl.8
Mitchell System*	Groundwater	20	171	151	0	No	N/A	No	No	N/A
Mitchell System ASR*	Groundwater	8	64	56	0	No	N/A	No	No	N/A
Bemm River	Bemm River	15	100	85	0	No	N/A	No	No	Cl.7
Cann River	Cann River	42	192	150	0	No	N/A	No	No	Cl.7
Mallacoota	Betka River	61	330	269	0	No	N/A	No	No	Cl.7
Mallacoota	Groundwater	93	220	127	0	No	N/A	No	No	N/A
Nowa Nowa**	Boggy Creek	0	118	118	0	No	N/A	No	No	Cl.7
Swifts Creek	Tambo River	28	224	197	0	No	N/A	No	No	Cl.7
Buchan	Buchan River	23	170	147	0	No	N/A	No	No	Cl.7
Orbost	Brodribb River / Rocky River	701	2,031	1,330	0	No	N/A	No	No	Cl.7
Omeo	Butchers Creek	56	77	21	0	No	N/A	No	No	Cl.7
Dinner Plain	Groundwater	49	120	71	0	No	N/A	No	No	N/A

Notes:

* Groundwater on the Mitchell System consists of a fixed licence component and a managed aquifer recharge project (ASR). During the reporting period 64ML was injected into the Latrobe Valley Group of aquifers and 8ML extracted. A further 20ML was extracted from the 171ML which 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 utilise the innovative water storage technique known as Aquifer Storage and Recovery (ASR).

Under a licence issued by the groundwater regulator, Southern Rural Water, bulk quantities of fresh Mitchell River water is being injected into five ASR bores during the high-flow winter period and stored underground in a deep aquifer. 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.

The current ASR groundwater licence runs to June 2032, allowing an annual injection and extraction volume of up to 200ML per financial year. The licence incorporates inter-annual banking provisions, allowing 97.5% of un-used injected water from a year to be carried over to the next financial year.

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 went down during the reporting period to 355,415 MJ, compared with 362,350 MJ in 2016/17. The amount of energy used per member of staff decreased from 6,486 MJ/FTE to 5,973 MJ/FTE. This does not include non-corporation staff located within the office.

Carbon neutral paper made up 90 percent of the units of paper used in the Bairnsdale office. While there was a notable increase in the use of paper from 225 to 427 units, staff made a conscious effort to use the carbon neutral paper instead of a non-carbon neutral alternative. East Gippsland Water will continue to educate staff on the need to reduce paper use wherever possible.

Office Impacts

Parameter	Quantity 2016/17	Quantity 2017/18	Units
Energy			
Energy used per full time employee	6,486	5,973	MJ/FTE*
Energy per square metre of office space	285	280	MJ/m ²
Total energy usage	362,350	355,415	MJ
Greenhouse gas emissions	110	107	t CO ₂ -e
Waste Production			
Total units of waste produced	70	65	Kg/FTE
Total units of waste recycled	2,318	2,313	Kg
Paper Use			
Units of paper used per employee	4	7.2	Reams/FTE
Total units of paper used	225	427	Reams
Water Consumption			
Units of water used per employee	5.4	7	kL/FTE
Total units of water consumed	304	394	kL
Units of water used per square metre of office space	0.2	0.3	kL/ m ²
Transport			
Total energy consumption	965	883	GJ
Total CO ₂ equivalent	62	59	t CO ₂ -e
Energy consumption per employee	17	15	GJ / FTE
CO ₂ equivalent/per employee	1.1	0.99	t CO ₂ -e / FTE
Kilometres travelled per employee	5,246	5,004	km / FTE
Total kilometres travelled (not private or commuting)	293,070	297,763	km
Percentage of employees using public transport, car pool, cycling or walking to work.	4	3	%

Note: * FTE = Full time equivalent staff

Corporate Water Consumption

Total water consumption within the corporation's Bairnsdale office increased from 304kL in 2016/17 to 394kL in 2017/18.

The volume of water consumed per member of staff in the office went up from 5.4kL/FTE to 7kL/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 and environmental 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 2017/18 included:

- the installation of an additional 56kW of solar panels on several pump station and depot buildings
- the development of a pricing submission strategy to deliver the corporation's emissions reduction program from 2018/19 to 2022/23
- the installation of variable speed drives at a number of larger pump stations to optimise pumping efficiency
- an ongoing program to reduce infiltration into our sewer network, which identified and rectified over a dozen issues in the Paynesville, Lakes Entrance and Eastwood areas during the reporting period
- 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
- the desludging of the Newmerella and Lakes Entrance Wastewater Treatment Plant lagoons, where the removed sludge improves the efficiency of the treatment process and reducing methane emission levels.

The corporation continued to work in partnership with the East Gippsland Food Cluster and East Gippsland Shire Council on an innovative project aimed at reducing greenhouse gas emissions by cutting the amount of food waste sent to landfill and converting this into energy.

Sustainability Victoria announced a \$210,000 grant from its Waste to Energy Infrastructure Fund to support the project – specifically to help facilitate a necessary upgrade to infrastructure at Bairnsdale Wastewater Treatment Plant. East Gippsland Water is providing the remainder of the funding for the \$840,000 initiative.

Net greenhouse gas emissions exceeded the 2017/18 target of 8,190 tonnes of CO₂-e equivalent (t CO₂-e) set in 2012 by 2%, with 8,348 t CO₂-e recorded for the year. This was due largely to a change in the way the direct emissions figure is now reported, with a new direct emission source – Nitrous Oxide – included since 2016-17.

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 an external audit conducted by BSI Group in April 2018.

Greenhouse Gas Emissions Report 2017/18

Greenhouse Gas Emissions	t CO ₂ - e				Commentary
	Baseline	2017/18 Target	2017/18 Result	Variance (%)	
Water Treatment and Supply	N/A	N/A	3,560	N/A	N/A
Sewerage Treatment and Management	N/A	N/A	4,322	N/A	N/A
Transport	N/A	N/A	311	N/A	N/A
Other	N/A	N/A	155	N/A	N/A
Offsets	N/A	N/A	0	N/A	N/A
Totals	8,272	8,190	8,348	2%	N/A

N/A Not Applicable

Energy Consumption Report 2017/18

Performance Indicator	(a) Total energy use (MWh)	Renewable energy use (MWh)							(h) Renewable energy use (%) ((h)/(a))*100	Renewable Energy Generated for Export (MWh)	Renewable energy use target (%)	Commentary
		(b) solar panels	(c) hydro-electric	(d) wind power	(e) biogas	(f) green-power	(g) other	(h) Total				
Water Treatment and Supply	3,281	46.1	0	0	0	0	0	46.1	1.4	0	N/A	N/A
Sewerage Treatment and Management	2,119	14.7	0	0	206.0	0	0	220.7	10.4	45.3	N/A	N/A
Other (office, workshops, depots, etc.)	144	21.6	0	0	0	0	0	21.6	15	0	N/A	N/A
Total	5,544	82.4	0	0	206.0	0	0	288.4	5.2	45.3	N/A	N/A

Asset Management

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

Provision of services valued by customers is at the forefront of asset management decision making, with the services delivered tailored to meet their needs, and associated assets structured to provide these services.

The corporation's Asset Management Policy aims to achieve the safe, reliable, cost effective and efficient delivery of services to both existing and new customers.

During the reporting period East Gippsland Water ensured that assets were being managed safely and with minimal environmental impact.

Asset Planning

East Gippsland Water's forward-looking 20 year capital works program outlines the planned upgrade and renewal of assets for the long-term. This program, which is updated regularly, informed the corporation's 2018-23 Price Submission.

In formulating the works program, East Gippsland Water's customer demand forecasts, water and sewer hydraulic models, and related asset management plans have been reviewed and updated.

The revised plans include recent customer demand patterns, population growth forecasts, 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 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 and Sewer Pipe Network Renewals

East Gippsland Water has an ongoing program to replace or refurbish ageing sewers and water mains, particularly those presenting service reliability risks for customers. During 2017/18 the program included:

- upgrading the capacity of 1km of water main along Lindenow-Glenaladale Road in Lindenow South
- renewing 500m of ageing reinforced concrete pipelines along Boundary Road and Gladstone Street in Orbost
- replacing 500m water pipeline in Main Street, Bairnsdale dating from the early 1900s
- replacing 1.2km of galvanised wrought iron water mains in Bredt Street, Paynesville Road and Riverbank Road East in the Bairnsdale area
- coordinating with VicRoads and East Gippsland Shire Council the completion of a number of water

main renewal projects - with the work conducted in conjunction with local road improvements, including a roundabout upgrade at the intersection of the Princes and Monaro Highways in Cann River

- an ongoing sewer manhole refurbishment and sewer relining program to address inflow and infiltration issues.

Wy Yung Water Storage Site

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

Projects during the reporting period included:

- completing the realignment of 500m of the Wy Yung to Sarsfield transfer main
- progressing the detailed design of the major storage upgrade at the site, and
- detailed design work on upgrades to the surrounding drainage network.

Other Water Storage Upgrades

A program of drinking water storage upgrades was implemented to improve the security and reliability of the water supply to Cann River, Bemm River and Omeo. This included:

- installing a new covered water storage tank at Bemm River Water Treatment Plant (500kL) and at Cann River Water Treatment Plant (350kL) to replace the treated water basins and improve water quality
- installing an additional 200kL covered water storage tank at Omeo Water Treatment Plant - increasing the facility's overall treated drinking water storage capacity to 400kL.

Innovative Cover at Omeo

The corporation trialled an innovative cover over its 10ML raw water storage basin at Omeo - comprising thousands of interlocking, hexagonal floating blocks, designed to cut the potential for algal and airborne contamination of the stored water, while also cutting evaporation. If the results show it to be successful and cost-effective, the technology may be rolled out across other East Gippsland Water storage basins in future.

Bairnsdale and Lakes Entrance Wastewater Treatment Plant Upgrades

A number of significant projects commenced at these two sites, including:

- construction of a new 1.3ML flow balancing tank at Bairnsdale Wastewater Treatment Plant to improve the plant's operational efficiency and performance
- renewal of the ageing Bairnsdale wastewater treatment plant electrical switchboard and other electrical improvements
- a new odour control facility at Lakes Entrance Wastewater Treatment Plant, and
- efficiency upgrades to the effluent transfer pumping station between Lakes Entrance Wastewater Treatment Plant and Bruce's Track farm reuse facility.

Sewerage System Upgrades

Work progressed on upgrades to key pump stations in the Lakes Entrance, Mallacoota, Bruthen and Swan Reach sewerage networks.

The most significant of these upgrades was the installation of a new 46kL underground emergency sewage storage tank at the Ferndale Parade sewer pump station in Lakes Entrance. A back-up generator was also installed to improve the reliability of the facility.

Bio-solids

Wastewater treatment lagoons are required to be desludged periodically as part of their ongoing maintenance. A \$430,000 lagoon desludging program was undertaken at the Lakes Entrance Wastewater treatment plant, with 700 tonnes of dried biosolids removed from the treatment lagoons - increasing their operational performance, along with storage capacity, and minimising odour issues into the future.

The lagoon desludging program at Newmerella Wastewater Treatment Plant continued during the reporting period.

Newmerella and Bruces Track Wastewater Reuse Upgrades

Upgrades to the irrigation systems at Newmerella and Bruces Track wastewater reuse farms were completed during 2017/18.

Around seven hectares of fixed sprinkler irrigation was installed at Bruces Track and a further ten hectares of fixed sprinkler irrigation at Newmerella.

Energy Efficiency Upgrades

During the period a program of small scale solar power installations were installed at a number of our water and waste water pumping station sites, and depots. The installations are designed to reduce the corporation's carbon emissions and reduce power supply expenditure (see page 23).

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 2017/18 included:

- rolling-out additional spill prevention devices on sewerage maintenance holes in Bairnsdale and Lake Bunga
- enabling lagoon level monitoring and alarming at the Paynesville Wastewater Treatment Plant winter storage lagoon, via a data logger
- upgrading bore monitoring sensors for the Aquifer Storage and Recovery project, to further enhance the reliability and accuracy of data measurements
- continuing the update of SCADA software and hardware to enhance the system's cyber-security
- evaluating and progressing replacement of the existing SCADA Citect software package with ClearSCADA. This is due to be completed early in 2018/19.

Developer Works and Subdivisions

A total of 347 new serviced properties were added to East Gippsland Water's networks during 2017/18. The value of the owner-financed water and sewer assets was around \$823,000.

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 technologies. 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 2017/18 included:

- air scouring and swabbing targeted sections of water main (5.2km in total) to clean and ensure the efficiency of the supply network, and maintain drinking water quality
- air scouring sewer mains in Bairnsdale, Bruthen, Swan Reach and Johnsonville to reduce odour issues, prevent blockages, improve performance and reduce energy consumption
- using CCTV and sonic detection equipment to inspect sewer mains following blockages or targeted cleaning, to identify and rectify any ongoing issues. Nearly 8km of sewer main in Bairnsdale, Paynesville and Lakes Entrance was inspected using CCTV. Both technologies have helped maintain sewer blockages at an acceptably low level
- trialling an alternative chemical - magnesium hydroxide based - to reduce odour levels in sewer mains. Released through a dosing system fitted to the Swan Reach highway sewer pump station, this proved effective in reducing hydrogen sulphide levels and odour complaints in the surrounding area. At Bruthen it was also effective in preventing the build-up of ferox scale, which can block the sewer rising main.
- setting up a trailer equipped specifically to carry out trenchless patch-repairs to sewers. This has been used very effectively to patch many leaks in damaged and aged sewerage pipelines in-house - enabling the maintenance team to rapidly and efficiently repair sewers across the region without the need for contractors or excavation. It is providing significant cost savings
- placing a major focus on inspecting sections of sewer pipeline to detect and remove points where stormwater or saltwater infiltrates the sewer system – for example leaking services or illegal stormwater pipe connections:
 - *In Bairnsdale, to reduce stormwater infiltration – 9.8km of sewer was smoke-tested, nearly 2,000 properties inspected, 82 inspection covers replaced, 178 sewer connections repaired and some 200 Overflow Relief Gully savers installed*
 - *In Paynesville to reduce saltwater Infiltration – CCTV inspections of sewers below the water table were carried out and visual checks of inspection covers conducted, with 12 leaking inspection covers repaired and 16 property connections relined*
- employing innovation (such as a recently purchased hydrophone or ground microphone) to monitor and reduce the amount of non-revenue water by detecting leaks at an early stage and enabling a prompt investigation and response to any increase in base level water flows. This has reduced the corporation's percentage of unaccounted for water over a number of years

- purchasing two underwater, remotely operated cameras. This is enabling staff to regularly inspect the inside of water storages and is particularly useful for monitoring the damaged liner of the Wy-Yung number one basin. Utilising this technology in-house is providing a significant cost saving on using Melbourne-based contractors or commercial divers.

Community Engagement

East Gippsland Water uses engagement principles advocated by the International Association for Public Participation (IAP2), and as promoted by the Victorian Government.

Community engagement is an ongoing commitment to gauge customer perspectives and preferences, and is also conducted on specific issues, proposed projects and draft strategies and policies.

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.

A variety of communication and tools are used as the region's residential and business customers, and key stakeholders, 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, LinkedIn
- the East Gippsland Water website
- 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
- attending community markets and neighbourhood houses
- 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.

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. (For more on the committee's function please see the Corporate Governance section, page 7).

Price Submission

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

In its consideration of the resultant Price Submission, the water industry's independent regulator, the Essential Services Commission, granted "fast track" status in its approval process, reflecting the high quality of the submission and the strong linkages to outcomes preferred by customers. Implementation of related programs, initiatives and outcomes is due to commence in July 2018.

East Gippsland Water's Customer Committee continued its 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 in the areas of liveability, environmental sustainability, service levels and financial assistance for customers experiencing genuine difficulty paying their East Gippsland Water bills. It was also empowered by the Board to determine guaranteed service levels.

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 engage 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 provides customers with easy to access information about the corporation and its services, as well as direct links to other water-related websites and water conservation and education resources.

Tours/Presentations/Events

East Gippsland Water conducted 47 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, Woodglen Water Treatment Plant and storages, Bairnsdale Wastewater Treatment Plant and the Macleod Morass, as well as the Mallacoota Water Treatment Plant and the Brodribb River water offtake near Orbost. An information stand was also operated at the Federation Training career Expo in Bairnsdale.

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 Gippsland Grammar, Newmerella and Lakes Entrance primary 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, healthy lifestyles and environmental sustainability.

The corporation also 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.

2017 was the fourth year the survey was conducted jointly as a Memorandum of Understanding initiative with Gippsland, Westernport and South Gippsland water corporations. It proved particularly valuable, assisting with the shaping of the Price Submission.

The survey was carried out on behalf of all the corporations by Insync Surveys during 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, 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 89 percent at least 'satisfied' (compared with 86 percent in 2016) and 35 percent 'very satisfied' (a reduction of three percent).

The vast majority of water customers (68 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, 95 percent indicated that they found East Gippsland Water easy to deal with, compared with 92 percent in 2016.

Other notable results from the survey:

- 91 percent of customers were satisfied with the quality of their tap water (an increase on 88 percent in 2016) and 97 percent with the reliability of wastewater services (unchanged from the previous year).
- 95 percent of customers preferred to drink tap water to bottled water, with 74 percent opting to take the tap water straight from the tap and 21 percent using a filter.
- 74 percent felt that they received value for money services.
- 92 percent felt it at least important that East Gippsland Water invests in environmental or sustainability initiatives, with 63 percent finding this very important.
- 57 percent were aware that East Gippsland Water helps customers in genuine financial need of assistance with their bill through a financial assistance program.

- 90 percent of customers felt that the service provided by the corporation remained the same over the past year, while nine percent said it improved.
- 79 percent of customers agreed with the statement 'East Gippsland Water is a valued member of the local community' (up from 72 percent the previous year).
- 91 percent said they were aware of what they could and could not put down sinks, toilets and drains (unchanged from 2016).
- 68 per cent were aware of Permanent Water Saving Rules (up from 67 percent)
- 87 percent were satisfied with the current level of information provided by East Gippsland Water.

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, affordability, liveability and resilience, as well as recognising and managing for aboriginal values
- partnering with other regional agencies and providing systems and training for our frontline employees to assist those within our community experiencing family violence
- a suite of initiatives to support customers experiencing genuine financial difficulty
- making provision in times of water shortage to sustain critical social assets such as sporting facilities, that are so important in supporting the social fabric of our community
- providing a network of public drinking water fountains throughout the region to support recreational activities and the health and wellbeing of our community
- 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.

The final annual rebate was applied to the bill received by customers in the first quarter of 2017/18.

The corporation continues to work towards identifying further cost reductions to pass through in the form of lower bills 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 2,252 in 2016/17 to 2,993 in 2017/18.

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	2016/17	2017/18
Concessions to Pensioners	\$1,939,174	\$2,016,796
Rebates to Not-For-Profit Organisations under the Water & Sewerage Rebate Scheme	\$166,966	\$166,499
Utility Relief Grant Scheme Payments	\$52,915	\$44,831
Water Concessions on Life Support Machines - Haemodialysis	\$725	\$340
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0
Total	\$2,159,780	\$2,228,466

The corporation also granted \$43,926 in hardship incentive payments.

From 1 July 2018 the corporation will also provide a bill rebate to eligible outdoor, community run, not-for-profit recreation groups.

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 \$13,284 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.

Community Rebate Program

The focus of the Victorian Government's Community Water Rebate Program is on helping vulnerable and hardship customers that cannot afford water efficient 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 also provides water saving audits aimed at reducing water lost through leaks and old appliances.

During 2017/18 East Gippsland Water allocated a total of \$46,902.50 and 108 rebates to eligible customers under the program.

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.

Guaranteed Service Levels

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

Customers receiving a significantly poor level of service in key areas may be compensated in the form of a rebate applied to their East Gippsland Water account. The key areas covered in 2017/18 related 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 sewage spill within a customer's house.

During the reporting period East Gippsland Water met all of the related service levels and no compensation payments were required.

Revised GSLs are being implemented for the period of the 2018-23 regulatory price period, which have been selected by East Gippsland Water's independent Customer Committee on behalf of customers. Two notable new GSLs relate to environmental sustainability. First, that the corporation provides a six-monthly update to the community on progress towards a 21 percent reduction in greenhouse gas emissions (by 2025). Second, that East Gippsland Water commits a total of \$450,000 over the regulatory price period to support local school and community groups with grants for native vegetation planting and habitat creation projects.

Working in Partnership with Gunaikurnai

A ground-breaking partnership agreement with the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) was signed by East Gippsland Water and 12 other environmental agencies and organisations working across Gippsland.

The agreement, proposed through the Gippsland Environmental Agencies alliance, includes DELWP, other Victorian Government departments, water corporations, catchment management authorities and other non-profit organisations.

It forms the basis for collaborating together on land and water initiatives that involve the Gunaikurnai community – providing a framework that supports GLaWAC's objectives under the Gunaikurnai Whole of Country Plan.

East Gippsland Water also supported GLaWAC's successful application for funding to recruit two Aboriginal Water Officers under the Victorian Government's Aboriginal Water Grants Program.

The officers will work in conjunction with east and west Gippsland catchment management authorities and the region's water corporations, to further the objectives of the program and 'Water for Victoria', which are to: build water literacy; recognise Aboriginal values and objectives of water; include Aboriginal values and traditional ecological knowledge in water planning; support Aboriginal access to water; and, build capacity to increase Traditional Owner and Aboriginal Victorians participation in water management.

In addition, all East Gippsland Water staff and board directors participated in an invaluable, indigenous cultural heritage awareness program conducted by GLaWAC.

Indigenous Art

During the reporting period the corporation worked with indigenous students from Bairnsdale's Clontarf Academy on a project to visually transform the exterior of the digester building at Bairnsdale Wastewater Treatment Plant, using Aboriginal-inspired art.

The treatment plant is located adjacent to the Macleod Morass – a significant area for the Gunaikurnai people, the traditional owners.

In addition, indigenous students from Federation Training helped transform the outside walls of an East Gippsland Water pump station - working in conjunction with Gunaikurnai artist Alan Solomon and non-indigenous artist Tracey McKeown.

Their theme of bushfoods reflects the environment that surrounds the pump station, with references to aboriginal hunting tools.

The artwork for both projects was developed in consultation with GLaWAC.

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

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, two additional Choose Tap stations were installed – in Bairnsdale and Swan Reach – with another to go in at Omeo early in 2018/19.

As part of our Price Submission the corporation has committed to continue with the installation of drinking water fountains around East Gippsland at the rate of three a year, for five years. Designed to benefit and encourage recreational users, this will be undertaken in partnership with the local community.

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 2017/18 the water trailer attracted 33 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 a popular choice with seven bookings taken in the reporting period.

Summary of Financial Results

Financial Result	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)
Core business revenue	28,899	29,653	30,798	31,449	33,177
Government contributions	0	0	0	0	0
Other revenue	5,045	3,931	2,930	2,856	2,483
Total revenue	33,944	33,584	33,728	34,305	35,660
Operating expenditure	16,415	16,483	17,472	18,500	18,500
Depreciation & amortisation	9,658	9,887	10,298	11,701	11,723
Finance costs	1,934	1,589	1,235	1,035	835
Other expenditure	1,912	1,326	2,743	1,385	1,255
Total expenditure	29,919	29,285	31,748	32,621	32,419
Net result before tax	4,025	4,299	1,980	1,684	3,241
Current assets	10,350	10,194	12,453	12,479	15,123
Non-current assets	333,370	335,033	450,994	450,972	448,368
Total assets	343,720	345,227	463,447	463,451	463,491
Current liabilities	10,441	9,884	9,346	11,083	11,409
Non-current liabilities	63,333	62,161	95,680	92,751	89,224
Total liabilities	73,772	72,045	105,026	103,834	100,633
Net cash flows from operations	12,112	14,377	12,060	13,949	13,991
Payments for property, plant and equipment (including infrastructure)	10,040	9,966	7,646	11,149	8,911

Summary of Financial Performance

Performance indicator	2013/14	2014/15	2015/16	2016/17	2017/18
Internal financing ratio	120.36%	150.51%	154.30%	126.48%	155.21%
Gearing ratio	7.56%	5.90%	3.88%	3.24%	2.48%
Interest cover (Cash) times	7.80	11.11	11.78	16.15	20.43
Return on assets	1.67%	1.70%	0.76%	0.56%	0.85%
Return on equity	1.07%	1.21%	0.44%	0.33%	0.63%

Customer Bills

Customer Type	2013/14*	2014/15	2015/16	2016/17	2017/18
Average Residential - 146kL	\$1,106	\$1,114	\$1,118	\$1,138	\$1,167
Average Residential - 200kL	\$1,207	\$1,220	\$1,227	\$1,251	\$1,285
Average Non-Residential	\$2,954	\$3,060	\$3,090	\$3,157	\$3,253
Tenant - 146kL	\$273	\$257	\$266	\$276	\$290

*2013/14 bill did not include \$28 Government Water Rebate for residential and tenant customers.

Financial Overview

East Gippsland Water recorded a surplus before tax of \$3.24 million for 2017/18. This was higher than the budgeted profit of \$1.6 million, essentially due to increased water sales, higher revenue from various sources, stable operating costs and embedding efficiencies into day-to-day business activities.

Expenditure on capital works totalled \$8.85 million for the year, with a number of major projects completed. These included water system upgrades in Bairnsdale, Cann River, Omeo and Bemm River and a number of major water main replacements across the region.

In addition, work continued 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 \$15 million to \$11.5 million for the reporting period. A total of \$6.5 million was recorded in cash at the bank at the end of the financial year, which is earmarked for planned capital works projects in 2018/19.

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

- reducing borrowings from \$15 million to \$11.5 million
- completing desludging works at Lakes Entrance Wastewater Treatment Plant, which resulted in 700 dry tonnes of sludge being removed
- completing a number of upgrades at the Wy Yung water storage facility and major water main replacements in Bairnsdale and Lindenow South
- residential customers (owner occupiers and tenants) receiving a Victorian Water Rebate of \$28 on their bills
- continuing a proactive efficiency program across the corporation's activities
- the final Price Submission determination from the Essential Services Commission - embedding efficiencies into the East Gippsland Water business and reducing prices to customers for the 2018-23 period

There were no significant matters which changed our financial position during the reporting period.

Other Information

Consultancy Expenditure

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

In 2017/18, there were nine consultancies where the total fees payable to each consultant was \$10,000 or greater. The total expenditure incurred during 2017/18 in relation to these consultancies was \$375,731 (excl. GST).

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

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

In 2017/18, there were 29 consultancies engaged during the year, where the total fees payable to each consultant was less than \$10,000. The total expenditure incurred during 2017/18 in relation to these consultancies was \$84,457 (excl. GST).

Major Contracts

East Gippsland Water did not award any major contracts (valued at \$10 million or more) during 2017/18.

Capital Projects

East Gippsland Water manages a number of capital projects. Of those projects completed during the reporting period, none had a Total Estimated Value exceeding the disclosure threshold of \$10 million.

For information on recent capital projects managed by East Gippsland Water and the broader Victorian public sector, please refer to the most recent Budget Paper No. 4 State Capital Program (BP4) available on the Department of Treasury and Finance's website at this link: <https://www.budget.vic.gov.au/budget-papers>.

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.

The documents comprise both those created by East Gippsland Water, or supplied to East Gippsland Water by an external organisation or individual and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

Information about the type of material produced by East Gippsland Water is available on the Freedom of Information page on its website.

The Act allows East Gippsland Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to East Gippsland Water in-confidence.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (Fol) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by East Gippsland Water, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

Fol requests can be lodged online at www.foi.vic.gov.au. An application fee of \$28.90 applies. Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request to East Gippsland Water's FOI Officer, clearly identifying what types of material/documents are being sought. These requests should be addressed 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.

During the reporting period East Gippsland Water received one FOI request and this was from a legal firm. The decision to grant full access to the information requested was made within an extended statutory 30-45 day time period, with the request finalised in 33 days. It was not subject to a complaint/ internal review by OVIC.

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

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 from its Freedom of Information Officer (details above), 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 the website 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 6-7 of this annual report).
- Details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided, and
 - expenditure commitment for each engagement (see also the website www.egwater.vic.gov.au)
- Details of changes in prices, fees, charges, rates and levies charged by East Gippsland Water.

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 7).
- 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's name).
- 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).

Compliance with the Protected Disclosure Act 2012

The *Protected Disclosure 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 the Independent Broad-based Anti-corruption Commission (IBAC) on the contact details provided below.

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

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

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

Contacts:

Independent Broad-based Anti-corruption Commission (IBAC) Victoria

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

Information and Communication Technology (ICT) expenditure

For the 2017/18 reporting period, East Gippsland Water had a total ICT expenditure of \$1,830,000 with the details shown below:

(\$ thousand)			
Business As Usual (BAU) ICT expenditure (Total)	Non-Business As Usual (non-BAU) ICT expenditure (Total = Operational expenditure and Capital Expenditure)	Non-BAU ICT expenditure • Operational expenditure (OPEX)	Non-BAU ICT expenditure • Capital expenditure (CAPEX)
1,364	466	0	466

"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.

Local Jobs First - Victorian Industry Participation Policy (VIPP)

During the 2017/18 reporting period the corporation commenced one Local Jobs First – VIPP applicable contract totalling \$1.54 million (ex GST). This was awarded to a small to medium sized, local based, principal contractor.

The outcomes expected from the implementation of the Local Jobs First – VIPP to this regional project were:

- an 85 percent local content commitment was made;
- a total of nine jobs (annualised employee equivalent - AEE) were committed, including the creation of four new jobs and retention of five existing jobs (AEE), and
- A total of two positions for apprentices/trainees were committed.

Short-listed tenderers were required to submit a VIPP Plan which was assessed by the Industry Capability Network (ICN) Victoria. The tender had the minimum formal weighting of ten percent applied for local content in the tender evaluation of the VIPP Plan.

A second tender, was also registered with and assessed by the ICN, but the project did not proceed.

No other tenders triggered the Victorian Industry Participation Policy.

Compliance with the Building Act

East Gippsland Water complies with the building and maintenance provisions of the *Building Act 1993*, the *Building Regulations 2018* and the National Construction Code.

Its portfolio of 101 buildings 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 with the Act and for providing the annual essential safety measures report for these assets.

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.

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

There was one building permit, occupancy permit and certificate of final inspection issued during 2017/18, in relation to construction of an excavator shed at Orbost Depot.

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.

No existing buildings were required to be brought into conformity with building standards during the reporting period.

Competitive Neutrality Policy

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 continues to comply with the requirements of the Competitive Neutrality policy.

Government Advertising Expenditure

East Gippsland Water's expenditure in the 2017/18 reporting period on government campaign advertising was nil.

Letter of Expectations Disclosure

In compliance with the Minister for Water's Letter of Expectations, information on the following priority areas is provided in this annual report or on East Gippsland Water's website www.egwater.vic.gov.au.

Priority area	In annual report	On website (annual report page)
Climate change (climate adaptation)	Pages 2, 3, 14, 18, 23, 28, 37	-
Customer and community outcomes	Pages 17, 26-28, 37	Copy of Community Engagement Strategy and Action Plan 2017/18
Water for Aboriginal cultural, spiritual and economic values	Pages 3, 8, 20, 24, 27, 28-29	Strategy being prepared and to be included on website in 2018/19 when complete
Resilient and liveable cities and towns	Pages 2-3, 14, 17, 18, 26-29	-
Recognising recreational values	Pages 2-3, 17, 18, 26, 27, 29	-
Leadership and culture	Pages 3, 9-12	Copy of Diversity and Inclusion Plan (summary)
Financial sustainability	Page 35	-

Subsequent Events

No significant events occurred between the end of the 2017/18 financial year and this Annual Report going to print that may significantly affect East Gippsland Water's operations in subsequent reporting periods.

2017/18 Performance Report

EAST GIPPSLAND REGION WATER CORPORATION

Financial Performance Indicators

KPI Number	Key Performance Indicator	2016/17 Result	2017/18 Result	2017/18 Target	Variance to prior year	Notes	Variance to target	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax/net interest payments	16.15	20.43	19.90	26.5%	1a	2.7%	
F2	Gearing Ratio Total debt (including finance leases) / Total Assets * 100	3.24%	2.48%	3.00%	-23.5%	2a	-17.3%	2b
F3	Internal Financing Ratio Net operating cash flow less dividends/ net capital expenditure * 100	125.10%	155.21%	96.60%	24.1%	3a	60.7%	3b
F4	Current Ratio Current assets/current liabilities (excluding long term employee provisions and revenue in advance)	0.91	1.08	0.86	18.7%	4a	25.6%	4b
F5	Return on Assets Earnings before net interest and tax/ average assets * 100	0.56%	0.85%	0.50%	51.8%	5a	70.0%	5b
F6	Return on Equity Net profit after tax/average total equity * 100	0.33%	0.63%	0.40%	90.9%	6a	57.5%	6b
F7	EBITDA Margin Earnings before Interest, Tax, Depreciation and Amortisation/total revenue * 100	41.89%	44.07%	39.70%	5.2%	7a	11.0%	7b

- 1a The corporation has been in a position to pay down \$9 million in borrowings over the last 3 years, including \$3.5 million in the 2017/18 financial year. This has improved the cash interest cover ratio as interest costs have decreased.
- 2a Debt levels were reduced by \$3.5 million in 2017/18 as the corporation continued to pay down debt, reducing debt to \$11.5 million. The corporation was able to pay down \$3 million in 2016/17, which has resulted in this ratio continuing to decrease over time.
- 2b The corporation chose to repay debt in June 2018 as capital expenditure was \$3.7 million less than expected. This resulted in the level of borrowings at the end of 2017/18 being \$11.5 million, compared to \$14 million in the 2017/18 Corporate Plan.
- 3a Capital expenditure was \$1.6 million lower than 2016/17, which resulted in a higher ratio being achieved. The reduced expenditure was due to delays in two major projects. The 2018/19 capital works budget has taken into consideration timing requirements for the delayed projects from 2017/18.
- 3b Capital expenditure was \$3.7 million lower than target due to the deferral of the Wy Yung Storage project (\$1.5 million) and the Bairnsdale wastewater flow balance tank project running behind schedule (\$1.5 million). The impact of these delays has been budgeted into 2018/19 capital works.
- 4a The corporation held additional cash (\$2 million) due to lower than planned capital expenditure. Future works will be managed to ensure the proposed capital works are achievable.
- 4b The \$3.7 million underspend in capital expenditure meant the corporation held additional cash at the end of the reporting period (\$2 million). The balance of current liabilities had little movement in 2017/18, which led to the result for the period. The excess cash from 2017/18 has been earmarked to be used for the 2018/19 capital works program.
- 5a The corporation delivered an increased profit on the back of an increase in metered charges (6%), increased miscellaneous revenue and a reduction in staff costs (\$350,000) against budget. The asset base remained constant over this time period, leading to the higher outcome for the period. Management, through the Pricing Submission process, has implemented strategies aimed at delivering results in line with budget expectations, to minimise the variances between reporting periods.
- 5b The corporation recorded a strong Return on Assets due to an increase in revenue from metered charges (6%) after prolonged dry conditions, increased miscellaneous revenue and a reduction in staff costs (\$350,000) due to a restructure and a number of unfilled vacancies throughout the reporting period. There was minimal movement in total assets for the period.
- 6a The corporation delivered an increased profit on the back of an increase in metered charges (6%), increased miscellaneous revenue (\$499,000) and a reduction in staff costs (\$350,000) against budget. Equity remained steady over this time period, leading to the higher outcome for the period. Management, through the Pricing Submission process, has implemented strategies aimed at delivering results in line with budget expectations, to minimise the variances between reporting periods.
- 6b The corporation recorded a strong Return on Equity due to an increase in revenue from metered charges after prolonged dry conditions, increased miscellaneous revenue and a reduction in staff costs (\$350,000) due to a restructure and unfilled vacancies. Equity for the period only recorded a small increase.
- 7a The EBITDA margin increased due to a larger profit result (\$3,241,000) for the period and reduced interest costs due to lower borrowing levels. Depreciation and amortisation were constant between the periods, with a small increase in the revenue base.
- 7b The EBITDA margin was favourable due to an increase in metered charges (6%), increased miscellaneous revenue (\$499,000) and reduced interest and staff costs (\$350,000), combined with a small overall revenue increase.

EAST GIPPSLAND REGION WATER CORPORATION

Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2016/17 Result	2017/18 Result	2017/18 Target	Variance to prior year	Notes	Variance to target	Notes
WS1	Unplanned water supply interruptions No. of customers receiving more than 5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100	0.00	0.00	0.00	0.0%		0.0%	
WS2	Interruption time Average duration of unplanned water supply interruptions (minutes)	91.99	75.73	75.00	-17.7%	1a	1.0%	
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	98.12%	98.85%	98%	0.7%		0.9%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers * 100	100.00%	100.00%	100.00%	0.0%		0.0%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100.00%	100.00%	100.00%	0.0%		0.0%	

Notes:

- 1a Almost 73% of total unplanned water supply interruptions during 2017/18 achieved the 75min target, with more emphasis on not exceeding the 5 hour duration . Due to the low number of unplanned water supply interruptions across the corporation's customer 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 2017/18 results and the target of 75mins. 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	2016/17 Result	2017/18 Result	2017/18 Target	Variance to prior year	Notes	Variance to target	Notes
CR1	Water quality complaints No. of complaints per 1,000 customers	3.00	2.10	0.50	-30.0%	1a	320.0%	1b
CR2	Sewerage service quality complaints No. of complaints per 1,000 customers	0.10	0.05	1.20	-50.0%	2a	-95.8%	2b
CR3	Sewerage odour complaints No. of complaints per 1,000 customers	0.30	0.35	0.25	16.7%	3a	40.0%	3b
CR4	Billing complaints No. of complaints per 1,000 customers	0.20	0.51	0.17	155.0%	4a	200.0%	4b

- 1a For 2016/17 & 2017/18 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 50 water quality complaints being registered over the categories, which was a decrease (20) from the previous year. East Gippsland Water is still committed to responding to these complaints.
- 1b Of the 50 water quality complaints registered in 2017/18, 15 were for taste and odour, 24 for water colour and 11 for other types of quality (like the types of chemicals that the corporation uses and fluoride). Once again, the increase against the 2017/18 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 re-occur in the future.
- 2a One complaint was received and this number is well below our target. This complaint related to sewer rectification works.
- 2b The corporation received one sewer complaint associated with rectification works for sewer maintenance. The number of sewer complaints was well below the target set previously.
- 3a During the reporting period the corporation received seven sewer odour complaints compared to four in 2016/17. The corporation has implemented some desludging works to reduce complaints further.
- 3b During 2017/18 the corporation received seven sewer odour complaints - including four from Lakes Entrance - exceeding the target of five. Desludging works have been implemented to reduce complaints in the Lakes Entrance area.
- 4a Twelve billing complaints were received in total, compared to eight in the previous year. Six customers complained about service charges and did not think they should pay for a vacant house or land. East Gippsland Water continues to review processes and where possible eliminate customer complaints in the first instance through staff contact to explain, or via an appropriate information leaflet.
- 4b Twelve complaints were received, compared to a target of four. Six of the complaints related to service charges, one to a charge for a special meter reading, one in relation to not having credit card direct debits available, one due to a high read, one in connection with a water rebate and one in relation to a fee. Where there is a common theme the corporation will educate customers in the billing insert about our services.

EAST GIPPSLAND REGION WATER CORPORATION

Environmental Performance Indicators

KPI Number	Key Performance Indicator	2016/17 Result	2017/18 Result	2017/18 Target	Variance to prior year	Notes	Variance to target	Notes
E1	Effluent re-use volume (end use) Percentage recycled	95.4%	100.0%	100%	4.8%		0.0%	
E2	Total net CO₂ emissions Total Net tonnes CO ₂ equivalent	8,557	8,348	8,190	-2.4%		1.9%	

East Gippsland Region Water Corporation

Certification of Performance Report for 2017/18

We certify that the accompanying Performance Report of East Gippsland Region Water Corporation in respect of the 2017/18 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 2017/18 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.



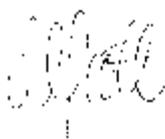
Joanne Booth
Chairperson

East Gippsland Region Water Corporation



Bruce Hammond
Managing Director & Accountable Officer

East Gippsland Region Water Corporation



Mathew Scott
Chief Finance & Accounting Officer

East Gippsland Region Water Corporation

6th September 2018

Independent Auditor's Report

To the Board of the East Gippsland Region Water Corporation

<p>Opinion</p>	<p>I have audited the accompanying performance report of the East Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2018, which comprises the:</p> <ul style="list-style-type: none"> • financial performance indicators • water and sewage service performance indicators • customer responsiveness performance indicators • environmental performance indicators • certification of performance report. <p>In my opinion, the performance report of the corporation for the year ended 30 June 2018 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
<p>Basis for Opinion</p>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<p>Board's responsibilities for the performance report</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 statement of performance that is free from material misstatement, whether due to fraud or error.</p>
<p>Auditor's responsibilities for the audit of the performance report</p>	<p>As required by the <i>Audit Act 1994</i>, 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.</p>

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

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

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

	
MELBOURNE 7 September 2018	Paul Martin <i>as delegate for the Auditor-General of Victoria</i>

Financial Report

For the Year Ended 30 June 2018

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EAST GIPPSLAND REGION WATER CORPORATION

Comprehensive Operating Statement for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue			
Service charges	2.1	22,385	21,767
Water usage charges	2.1	10,684	9,576
Trade waste charges	2.1	108	106
Developer contributions	2.2	979	1,277
Other income	2.3	1,504	1,579
Net loss on disposal of non-financial assets	4.1.4	(106)	(187)
Total Revenue		35,554	34,118
Expense			
Interest expense	6.1.2	835	1,035
Depreciation	4.1	11,574	11,559
Amortisation	4.2	149	142
Employee costs	3.1.1	9,276	8,944
Environmental contribution	8.2	1,198	1,198
Suppliers and materials	3.2	8,722	9,004
Government water rebate		559	552
Total Expense		32,313	32,434
Net Result before Tax		3,241	1,684
Income tax expense	8.1	956	488
Net result for the period		2,285	1,196
Comprehensive Result		2,285	1,196

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 2018

	Notes	2018 \$'000	2017 \$'000
Current Assets			
Cash and cash equivalents	6.2	6,505	4,524
Receivables	5.1	7,500	7,142
Inventories		748	442
Prepayments		370	371
Total Current Assets		15,123	12,479
Non Current Assets			
Receivables	5.1	136	221
Infrastructure assets, property, plant and equipment	4.1	441,234	443,539
Intangible assets	4.2	920	966
Capital works in progress	4.1.1	6,081	6,246
Total Non Current Assets		448,371	450,972
Total Assets		463,494	463,451
Current Liabilities			
Payables	5.2	4,969	4,811
Interest bearing liabilities	6.1	3,500	3,500
Employee benefits	3.1.2	2,727	2,631
Deferred revenue - Developer deposits		216	141
Total Current Liabilities		11,412	11,083
Non Current Liabilities			
Interest Bearing Liabilities	6.1	8,000	11,500
Employee Benefits	3.1.2	173	200
Net Deferred Tax Liabilities	8.1.2	82,007	81,051
Total Non Current Liabilities		90,180	92,751
Total Liabilities		101,592	103,834
Net Assets		361,902	359,617
Equity			
Contributed capital	9.1.1	95,967	95,967
Asset revaluation reserve	9.1.2	174,756	174,756
Accumulated funds	9.1.3	91,179	88,894
Total Equity		361,902	359,617

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 2018

	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Accumulated Funds \$'000	Total \$'000
Reported Balance as at 1 July 2016	95,967	174,756	87,698	358,421
Total comprehensive income for the year	-	-	1,196	1,196
Balance as at 30 June 2017	95,967	174,756	88,894	359,617
Total comprehensive income for the year	-	-	2,285	2,285
Balance as at 30 June 2018	95,967	174,756	91,179	361,902

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 2018

	Notes	2018 \$'000 Inflows / (Outflows)	2017 \$'000 Inflows / (Outflows)
Cash Flows from Operating Activities			
Receipts			
Rates, tariffs, fees and charges		33,089	32,193
Interest received		132	129
Other		1,186	1,262
GST received from ATO ¹		1,560	1,628
Developer contributions		141	169
Payments			
Interest paid		(852)	(1,050)
Employees		(9,068)	(9,157)
Environmental contribution		(1,198)	(1,198)
Suppliers and others		(10,999)	(10,027)
Net Cash Inflow from Operating Activities	6.2.1	13,991	13,949
Cash Flows from Investing Activities			
Payments for infrastructure, property, plant and equipment		(8,911)	(10,939)
Payments for intangibles	4.2	(103)	(210)
Proceeds from sale of infrastructure, property, plant and equipment		504	120
Net Cash Inflow (Outflow) from Investing Activities		(8,510)	(11,029)
Cash Flows from Financing Activities			
Repayment of borrowings		(3,500)	(3,000)
Net Cash (Outflow) from Financing Activities		(3,500)	(3,000)
Net Increase (Decrease) in Cash and Cash Equivalents		1,981	(80)
Cash and Cash Equivalents at the Beginning of Financial Year		4,524	4,604
Cash and Cash Equivalents at end of Financial Year	6.2	6,505	4,524

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

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

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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, directors declaration and notes accompanying these statements for the period ending 30 June 2018. 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 2018.

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 3.1.2 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. Judgements and assumptions made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

- Accrued water usage charges (2.1)
- The fair value of land, buildings, infrastructure, plant and equipment (Note 4.1.2)
- Estimation of useful life (Note 4.1.3)
- Impairment of assets (Note 4.1.3)
- Employee benefit provisions (Note 3.1.2)
- Actuarial assumptions for employee benefit provisions based on likely staff, pattern of leave claims, future salary movements and future discount rates (Note 3.1.2)
- Deferred tax calculations (Note 8.1)
- Accrued Expenses (Note 5.2)

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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 objectives 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.

Income is recognised to the extent it is probable the economic benefits will flow to the Corporation and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

Structure

- 2.1 Service and usage charges
- 2.2 Developer contributions
- 2.3 Other income

2.1 Service and usage charges

	Note	2018 \$'000	2017 \$'000
Service charges			
Water service charges		5,916	5,927
Sewage charges		16,469	15,840
		<u>22,385</u>	<u>21,767</u>
Trade waste charges		108	106
Water usage charges		10,684	9,576
Total service and usage charges		<u>33,177</u>	<u>31,449</u>

Service and water usage charges are recognised as revenue when levied or determined.

Water and sewerage service are recognised when services have been provided or a service charge has been made. Water and Sewerage service charges recognised evenly throughout the financial year to reflect the pattern of revenue being earned. Service charges are based on a fixed fee and represent charges for access to water and sewerage.

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.

The payment in advance by customers of accounts which at reporting date were unbilled is classified as unearned income (refer to 5.2 Payables).

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

2.2 Developer contributions

	2018 \$'000	2017 \$'000
Developer contributions		
New customers contributions	54	144
Assets received from developers	925	1,133
Total revenue	979	1,277

Developer contributed assets arise where developers pay for the cost of construction of new assets and subsequently gift these assets to the Corporation, which maintains them in perpetuity. In accordance with the requirements of AASB Interpretation 18 - Transfers of Assets from Customers, AASB 1004 Contributions and AASB 118 Revenue, recognition of income occurs when the risks and rewards of ownership have been transferred to the Corporation. This non-cash revenue is recorded as developer contributed assets. Contributions of assets received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

2.3 Other income

	2018 \$'000	2017 \$'000
Planning fees	575	563
Farm operations income	130	116
Miscellaneous	508	619
Legal fees recovered	82	70
Interest	132	129
Rental income	77	82
Total other income	1,504	1,579

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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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 Our people
 - 3.1.1 Employee benefits – comprehensive operating statement
 - 3.1.2 Employee benefits - balance sheet
 - 3.1.3 Superannuation
- 3.2 Suppliers and materials

3.1 Our people

3.1.1 Employee benefits – comprehensive operating statement

	2018 \$'000	2017 \$'000
Employee benefits		
Salaries and wages	6,247	5,909
Leave payments	1,928	1,822
Employer superannuation contributions	776	752
Other	325	461
Total employee benefit costs	9,276	8,944

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.

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

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

3.1.2 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.

	2018 \$'000	2017 \$'000
Current provisions:		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	511	494
Unconditional and expected to settle after 12 months	289	323
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	140	163
Unconditional and expected to settle after 12 months	1,462	1,333
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	90	93
Unconditional and expected to settle after 12 months	235	225
Total current provisions for employee benefits	2,727	2,631
Non-current provisions:		
Long service leave	151	175
On-costs	22	25
Total non-current provisions for employee benefits	173	200
Total provisions for employee benefits	2,900	2,831

Reconciliation of movement in on-cost provision

	2018 \$'000
Opening Balance	343
Additional provisions recognised	4
Closing Balance	347
Current	325
Non-current	22
Total	347

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 Corporation 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

Sick leave payments are made in accordance with relevant awards, determinations and Corporation policy. No provision is made in the Financial Statements for unused sick leave entitlements as these are non-vesting benefits.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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.

Long service leave

Long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL (representing seven or more years of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months. The Corporation does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- 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.

Performance payments

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

3.1.3 Superannuation

Superannuation contributions

The Corporation's obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Contributions by the Corporation (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2018 are detailed below:

Scheme	Type of Scheme	Rate	2018 \$'000	2017 \$'000
Vision Super	Defined benefits	9.5%	74	93
Vision Super	Accumulation	9.5%	642	593
ESSSuper	Defined benefits	17.3%	32	32

In addition to the above contributions, the Corporation has paid unfunded liability payments to Vision Super totalling \$0 (2016/17 \$0)

There was \$24,634 in super guarantee contributions outstanding for Vision Super Accumulation fund and no loans issued from or to the above schemes as at 30 June 2018. There were no loans issued from or to the above schemes as at 30 June 2018.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2019 is \$60,000.

Accumulation

Contributions to the accumulation plans are expensed as the contributions are paid or become payable.

Defined benefit

The Corporation does not use defined benefit accounting because sufficient information is not available. 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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

Funding arrangements

On the basis of the results of the 2017 triennial/full actuarial investigation conducted by the Fund Actuary, 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 Actuary. In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

The 2017 full actuarial investigation surplus amounts

As at 30 June 2017, an full actuarial investigation was held. The vested benefit index (VBI) was 103.1%. Because the VBI was above 100%, the 2017 full 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.

To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns	6.50% pa
Salary information	3.5% pa
Price inflation (CPI)	2.50% pa

Vision Super has advised that the estimated VBI at 30 June 2018 was 106%.

The Fund's full actuarial investigation as at 30 June 2017 identified the following:

- A VBI surplus of \$69.8 million;
- A total service liability surplus of \$193 million; and
- A discounted accrued benefits surplus of \$228.8 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 2017.

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 2018 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2018 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed in October 2018.

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%. While an actuarial investigation is underway, the shortfall limit is 100%.

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.

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.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

3.2 Suppliers and materials

	2018 \$'000	2017 \$'000
Suppliers and materials		
Contractors (Repairs and maintenance)	2,438	2,908
Consultants	1,132	1,027
Electricity	936	894
Licences	597	631
Materials	674	615
IT software	505	475
Chemicals	327	369
Telecommunication	251	278
Bank fee and debt collection fee	238	204
Motor vehicle - fuel	177	157
Insurance	152	153
Audit fees	148	115
Ground Maintenance	119	153
Postage	104	116
Subscriptions and memberships	100	146
Accommodation and meals	94	111
Bad and doubtful debt	81	73
Other	649	579
Total suppliers and materials	8,722	9,004

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and are deemed relevant for the understanding of this financial report. They are expensed in the period in which they are incurred.

4. KEY ASSETS AVAILABLE TO SUPPORT DELIVERY OF OUR SERVICES

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 Reconciliation of movements in carrying values of property, plant and equipment
 - 4.1.2 Fair value determination: Non-financial physical assets
 - 4.1.3 Depreciation and amortisation
 - 4.1.4 Net gain/(loss) on disposal of non-current assets
- 4.2 Intangible assets

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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

4.1.1 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	Waste Water infrastructure \$'000	Vehicle \$'000	Capital works in progress \$'000	Total \$'000
At 1 July 2016									
Cost or fair value	13,666	2,559	3,148	1,920	212,859	213,785	2,134	4,783	454,854
Accumulated Depreciation	-	-	(2,571)	(1,244)	(49)	(97)	(1,084)	-	(5,045)
Carrying Amount	13,666	2,559	577	676	212,810	213,688	1,050	4,783	449,809
Year ended 30 June 2017									
Opening net book amount	13,666	2,559	577	676	212,810	213,688	1,050	4,783	449,809
Additions	-	-	-	-	-	-	-	11,842	11,842
Disposal	-	-	-	-	(108)	(112)	(87)	-	(307)
Transfer between Asset Classes	-	6	192	272	2,350	7,261	298	(10,379)	-
Depreciation	-	(105)	(228)	(296)	(6,102)	(4,533)	(295)	-	(11,559)
Closing carrying amount	13,666	2,460	541	652	208,950	216,304	966	6,246	449,785
At 30 June 2017									
Cost or fair value	13,666	2,565	3,328	2,189	215,094	220,928	2,188	6,246	466,204
Accumulated Depreciation	-	(105)	(2,787)	(1,537)	(6,144)	(4,624)	(1,222)	-	(16,419)
Carrying Amount	13,666	2,460	541	652	208,950	216,304	966	6,246	449,785
Year ended 30 June 2018									
Opening net book amount	13,666	2,460	541	652	208,950	216,304	966	6,246	449,785
Additions	-	-	-	-	-	-	-	9,715	9,715
Disposal	(170)	(15)	(1)	(1)	(116)	(146)	(162)	-	(611)
Transfer between Asset Classes	-	133	213	161	6,017	2,814	542	(9,880)	-
Depreciation	-	(104)	(221)	(279)	(6,057)	(4,620)	(293)	-	(11,574)
Closing carrying amount	13,496	2,474	532	533	208,794	214,352	1,053	6,081	447,315
At 30 June 2018									
Cost or fair value	13,496	2,678	3,476	2,325	220,972	223,567	2,229	6,081	474,824
Accumulated Depreciation	-	(204)	(2,944)	(1,792)	(12,178)	(9,215)	(1,176)	-	(27,509)
Carrying Amount	13,496	2,474	532	533	208,794	214,352	1,053	6,081	447,315

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water and wastewater infrastructure, plant, office equipment and motor vehicles used by the Corporation in its operations. Items with a cost or value in excess of \$500 (2017: \$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 4.1.2 for fair value disclosures.

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.

4.1.2 Fair value determination: Non-financial physical assets

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, biological assets, investment properties and financial instruments and for non-recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
2018				
Land at fair value				
Specialised land	9,411	-	-	9,411
Non-specialised land	4,085	-	4,085	-
Total of land at fair value	13,496	-	4,085	9,411
Buildings at fair value				
Specialised buildings	2,474	-	-	2,474
Total of buildings at fair value	2,474	-	-	2,474
Plant and equipment at fair value				
Motor vehicles	1,053	-	-	1,053
Plant and equipment	532	-	-	532
Office equipment	533	-	-	533
Total of plant and equipment at fair value	2,118	-	-	2,118
Water infrastructure at fair value				
Water infrastructure	208,794	-	-	208,794
Total of water infrastructure	208,794	-	-	208,794
Wastewater infrastructure at fair value				
Wastewater infrastructure	214,352	-	-	214,352
Total of wastewater infrastructure	214,352	-	-	214,352
Total	441,234	-	4,085	437,149

	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
2017				
Land at fair value				
Specialised land	9,581	-	-	9,581
Non-specialised land	4,085	-	4,085	-
Total of land at fair value	13,666	-	4,085	9,581
Buildings at fair value				
Specialised buildings	2,460	-	-	2,460
Total of buildings at fair value	2,460	-	-	2,460
Plant and equipment at fair value				
Motor vehicles	966	-	-	966
Plant and equipment	541	-	-	541
Office equipment	652	-	-	652
Total of plant and equipment at fair value	2,159	-	-	2,159
Water infrastructure at fair value				
Water infrastructure	208,950	-	-	208,950
Total of water infrastructure	208,950	-	-	208,950
Wastewater infrastructure at fair value				
Wastewater infrastructure	216,304	-	-	216,304
Total of wastewater infrastructure	216,304	-	-	216,304
Total	443,539	-	4,085	439,454

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 2018

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 infrastructure, property, plant and equipment 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 2018 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 current 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 2018 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

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.

Water and sewer infrastructure are valued using the current replacement cost method less all forms of obsolescence and depreciation. 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. All obsolescence has also been factored into the current 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.

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 2018 with no material movement identified since the 2016 valuation.

There were no changes in valuation techniques throughout the period to 30 June 2018.

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 2018

Reconciliation of Level 3 fair value movements

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

2018	Specialised land	Specialised buildings	Plant and equipment	Office equipment	Water infrastructure	Waste Water infrastructure	Motor vehicles	Total
Opening Balance	9,581	2,460	541	652	208,950	216,304	966	439,454
Purchases	-	133	213	161	6,017	2,814	542	9,880
Disposal	(166)	-	(17)	(2)	(5)	(58)	(257)	(505)
Gains or Losses recognised in net result	(4)	(15)	16	1	(111)	(88)	95	(106)
Depreciation	-	(104)	(221)	(279)	(6,057)	(4,620)	(293)	(11,574)
Closing Balance	9,411	2,474	532	533	208,794	214,352	1,053	437,149
2017								
Opening Balance	9,581	2,559	577	676	212,810	213,688	1,050	440,941
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)
Closing Balance	9,581	2,460	541	652	208,950	216,304	966	439,454

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

Description of significant unobservable inputs to Level 3 valuations

2017 and 2018		Valuation technique ⁽ⁱ⁾	Significant unobservable inputs ⁽ⁱ⁾
Specialised and non-specialised land			
Land	\$9,525 (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
Specialised buildings			
Buildings	\$546 3 to 80 years	Depreciated replacement cost	Direct cost per square metre (4,687 Sq metres) Useful life of Buildings
Water infrastructure			
Water mains (953,380 metres)	\$150 40 to 90 years (70 years)	Depreciated replacement cost	Cost per metre (20mm - 750mm) Useful life of the Infrastructure
Water treatment plants (9 in total)	\$2,493,736 5 to 75 years (23 years)	Depreciated replacement cost	Cost per unit Useful life of the Infrastructure
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)	\$1,785,340 5 to 350 years (98 years)	Depreciated replacement cost	Cost per unit Useful life of the Infrastructure
Wastewater Infrastructure			
Wastewater mains (706,730 metres)	\$153 50 to 100 years (84 years)	Depreciated replacement cost	Cost per metre (40mm - 900mm) Useful life of the Infrastructure
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 (123 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
Motor vehicles			
Motor vehicles (65 Units)	\$34,287 8 years (6 years)	Depreciated replacement cost	Cost per unit (18,000 - 66,904) Useful life of the Vehicles
Plant and equipment			
Plant and equipment (763 Units)	\$4,557 3 - 20 years (4 years)	Depreciated replacement cost	Cost per unit (500 - 85,000) Useful life of the Plant & Equipment
Office equipment			
Office equipment (709 Units)	\$3,279 1 - 20 years (4 years)	Depreciated replacement cost	Cost per unit (500 - 122,542) Useful life of the Office Equipment

(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 2018

4.1.3 Depreciation and amortisation

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:

Assets	Useful life: years
Buildings	3 to 80
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/amortisation 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.

Impairment

Non-financial assets, including items of Property, Plant and Equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off, except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of current replacement cost and fair value less costs to sell. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

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

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

	2018 \$'000	2017 \$'000
Net gain/(loss on disposal)		
Infrastructure, property, plant and equipment	(106)	(187)
	(106)	(187)

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

4.2 Intangible assets

	Software	Groundwater licence	Total
At 1 July 2016			
Cost or fair value	3,704	217	3,921
Accumulated Depreciation	(3,023)	-	(3,023)
Carrying Amount	681	217	898
Year ended 30 June 2017			
Opening net book amount	681	217	898
Additions	210	-	210
Depreciation	(142)	-	(142)
Balance as at 30 June 2017	749	217	966
At 30 June 2017			
Cost or fair value	3,914	217	4,131
Accumulated Depreciation	(3,165)	-	(3,165)
Carrying Amount	749	217	966
Year ended 30 June 2018			
Opening net book amount	749	217	966
Additions	103	-	103
Depreciation	(149)	-	(149)
Balance as at 30 June 2018	703	217	920
At 30 June 2018			
Cost or fair value	4,017	217	4,234
Accumulated Depreciation	(3,314)	-	(3,314)
Carrying Amount	703	217	920

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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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

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

* Groundwater licences provide the Corporation with a perpetual right to extract groundwater. A groundwater licence is valued at cost on acquisition.

Amortisation

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.

5. OTHER ASSETS AND LIABILITIES

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

Structure

- 5.1 Receivables
 - 5.1.1 Movement in the the provision for doubtful debts
 - 5.1.2 Ageing analysis of contractual receivables
- 5.2 Payables
- 5.3 Fair value determination of financial assets and liabilities

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

5.1 Receivables

	2018	2017
	\$'000	\$'000
Current		
<u>Contractual</u>		
Trade receivables	1,635	1,671
Provisions for impaired receivables	(180)	(144)
Accrued income	5,021	4,756
Other receivables	316	428
<u>Statutory</u>		
GST Input tax credit receivables	415	405
Other receivables	293	27
Total current receivables	7,500	7,143
Non-current		
<u>Contractual</u>		
Private Schemes	136	221
Total non-current receivables	136	221
Total receivables	7,636	7,364

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. Private schemes are an arrangement for extension of services, whereby the customer has an option to pay over an extended period of time.
- 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.
- Other receivables consist of sundry debtors, concessional rebate debtors and information statements (contractual) and Department of Health and Human Services rebates (statutory).

5.1.1 Movement in the provision for doubtful debts

As at 30 June 2018, current receivables of the Corporation with a nominal value of \$232K (2017: \$232K) were impaired. The amount of the provision was \$180K (2017: \$144K). 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.

	2018	2017
	\$'000	\$'000
Balance at beginning of the year	144	137
Provision for doubtful debts recognised during the year	81	65
Receivables written off during the year as uncollectible	(45)	(58)
Balance at end of the year	180	144

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts 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 financial assets 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 and services 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.

5.1.2 Ageing analysis of contractual receivables

The ageing of these receivables is as follows:

	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
2018						
Trade Receivables	1,635	1,166	51	25	298	95
Other receivables	316	316	-	-	-	-
Private Schemes	136	136	-	-	-	-
Accrued income	5,021	5,021	-	-	-	-
Total	7,108	6,639	51	25	298	95
2017						
Trade Receivables	1,671	1,265	52	16	249	89
Other receivables	428	428	-	-	-	-
Private Schemes	221	218	1	1	1	-
Accrued income	4,756	4,756	-	-	-	-
Total	7,076	6,667	53	17	250	89

No interest is charged for the first 28 days from the invoice date. Thereafter, interest is charged at 5.5 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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

5.2 Payables

	2018 \$'000	2017 \$'000
Current		
<u>Contractual</u>		
Trade creditors	3,111	2,740
Sundry creditors	486	307
Revenue in advance	565	514
Accrued expenses	381	242
Contractor deposits and retention	401	528
<u>Statutory</u>		
Environmental contribution - DELWP	-	399
Superannuation payable	25	81
Total current payables	4,969	4,811
Total payables	4,969	4,811

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.

5.3 Fair value determination of financial assets and liabilities

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

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

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 2018-19 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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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 and balances
 - 6.2.1 Reconciliation of net result to cash flow from operating activities
- 6.3 Commitments for expenditure
 - 6.3.1 Capital commitments

6.1 Interest bearing liabilities

Current interest bearing liabilities

Secured TCV borrowings

Non-current interest bearing liabilities

Secured TCV borrowings

Total interest bearing liabilities

	2018 \$'000	2017 \$'000
Secured TCV borrowings	3,500	3,500
Secured TCV borrowings	8,000	11,500
Total interest bearing liabilities	11,500	15,000

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 interest bearing liabilities

	Carrying amount	Fair Value Amount	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years
2018							
Secured TCV Borrowings	11,500	12,057	-	-	3,500	6,500	1,500
Total	11,500	12,057	-	-	3,500	6,500	1,500
2017							
Secured TCV Borrowings	15,000	15,877	-	-	3,500	7,000	4,500
Total	15,000	15,877	-	-	3,500	7,000	4,500

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

6.1.2 Interest expense

	2018 \$'000	2017 \$'000
Interest on government loans (refer to Note 9.4)	660	828
Financial accommodation levy	175	207
Total interest expense	835	1,035

'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, amortisation of discounts or premiums relating to borrowings and finance lease charges.

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.

	2018 \$'000	2017 \$'000
Cash at bank	1,505	1,524
Deposits at call (refer to Note 9.4)	5,000	3,000
Balance as per cash flow statement	6,505	4,524

6.2.1 Reconciliation of net result to cash flow from operating activities

	2018 \$'000	2017 \$'000
Non-cash movements		
Net result for the period	2,285	1,196
Depreciation and amortisation	11,723	11,701
(Gain) / loss on sale of non-current assets	106	187
Bad debts	45	65
Donated assets	(848)	(1,063)
Movement in assets and liabilities		
(Increase)/decrease in receivables	(273)	75
(Increase)/decrease in inventories	(306)	(61)
(Increase)/decrease in prepayments	1	(54)
Increase/(decrease) in employee benefits	69	36
Increase/(decrease) in payables	158	1,169
Increase/(decrease) in deferred revenue - developer deposits	75	115
Increase/(decrease) in net deferred tax liabilities	956	583
Net cash provided by operating activities	13,991	13,949

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

6.3 Commitments for expenditure

Commitments for future expenditure include capital commitments arising from contracts.

These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

Please refer to Note 8.2.1 for details on environmental commitments.

6.3.1 Capital commitments

Capital commitments arising from contracts. These commitments 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.

	2018 \$'000	2017 \$'000
Capital project commitments due within 12 months - inclusive of GST	2,933	1,828
	2,933	1,828

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

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

7.1.1 Financial instruments: Categorisation

	Contractual financial assets – loans and receivables and cash
2018	\$'000
Contractual financial assets	
Cash and deposits	6,505
Receivables	
Trade receivables	1,635
Accrued income	5,021
Other receivables	316
Total contractual financial assets	13,477
	Contractual financial liabilities at amortised cost
2018	\$'000
Contractual financial liabilities	
Payables	
Contractual	3,111
Other payables	1,268
Borrowings	
Secured TCV borrowings	11,500
Total contractual financial liabilities	15,879
	Contractual financial assets – loans and receivables and cash
2017	\$'000
Contractual financial assets	
Cash and deposits	4,524
Receivables	
Trade receivables	1,671
Accrued income	4,756
Other receivables	428
Total contractual financial assets	11,379
	Contractual financial liabilities at amortised cost
2017	\$'000
Contractual financial liabilities	
Payables	
Contractual	2,740
Other payables	1,077
Borrowings	
Secured TCV borrowings	15,000
Total contractual financial liabilities	18,817

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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.

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.

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.

Interest rate exposure of financial instruments

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

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

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

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

	Interest rate exposure			Interest rate risk sensitivity			
	Carrying amount	Weighted average interest rate %	Variable interest rate	-0.50% Net result \$'000	Equity \$'000	0.50% Net result \$'000	Equity \$'000
2018							
Contractual financial assets							
Cash and deposits	6,505	1.45%	6,505	(33)	(33)	33	33
Contractual and statutory	1,635	0%	-	-	-	-	-
Private schemes	136	0%	-	-	-	-	-
Other receivables	5,865	0%	-	-	-	-	-
Total financial assets	14,141		6,505	(33)	(33)	33	33
Contractual financial liabilities							
Borrowings	11,500	5.54%	-	(58)	(58)	58	58
Total financial liabilities	11,500		-	(58)	(58)	58	58
2017							
Contractual financial assets							
Cash and deposits	4,524	1.45%	4,524	(23)	(23)	23	23
Contractual and statutory	1,671	0%	-	-	-	-	-
Private schemes	221	0%	-	-	-	-	-
Other receivables	5,471	0%	-	-	-	-	-
Total financial assets	11,887		4,524	(23)	(23)	23	23
Contractual financial liabilities							
Borrowings	15,000	5.67%	-	(75)	(75)	75	75
Total financial liabilities	15,000		-	(75)	(75)	75	75

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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 (2017: Nil).

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

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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:

	2018 \$'000	2017 \$'000
Tax reconciliation		
Net result before income tax expense	3,241	1,684
Tax at the Australian tax rate of 30% (2017: 30%)	972	505
Non deductible items		
Depreciation on buildings	31	32
Entertainment	5	4
Amortisation on buildings	(52)	(53)
Income tax on profit before tax	956	488

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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

	2018 \$'000	2017 \$'000
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	54	43
Employee benefits - Annual Leave	247	250
Employee benefits - Long Service Leave	600	574
Other	158	10
Total deferred tax assets	1,059	877

Movements

	2018 \$'000	2017 \$'000
Opening balance at 1 July	877	869
Credited/(debited) to the Comprehensive Operating Statement	182	8
Closing balance at 30 June	1,059	877
Tax losses	1,939	4,831
Ending balance at 30 June offset against deferred tax liabilities	2,998	5,708

Deferred tax liabilities

	2018 \$'000	2017 \$'000
Amounts recognised in Comprehensive Operating Statement		
Cumulative depreciation and amortisation	10,122	11,876
Amounts recognised directly in equity		
Revaluation of infrastructure property, plant and equipment	74,883	74,883
Offset from deferred tax assets	(2,998)	(5,708)
Total deferred tax liabilities	82,007	81,051

Movements

	2018 \$'000	2017 \$'000
Opening balance at 1 July	81,051	80,563
Credited/(debited) to the net result	956	488
Closing balance at 30 June	82,007	81,051

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

8.2 Environmental contributions

	2018 \$'000	2017 \$'000
Environmental contribution levy (refer to Note 9.4)	1,198	1,198

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.

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

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

8.2.1 Environmental contributions commitments

At 30 June 2018, 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
2018				
Environmental contributions commitments payable	1,499	1,499	-	2,998
	1,499	1,499	-	2,998
2017				
Environmental contributions commitments payable	1,198	2,998	-	4,196
	1,198	2,998	-	4,196

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 Responsible persons
- 9.4 Related parties
- 9.5 Remuneration of executives and other personnel
- 9.6 Remuneration of auditors
- 9.7 Australian Accounting Standards issued that are not yet effective

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

9.1 Equity

9.1.1 Contributed capital

	2018 \$'000	2017 \$'000
Contributed capital		
Balance 1 July	95,967	95,967
Capital contributions	-	-
Balance at 30 June	95,967	95,967

Additions to net assets which have been designated as contributions by owners are recognised as contributed equity. Other transfers that are in the nature of contributions or distributions (capital repatriation) have been recognised in contributed equity.

9.1.2 Asset revaluation surplus

	2018 \$'000	2017 \$'000
Land	4,244	4,244
Buildings	404	404
Infrastructure	170,108	170,108
Total	174,756	174,756

Movements during the reporting period

	Land	Buildings	Infrastructure	Total
Opening Balance	4,244	404	170,108	174,756
Revaluation increment / (decrement)	-	-	-	-
Closing balance	4,244	404	170,108	174,756

9.1.3 Accumulated surplus

	2018 \$'000	2017 \$'000
Accumulated surplus		
Accumulated surplus at beginning of financial year	88,894	87,698
Net profit for the year	2,285	1,196
Accumulated surplus at end of financial year	91,179	88,894

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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

9.3 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. The responsible Minister during the 2017–18 reporting period was The Hon Lisa Neville MP, Minister for Water. Remuneration paid to the respective Minister is shown in the financial statements of the Department of Parliamentary Services. The names of persons who were directors of East Gippsland Water at any time during the financial year are as follows:

Title	Name	Period of appointment
Minister for Water	The Hon. Lisa Neville MP	1 July 2017 to 30 June 2018
Chairperson	Joanne Booth	1 July 2017 to 30 June 2018
Deputy Chairperson	Steve Bird	1 July 2017 to 30 June 2018
Director	Michelle Dowsett	1 July 2017 to 30 June 2018
Director	Angela Hutson	1 July 2017 to 30 June 2018
Director	Bill Deveney OAM	1 July 2017 to 30 June 2018
Director	Timothy Weight	1 October 2017 to 30 June 2018
Director	Ross Passalacqua	1 October 2017 to 30 June 2018
Director	Susan Taylor	1 October 2017 to 30 June 2018
Director	Gail Morley	1 July 2017 to 30 September 2017
Director	Therese Tierney	1 July 2017 to 30 September 2017
Director	Richard Elkington	1 July 2017 to 30 September 2017
Managing Director	Bruce Hammond	1 July 2017 to 30 June 2018

Remuneration of Responsible Persons'

The remuneration received or receivable by Responsible Persons in connection with the management of the Corporation during the reporting period is summarised as follows in their relevant income bands:

Remuneration range	2018	2017
\$0,000 - \$9,999	3	-
\$10,000 - \$19,999	3	-
\$20,000 - \$29,999	4	7
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$280,000 - \$289,999	1	1
	12	9
	2018	2017
	\$'000	\$'000
Total remuneration paid to responsible persons	495	472

9.4 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.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

Significant transactions with government-related entities

During the year, the corporation had the following government-related entity transactions:		2018	2017
		\$'000	\$'000
Amounts recognised as an expense in the Statement of Comprehensive Income			
Treasury Corporation of Victoria (note 6.1 and 6.2)	Investment and Borrowings	11,500	15,000
Department of Environment, Land, Water and Planning	Environmental Contribution	1,198	1,198
East Gippsland Catchment Management Authority	Nicholson Dam Funding and secondment	71	191
Department of Treasury and Finance	Financial Accommodation Levy	173	207
Vic Roads		136	35
Department of Health and Human Services		11	11
Department of Environment, Land, Water and Planning (note 8.2)		1,257	1,264
State Revenue Office		297	417
Amounts recognised as revenue in the Statement of Comprehensive Income			
State Revenue Office		166	171
Department of Environment, Land, Water and Planning		47	24
Department of Health and Human Services		2,050	1,950

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. This comprises 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

	2018	2017
	\$'000	\$'000
Short-term employee benefits	423	424
Post-employment benefits	50	48
Other long-term benefits	22	-
Total	495	472

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.

Outside of normal citizen type transactions with the Corporation, there were no other 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 2018

9.5 Remuneration of executives

The number of executive officers, other than the minister and accountable officer, 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.

Remuneration	Total Remuneration	
	2018 \$'000	2017 \$'000
Short-term employee benefits	816	649
Post-employment benefits	77	61
Other long-term benefits	7	9
Total remuneration^(a)	900	719
Total number of executives	8	4
Total annualised employee equivalents^(b)	5.2	3.4

^(a) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.4).

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

9.6 Remuneration of auditors

	2018 \$'000	2017 \$'000
Victorian Auditor General's Office	46	45
Internal auditor	78	70
Other	24	-
Total remuneration of auditors	148	115

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the Financial Report for the year ended 30 June 2018

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.	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. The requirements of AASB 15 may require additional disclosures for service revenue and contract modifications as well as developer cash contributions.
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	1 January 2018	The initial application of AASB 9 is not expected to significantly impact the financial position. However there will be a change to the way financial instruments are classified and new disclosure requirements.
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 17 <i>Insurance Contracts</i>	The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reinsurance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard does not apply to the not-for-profit public sector entities. The AASB is undertaking further outreach to consider the application of this standard to the not-for-profit public sector.	1 January 2021	1 July 2021	The assessment has indicated that there will be no significant impact for the public sector.
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 2018 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 2017/18

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 2018 and financial position of the Corporation at 30 June 2018.

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 2018.



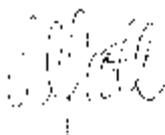
Joanne Booth
Chairperson

East Gippsland Region Water Corporation



Bruce Hammond
Managing Director

East Gippsland Region Water Corporation



Mathew Scott
Chief Finance & Accounting Officer

East Gippsland Region Water Corporation

Independent Auditor's Report

To the Board of the East Gippsland Region Water Corporation

<p>Opinion</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"> • balance sheet as at 30 June 2018 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<p>Basis for Opinion</p>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<p>Board's responsibilities for the financial report</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, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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

		
MELBOURNE 7 September 2018	Paul Martin <i>as delegate for the Auditor-General of Victoria</i>	

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
DEPI	Department of Environment and Primary Industries
DELWP	Department of Environment, Land, Water and Planning
DHHS	Department of Health and Human Services
DTF	Department of Treasury and Finance
EGCMA	East Gippsland Catchment Management Authority
EPA	Environment Protection Authority
EWOV	Energy and Water Ombudsman Victoria
FoI	Freedom of Information
FTE	Full Time Equivalent
Gigalitre (GL)	One billion litres
GLaWAC	Gunaikurnai Land and Waters Aboriginal Corporation
GSL	Guaranteed Service Level
H&S	Health and Safety
Kilolitre (kL)	One thousand litres
Megalitre (ML)	One million litres
NATA	National Association of Testing Authorities
OVIC	Office of the Victorian Information Commissioner
SCADA	Supervisory Control and Data Acquisition
t CO ₂ –e	tonnes of CO ₂ equivalent
WSAA	Water Services Association of Australia



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