





## AT A GLANCE 2015 - 2016



**30,100**

POPULATION SERVED

**20,747**  
WATER ASSESSMENTS  
(ACCOUNTS) OVER 21 RURAL  
CENTRES

**18,148**

WASTEWATER ASSESSMENTS  
(ACCOUNTS) OVER 16 RURAL  
CENTRES



### WATER SERVICES

- 13 Reservoirs & 18 Service Storages
- 4,950 ML annual volume of metered water
- 1,234 square km of water catchments
- 10 Separate water supply systems
- 10 Separate water treatment plants
- 703 km of water mains
- 15 water pump stations

### WASTEWATER SERVICES

- 4,300 ML of wastewater collected
- 10 conventional wastewater systems
- 1 vacuum & 2 pressure sewer systems
- 476 km of wastewater mains
- 64 wastewater pump stations



### VISION

Our future ideal is to be widely recognised as an exemplary service provider & valued as an essential contributor to regional development & resource sustainability

### MISSION

Our core purpose is to secure & manage quality water & wastewater systems in an environmentally sustainable & cost efficient manner

### VALUES

- Integrity
- Accountability
- Impartiality
- Service
- Operational Responsibility



**85%**  
Customer  
Satisfaction  
2014

### AWARDS

2014 Leongatha named winner of the Orica Taste Test for 'Best Tasting Water in Victoria' at the Water Industry Operators Conference



## Corporate Highlights

- ✓ Successful \$30 million business case for State Government funding for the Lance Creek Water Connection project
- ✓ Community consultation process completed exploring options to secure the water supplies of Korumburra, Poowong, Loch, Nyora and Leongatha
- ✓ Ongoing collaboration and efficiency outcomes from the Memorandum of Understanding between South Gippsland Water, Gippsland Water, East Gippsland Water, Westernport Water and Southern Rural Water
- ✓ Completion of the \$2 million Alberton Sewer Scheme, a community initiated project
- ✓ Completion of the \$20 million Poowong Loch and Nyora Sewerage Scheme. 100% of properties have committed to connecting to the scheme
- ✓ Powlett River crossing and Delivery Point 5 works completed making it possible to transfer water from the Melbourne supply system to Lance Creek Reservoir

# 2015/16 Year in Review

## Health and Safety Highlights

- ✓ Maintained water quality management system to the Australian Drinking Water Guidelines
- ✓ Regular water quality sampling and testing, including:
  - 25,000 analyses by an independent laboratory
  - 4,000 field measurements
  - 12,000 checks by operators at treatment plants
- ✓ Occupational Health and Safety ISO 18001 certification maintained

## Social Highlights

- ✓ Participant in the Choose Tap alliance to promote the benefits of drinking tap water compared to bottled water
- ✓ Participant in the 'Stop it. Don't block it' community campaign to improve awareness of the do's and don'ts of sewer systems
- ✓ Distributed \$5,040 through the H40 – Help for Water Efficient Organisations and \$2,500 through the H20 – Hills to Oceans grant programs
- ✓ Cash Back program to assist with whole of water cycle management in Poowong, Loch and Nyora completed. The pilot project was run in conjunction with the establishment of the Poowong, Loch and Nyora Sewerage Scheme to encourage water efficiency. Some \$59,300 was rebated to customers
- ✓ Participant in the Living Victoria Water Rebate Program, some \$30,500 rebated to customers
- ✓ The organisation's Water Efficient Showerhead Program continued to provide water saving showerheads free of charge to South Gippsland Water's customers
- ✓ Collaboration with community and agencies to enable Inverloch dairy farmers to access 100ML of raw water accumulated in a disused storage basin. The water was made available for stock and on-farm use
- ✓ Facilitation of a successful application to undertake a feasibility study for farmers in the Yanakie area for potential future supply of water to the community

## Economic Highlights

- ✓ Profit/Loss - a pre-tax loss of \$1.773 million
- ✓ Gippsland Strategic Alliance Group, memorandum of understanding (MOU), savings of \$1.3 million.
- ✓ Efficiency savings to South Gippsland Water of \$200,000
- ✓ Ongoing reduced water and sewerage tariffs by an average of \$48 per year, 2014-2018 as part of government rebate
- ✓ \$10.3 million investment in capital works across the region to strengthen and increase asset capacity and service delivery capability
- ✓ \$1.3 million sewer system rehabilitation
- ✓ \$1.2 water system maintenance and renewals
- ✓ Completion of the \$20 million Poowong, Loch and Nyora Sewerage Scheme on time and on budget

## Environmental Highlights

- ✓ Catchment improvement by logging pine trees at Bellview Reservoir, Korumburra
- ✓ As part of the 20 Million Trees Program, Greening Australia has revegetated 16ha of Corporation land at Foster Dam and Bellview Reservoir
- ✓ A joint revegetation project between Bass Coast Landcare Network, West Gippsland Catchment Management Authority and South Gippsland Water planted out 10 ha of Corporation and neighbouring land adjacent to the Korumburra wastewater treatment plant
- ✓ 1,000 trees planted at the Meenyan wastewater treatment plant by local scouts
- ✓ Environmental Management System ISO 14001 certification maintained
- ✓ Installation of a low energy aerator at the Wonthaggi wastewater treatment plant



# Vision, Mission and Values

---

## VISION

### **Our future ideal is.....**

To be widely recognised as an exemplary service provider and valued as an essential contributor to regional development and resource sustainability.

## MISSION

### **Our core purpose is.....**

As South Gippsland's Regional Urban Water Corporation; to secure and manage quality water and wastewater systems, in an environmentally sustainable and cost efficient manner.

## CORE VALUES

### **Integrity – earning and sustaining public trust through:**

- Freedom from conflicts of interest
- Using powers responsibly
- Honesty and transparency
- Reporting improper conduct
- Respect for others
- Freedom from discrimination, harassment and bullying

### **Accountability – accepting responsibility for decisions and actions by:**

- Working to objectives
- Acting in a transparent manner
- Achieving best use of resources
- Being open to appropriate scrutiny

### **Impartiality – acting objectively:**

- Without bias or self interest
- Based on merit, facts and fair criteria
- By implementing policies and programs equitably

### **Service - providing the best standards of service to:**

- Our customers
- Government
- Local and regional community
- Board Directors and Corporation staff
- The broader water industry

### **Operational responsibility – the way we run our business**

- Operating our business in a sustainable manner
- Behaving as a good corporate citizen
- Striving to minimise the environmental impact of our operations
- Committing to safety in the workplace
- Prioritising highest standards of public health

# Table of Contents

<b>2015/16 YEAR IN REVIEW</b> .....	<b>2</b>	<b>SOCIAL SUSTAINABILITY</b> .....	<b>19</b>
<b>VISION, MISSION AND VALUES</b> .....	<b>4</b>	Collaboration Within the Water Sector .....	19
<b>OUR REGION</b> .....	<b>6</b>	Community Service Obligations -	
South Gippsland – The Region .....	6	Financial Assistance to Eligible Customers and Pensioners .....	19
Nature and Range of Services Provided .....	6	Customer Consultation .....	19
<b>STATEMENT BY THE MANAGING DIRECTOR AND CHAIR</b> .....	<b>8</b>	Schools Education Programs .....	19
<b>THE BOARD</b> .....	<b>9</b>	Meetings with Local Community and Special Interest Groups .....	19
<b>ORGANISATIONAL STRUCTURE</b> .....	<b>11</b>	Social Media and the	
Structural changes during 2015/16 .....	11	South Gippsland Water Website.....	20
<b>THE MANAGEMENT TEAM</b> .....	<b>11</b>	Management of Social and	
<b>CORPORATE INFORMATION</b> .....	<b>12</b>	Economic Impacts .....	20
Role of the Board and Membership .....	12	<b>BULK ENTITLEMENT COMPLIANCE REPORTING</b> .....	<b>21</b>
Remuneration of Directors and Executive Officers .....	12	<b>WATER SERVICES</b> .....	<b>22</b>
Meetings, Committees and Composition of Committees .....	12	Water Quality .....	22
Statement of Availability of Other Information .....	13	Water Consumption.....	23
Disclosure Index.....	13	Drought Response Plan .....	23
Declaration of Pecuniary Interest.....	13	Major Non-Residential Water Users .....	23
External Auditors .....	13	Customers by Volume/Range for 2015/16 .....	23
Risk Management and Chair's Statement.....	13	<b>WASTEWATER SERVICES</b> .....	<b>24</b>
Manner of Establishment and the Relevant Minister .....	13	Wastewater Management .....	24
Objectives, Functions, Powers and Duties .....	14	Treated Effluent .....	24
Freedom of Information (Fol).....	14	Bio Solids.....	24
Contact for Requests.....	14	<b>ENVIRONMENTAL SUSTAINABILITY</b> .....	<b>25</b>
Compliance with the Building Act 1993 .....	14	Corporate Sustainability Strategy.....	25
Events Subsequent to Balance Date .....	14	Environment and Sustainability .....	25
Protected Disclosures Act 2012 .....	14	Policy Environmental Management System.....	25
Victorian Industry Participation Policy - Implementation.....	14	Regional Catchment Strategies.....	25
Consultancies for 2015/16 – Greater than \$10,000 .....	15	Sustainable Water Use .....	26
Disclosure of Major Contracts.....	15	Uniform Drought Response Plan .....	26
Details of Information and Communication		Water Supply Demand Strategy .....	26
Technology (ICT) Expenditure.....	16	Community Partners in Environment and Sustainability .....	26
Corporate Water Consumption 2015/16 .....	16	Biodiversity .....	27
Water Consumed Per Unit of Office Space.....	16	Greenhouse Gas Emissions .....	27
National Competition Policy .....	16	Net Energy Consumption.....	27
Goods and Service Tax (GST).....	16	<b>SUMMARY OF MAJOR PROJECTS 2015/16</b> .....	<b>28</b>
<b>OUR PEOPLE</b> .....	<b>17</b>	<b>REPORT OF OPERATIONS</b> .....	<b>29</b>
Employment and Conduct Principles .....	17	Financial Performance .....	29
Formal Staff Grievances Disclosure Summary .....	17	<b>FINANCIAL REPORT</b> .....	<b>31</b>
Equal Opportunity and Workforce Diversity and Inclusion .....	17	<b>COMPREHENSIVE OPERATING STATEMENT</b> .....	<b>32</b>
Workforce Data .....	17	<b>BALANCE SHEET</b> .....	<b>33</b>
Employee Assistance Program (EAP).....	18	<b>STATEMENT OF CHANGES IN EQUITY</b> .....	<b>34</b>
Enterprise Agreement .....	18	<b>CASH FLOW STATEMENT</b> .....	<b>35</b>
Occupational Health and Safety Management (OH&S).....	18	<b>NOTES TO THE FINANCIAL REPORT</b> .....	<b>36</b>
Lost Time Injury Frequency Rate.....	18	<b>PERFORMANCE REPORT</b> .....	<b>62</b>
Medical Injury Frequency Rate .....	18	<b>APPENDIX A – DISCLOSURE INDEX</b> .....	<b>67</b>
South Gippsland Water LTI / MTI Performance.....	18		

# Our Region

## South Gippsland – The Region

South Gippsland is located around two hours' drive from Melbourne and is a popular tourist destination, well known for its coastal resorts, such as Inverloch, Cape Paterson, Waratah Bay, Sandy Point and Port Albert. The region has two internationally recognised National Parks, Wilson's Promontory and Tarra Bulga, north east of Yarram.

Dairy farming is the major industry in the region. It sits alongside a range of other important agricultural and horticultural enterprises including beef, lamb, wine, cheese and vegetable production, and a commercial fishing industry.

Based on our vision, mission, core values and functions, South Gippsland Water is a proactive service provider. We aim to contribute to economic development and provide environmentally sustainable water and wastewater services in a way that benefits our customers and the wider community.

## Nature and Range of Services Provided

South Gippsland Water's total operation in 2015/16 comprised:

### Headworks

- Water catchments with a total area of 1,234 square kilometres

### Water Services

- 10 separate water supply systems
- 10 water treatment plants
- 703km of water mains
- 15 water pump stations
- 20,747 water assessments (accounts) over 21 rural centres
- 13 reservoirs and 18 service storages
- 4,950 million litres (ML) annual volume of metered water supplied to customers
- Water catchments with a total area of 1,234 square kilometres

### Sewerage Services

- 10 conventional wastewater collection systems
- 1 vacuum wastewater system
- 2 pressure sewer systems
- 11 sewerage treatment plants
- 1 dedicated saline tradewaste system
- 476km of wastewater mains
- 64 wastewater pump stations
- marine environment outfalls
- 2 inland water discharge points
- servicing 18,148 wastewater assessments (including trade waste) over 16 towns collecting and treating around 4,300ML of wastewater



## South Gippsland Water and Sewerage Service Localities

Centres	Population Served (Permanent)	Water		Sewerage Customers Billed
		Customers Billed	Supplied from	
Port Franklin	130 (estimate)	105	Agnes River	Not serviced
Port Welshpool	184	276	Agnes River	262
Toora / Agnes, Bennison	462	517	Agnes River	286
Welshpool, Hedley	457	206	Agnes River	120
Fish Creek	826	207	Battery Creek	Not serviced
Korumburra	3,506	2,228	Coalition Creek	1,918
Foster	1,138	871	Deep Creek / Foster Dam	780
Inverloch, Wattle Bank	4,975	4,557	Lance Creek	4,509
Cape Paterson	771	1,147	Lance Creek	1,128
Wonthaggi, South Dudley, Glen Alvie, Kongwak, Lance Creek	7,406	4,503	Lance Creek	4,269
Loch	196 (estimate)	146	Little Bass	109
Nyora	733	354	Little Bass	185
Poowong	330	205	Little Bass	146
Koonwarra	400	81	Ruby Creek	Not serviced
Leongatha, Kardella, Leongatha South, Ruby	5,068	3,107	Ruby Creek	2,923
Alberton	265	146	Tarra River	99
Devon North, Tarra Valley	498	125	Tarra River	Not serviced
Port Albert	251	398	Tarra River	329
Yarram	1,782	1,193	Tarra River	1,079
Dumbalk	430	103	Tarwin River	Not serviced
Meeniyan	472	272	Tarwin River	238
Waratah Bay	216	Not serviced	N/A	114
<b>Totals</b>	<b>30,100</b>	<b>20,747</b>		<b>18,148</b>

### Notes:

1. Population Served based on ABS 2011 Census updated with a local government growth factor of 2.5% Bass Coast Shire Council, 5% South Gippsland Shire Council and 0.9% for the Wellington Shire Council.
2. Water and Sewerage Assessments = Number of Rated Properties at June 2016.
3. The ABS method of calculation of population is based on State Suburbs and may not always reflect the exact sewer/water district.

Tarraville Waste Water Treatment Plant.



# Statement by the Managing Director and Chair

We are pleased to present the Report of Operations for South Gippsland Water for the year ending 30 June 2016.

The Corporation has seen some substantial achievements throughout the year while continuing to deliver safe reliable services to customers and the community now and into the future.

A review of all 135 Victorian water corporation board director positions across the state by the Minister, saw some changes to the structure of South Gippsland Water Board during 2015. This provided the opportunity to review the Board Committee structure which has been re-aligned to facilitate the Corporation's ongoing commitment to its vision and mission.

A key highlight was the State Government funding announcement of a \$30 million business case to secure water supply to townships located in the north of South Gippsland Water's region including Poowong, Loch, Nyora and Korumburra. The Lance Creek Water Connection project involves the interconnection of smaller surface water supplies to the corporation's largest reservoir, Lance Creek. The project utilises an existing connection to the non-rain dependent Melbourne Supply System to access as required, including the Wonthaggi Desalination Plant.

For 2015/16, the dry spring and summer period saw staged water restrictions placed on the Battery Creek, Coalition Creek and Little Bass water supply systems. An alternative water source for the Tarwin River was initiated for the township of Korumburra during November 2015 to meet the towns' water needs and increased demand from major customer Burra Foods. The additional yield supplemented the existing Coalition Creek Water Supply System. All other towns continued to abide by Permanent Water Saving Rules.

The dairy farming industry across the region was severely affected by the dry conditions. The Corporation assisted farmers in two areas. Access was provided to a disused clear water storage basin in the Inverloch area for local farmers to supplement their water supplies for stock and on-farm use, allowing them to continue to operate through the summer and autumn months. South Gippsland Water facilitated a successful application to undertake a feasibility study for farmers in the Yanakie area for the potential future supply of water to the community.

As a result of dry summer/autumn conditions water consumption increased by 0.93% across the region with customers using around 4,950 ML for the year.

The Memorandum of Understanding and collaboration model with neighboring water corporations, Westernport Water, Gippsland Water, East Gippsland Water and Southern Rural Water, continues to provide material value. The opportunity to work together in areas such as procurement, contracts, information technology

and fleet management has continued to lead to significant collaboration, information sharing and savings through efficiency. The Memorandum of Understanding provides a leading practice model within the industry.

Following a review of the maintenance function, groups were redefined to have a clear focus on preventative and reactive maintenance of the Corporations assets. This allows a more structured system for preventing supply disruption to customers via planned works to improve critical infrastructure.

During 2015/16, South Gippsland Water continued its significant investment in capital works across the region, delivering some \$10.3 million in projects to strengthen and increase asset capacity and service delivery capability.

A number of large capital works projects were completed throughout the year including the Poowong, Loch and Nyora Sewerage Scheme, delivered via a partnership with South East Water. As at 30th June 2016, 100% of properties have committed to connecting to the scheme. The project was delivered within timelines and budget and will contribute to the township's public health and environment needs, allowing for further development within the area.

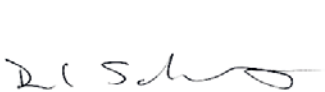
The financial result for the financial year is an Operating Deficit before Income Tax of \$1.77 million. The result was \$0.5 million unfavourable compared to a budgeted deficit of \$1.3 million.

South Gippsland Water is committed to achieving efficiency savings to underpin a reduction to customer's water bills during 2014 as part of the State Government Water Rebate. The efficiency savings continue via a range of initiatives including chemical rationalisation, fleet management improvements, sampling and testing program changes, and electricity contract negotiation. Each year, from 2014 through to 2018, a \$48 reduction in service charge will be included in customer bills.

South Gippsland Water employs 101 staff, serving a permanent population of approximately 30,100 customers. During summer and peak holiday periods this increases by tens of thousands. We will continue to secure and manage quality water and wastewater systems in an environmentally sustainable and cost efficient manner and provide safe, reliable services to our customers.

We are proud of the year's achievements and would like to thank all South Gippsland Water staff for their continued dedication and professionalism.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that the South Gippsland Water Annual Report is compliant with all statutory reporting requirements.



David Schultz  
Chair



Philippe du Plessis  
Managing Director

## Accountable Officer's Attestation

In accordance with the *Financial Management Act 1994*, I am pleased to attest that South Gippsland Water's Annual Report is compliant with all statutory reporting requirements.



Philippe du Plessis  
Managing Director

South Gippsland Water  
Dated: 30th June 2016



# The Board

From the 1st October 2015 to 30th June 2016 the Board consisted of:



**David Schultz - MIEAust, CPEng, GAICD**

*Appointed 1st October 2011 (Chair)*

David Schultz is a Civil Engineer and holds a Company Director Diploma. He is an independent member of the Bass Coast Shire Council Audit Committee and a non-Executive Director of Life

Saving Victoria. David, along with his wife Jan and family, has owned a holiday house in Inverloch for over 30 years. He has been actively involved with the Inverloch Surf Life Saving Club since it started in 1998, being a member of the first patrol and President of the club from 1999 until 2006. Previously, David held various executive roles with GHD Global including Practice Leader of the Management Consulting practice and Senior Project Director Middle East.



**Anna Kilborn – BSc, GAICD**

*Appointed 1st October 2011 (Deputy Chair)*

Anna Kilborn is an environmental scientist with over 25 years' experience in integrated planning and stakeholder engagement. She holds a Bachelor of Science and is a graduate of the Asiatic Institute

of Company Directors course. Anna is currently a member of the Victorian Environmental Assessment Council and has previously served as a member of the Regional Development Australia Gippsland Committee. She is committed to promoting integrated planning and sustainability in the Gippsland region.



**Chris Badger - BEng(AUS), CPIEA(AUS), ADP (LBS UK), LC&OR (SUBS USA), LDP (WUBS UK) & GAICD (AUS)**

*Appointed 1st October 2011*

Chris Badger has over 30 years' experience both in Australia and internationally in the utilities, energy and infrastructure sectors. He has over 10 years at senior executive level, having held positions with Loy Yang Power, WestNet Energy, Alinta Asset Management, E.ON Ag and Powergen plc. Chris is currently a skilled-based non-Executive Director (NED) with GW&RR, external NED with ACA, and was formerly Independent NED with MIL and Deputy Chair of Trafalgar and District Bendigo Community Bank (2009). He is a Superannuation Trustee Director (2012), associate with management consultancy firm Maddison Cross (2014) and is a Director of his own consultancy business (2012).



**Jim Fawcett CPA**

*Appointed 1st October 2007*

Jim Fawcett is a certified practicing accountant and partner in a local accounting firm for over 30 years. During that time, he has also had extensive involvement with local community and sporting.

He is a former Board Member and President of Woorayl District Memorial Hospital and its successor Gippsland Southern Health Service. He is a Councillor and former Mayor of South Gippsland Shire Council.



**Dr Irene Irvine**

*Appointed 1st October 2012*

Irene Irvine operates her own consultancy providing strategic support to the education and not-for-profit sectors since retiring as Pro Vice Chancellor Deakin University. An experienced company director, Irene currently chairs South Gippsland Shire's Audit Committee and is Deputy Chair of Karingal Disability Services. Her past roles have included Chair of Phillip Island Nature Parks, Deputy Chair of Zoos Victoria and Director of State Trustees, Open Gardens Australia and Craft Victoria. Irene has lived part time in South Gippsland for over 20 years. She holds a Bachelor of Science (Honours), a Graduate Diploma Administration, a Doctor of Philosophy, a Diploma of Education, is a graduate of Leadership Victoria (Williamson Community Leadership Program) and has completed the Australian Institute of Company Directors course.



**Geoff Lake**

*Appointed 1st October 2015*

Geoff Lake is a Councillor at Monash City Council and is also Mayor. He is a Director of Vision Super (Deputy Chair) and, in addition, Chair of the Investment Committee for that organisation.

Geoff also serves as a Director of Hawesbridge Capital, Australian Institute of Superannuation Trustees (Aust) and Municipal Association of Victoria. Geoff has a Bachelor of Law and Bachelor of Arts.



**Kate Young**

*Appointed 1st October 2015*

Kate Young is a town planner at Crowther & Sadler. She is a former Director of the East Gippsland Catchment Management Authority, and served on the Gippsland Lakes Ministerial Advisory Committee and East Gippsland Shire Inundation and Adaption Management Project Steering Group Committee. Kate has a Post Graduate Diploma in Planning and Environment, Graduate Diploma of Arts (Criminology) and Bachelor of Arts (Psychology). She is also a Graduate of the Australian Institute of Company Directors.



**Michelle Blackburn**

*Appointed 1st October 2015*

Michelle Blackburn is a Partner at Corrs Chambers Westgate Lawyers. She is a Director at Interchange Central Gippsland. Michelle has a Master of Social Science, Bachelor of Law, Bachelor of Arts and is a Graduate of the Australian Institute of Company Directors.

**Retiring Directors on 30th September 2015 were:**

**Joan Liley - B.Com (Melb) Dip.Ed. (Monash) FAICD**

*Appointed 1st July 2004*

**Steve Rieniets - BEng(Civil), MBA, GAICD**

*Appointed 1st October 2012*

# The Board

## Director Attendance at Board and Committee Meetings

1st July 2015 to 30th September 2015 inclusive

Director	Board	Audit and Risk Management Committee	Capital Works Committee	Corporate Governance Committee	Health, Safety and Environment Committee	Executive Remuneration Committee
<b>Joan Liley</b> <i>Chair of Board, Chair of Executive Remuneration Committee</i>	3 of 3	3 of 3	1 of 1	1 of 1	0 of 0	2 of 2
<b>Anna Kilborn</b> <i>Chair of Health, Safety and Environment Committee</i>	3 of 3	n/a	1 of 1	n/a	0 of 0	n/a
<b>Chris Badger</b>	2 of 3	n/a	1 of 1	1 of 1	0 of 0	n/a
<b>David Schultz</b> <i>Chair of Corporate Governance Committee</i>	2 of 3	3 of 3	n/a	1 of 1	0 of 0	n/a
<b>Jim Fawcett</b> <i>Chair of Audit and Risk Management Committee</i>	3 of 3	3 of 3	n/a	n/a	0 of 0	2 of 2
<b>Irene Irvine</b>	2 of 3	2 of 3	n/a	1 of 1	0 of 0	n/a
<b>Steve Rienits</b> <i>Chair of Capital Works Committee</i>	3 of 3	n/a	1 of 1	n/a	0 of 0	2 of 2

1st October 2015 to 30th June 2016

Director	Board	Audit and Risk Management Committee	Infrastructure Service Delivery and Customers Committee	People and Culture Committee	Health, Safety, Environment and Special Tasks Committee
<b>David Schultz</b> <i>Chair of Board</i>	6 of 7	3 of 3	4 of 4	2 of 3	2 of 2
<b>Anna Kilborn</b> <i>Chair of Health, Safety, Environment and Special Tasks Committee</i>	7 of 7	3 of 3	n/a	n/a	2 of 2
<b>Chris Badger</b> <i>Chair of Infrastructure Service Delivery and Customers Committee</i>	7 of 7	3 of 3	4 of 4	n/a	n/a
<b>Jim Fawcett</b> <i>Chair of Audit and Risk Management Committee</i>	7 of 7	3 of 3	n/a	2 of 3	n/a
<b>Irene Irvine</b> <i>Chair of People and Culture Committee</i>	6 of 7	n/a	3 of 4	3 of 3	n/a
<b>Geoff Lake</b>	5 of 7	n/a	4 of 4	n/a	1 of 2
<b>Kate Young</b>	7 of 7	n/a	n/a	3 of 3	1 of 2
<b>Michelle Blackburn</b>	7 of 7	n/a	4 of 4	n/a	2 of 2

# Organisational Structure

Board of Directors		
Board Committees including the Audit and Risk Management Committee		
<b>Managing Director</b> Executive Management Industry Awareness Strategic Relationships Corporate Compliance Strategic Marketing		
<b>General Manager Finance &amp; Corporate Services</b>	<b>General Manager Operations</b>	<b>General Manager Infrastructure &amp; Planning</b>
Finance and Accounting	Operations and Maintenance	Capital Works
Customer Service	Renewal and Replacement	Planning and Development
People and Culture	Water Quality	Works Design and Documentation
Information Technology	Water Sampling	Works Construction Services
Risk Management - including OH&S	Environment	Dam Safety
Company Secretary	Dam Safety	Asset Management

## Structural changes during 2015/16

There were no significant structural changes in the reporting period, however, the Corporation undertook the search for a new General Manager Infrastructure and Planning who commenced in the role on 27th June 2016. Additionally, a new project delivery team is being established within the Infrastructure and Planning division to complete the \$43 million Lance Creek Water Connection project.

## The Management Team

### Managing Director

#### Philippe du Plessis

Philippe is responsible for direction of the Management Team and the corporate and strategic functions of South Gippsland Water. These include strategic relationships, strategic marketing, the Corporation's performance and image, awareness of future trends in the water industry and contact with the Corporation's key stakeholders.

### General Manager Corporate Services

#### Justin Wightman

Justin's corporate services role encompasses finance and accounting, revenue management, customer services, human resources, information technology and risk management (including OH&S). The key responsibility of the General Manager Corporate Services is that of custodian of the Corporation's assets and financial resources on behalf of all stakeholders.

### General Manager Infrastructure and Planning

#### Rob McKaige to 29th February 2016

#### Mark Lynch commenced 27th June 2016

The General Manager Infrastructure and Planning is responsible for the planning, direction and management of the Corporation's Capital Works Program incorporating a broad range of projects. Other functions under this responsibility include asset management, managing the Corporation's Urban Water Strategy including the Drought Response Program, and engineering and technical services.

### General Manager Operations

#### Ravi Raveendran

Ravi manages the Corporation's operational functions including Water Treatment Plants, Waste Water Treatment Plants, and water and wastewater services delivery infrastructure. His responsibilities include compliance with Water and Wastewater Quality Guidelines, ongoing quality monitoring, operations improvement, site safety, environment and catchment management, and specialist services to major customers.

# Corporate Information

## Role of the Board and Membership

The Board of Directors, who are appointed by the Minister for Water, operate under the provisions of the *Water Act 1989* and have responsibility for the governance of the Corporation, providing strategic direction and accountability for the performance of South Gippsland Water.

Responsibility for the ongoing operation and implementation of strategy is delegated to the Managing Director and Management Team.

The Board comprises of a non-executive Chair, the Managing Director and seven non-executive Directors. A review of Victorian Water Corporation Boards by the Minister for Environment, Climate Change and Water, saw some changes to the structure of South Gippsland Water's Board of Directors and committees during 2015.

## Remuneration of Directors and Executive Officers

Refer to the Notes to Accounts within the Financial Report.

## Meetings, Committees and Composition of Committees

The Board generally meets on the fourth Thursday of nominated months and as required. In order to effectively carry out its responsibility the Board has established the following committees:

1st July 2015 – 30th September 2015	1st October 2015 – 30th June 2016
<b>Audit and Risk Management Committee</b> <p>The Audit and Risk Management Committee reviews the financial accounts, statutory responsibilities, corporate regulations, risk management and delegated Corporation policies and procedures that underpin the financial operations of South Gippsland Water.</p> <p>The Committee meets with the internal and external auditors.</p> <p>To 30th September 2015, the committee comprised of four non-executive independent Directors – Jim Fawcett [Chair], Irene Irvine, Joan Liley and David Schultz - and an independent external member, Peter Moloney.</p>	<b>Audit and Risk Management Committee</b> <p>Responsibilities for the Audit and Risk Management Committee remains unchanged.</p> <p>For the period 1st October 2015 to 30th June 2016 the committee comprised of five non-executive independent Directors – Jim Fawcett [Chair], Chris Badger, Anna Kilborn, Geoff Lake and David Schultz - and an independent external member, Peter Moloney.</p>
<b>Capital Works Committee</b> <p>The Capital Works Committee oversees the strategic context, asset management, planning, development and delivery of the Capital Works Plan. Good governance with respect to the delivery mechanisms undertaken to deliver capital works projects is also a focus of the committee.</p> <p>To 30th September 2015 the committee comprised of four non-executive Directors – Steve Rieniets (Chair), Chris Badger, Anna Kilborn and Joan Liley.</p>	<b>Infrastructure Service Delivery and Customers Committee</b> <p>The primary objective of the Infrastructure Service Delivery and Customers Committee is to assist the Board to fulfil its duties and oversee the strategic context, planning, development and delivery of the Capital Works Plan. This includes asset management and the delivery of services to South Gippsland Water customers with regard to meeting commitments outlined in the Corporate Plan and Water Plan.</p> <p>For the period 1st October 2015 to 30th June 2016 the committee comprised of five non-executive independent Directors – Chris Badger (Chair), Michelle Blackburn, Irene Irvine, Geoff Lake and David Schultz.</p>
<b>Health Safety and Environment Committee</b> <p>The Health, Safety and Environment Committee assists the Board to discharge its duty of care and fulfil its corporate governance responsibilities with respect to workplace health and safety, and the environment.</p> <p>To 30th September 2015 the committee comprised of three non-executive Directors - Anna Kilborn (Chair), Jim Fawcett and Joan Liley.</p>	<b>Health, Safety, Environment and Special Tasks Committee</b> <p>The primary objective of the Health, Safety, Environment and Special Tasks Committee is to assist the Board to fulfil its duties to provide a safe, healthy and environmentally sound workplace at South Gippsland Water.</p> <p>For the period 1st October 2015 to 30th June 2016 the committee comprised of five non-executive Directors – Anna Kilborn (Chair), Michelle Blackburn, Geoff Lake, David Schultz and Kate Young.</p>
<b>Executive Remuneration Committee</b> <p>The Executive Remuneration Committee meets and reviews the performance and remuneration of senior executives and the terms of employment of all South Gippsland Water employees. The committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel (GSERP).</p> <p>To 30th September 2015 the committee comprised of three non-executive Directors - Joan Liley (Chair), Jim Fawcett and Steve Rieniets.</p>	<b>People and Culture Committee</b> <p>The primary objective of the People and Culture Committee is to assist the Board to fulfil its governance responsibilities in relation to organisational development and employee related activities. It also manages executive remuneration, performance management and review processes.</p> <p>For the period 1st October 2015 to 30th June 2016 the committee comprised of four non-executive Directors – Irene Irvine (Chair), Jim Fawcett, David Schultz and Kate Young.</p>
<b>Corporate Governance Committee</b> <p>The Corporate Governance Committee identify and put in place processes to enhance Board and organisational performance.</p> <p>To 30th September 2015 the committee comprised of four non-executive Directors - David Schultz (Chair), Chris Badger, Irene Irvine and Joan Liley.</p>	



# Corporate Information

## Statement of Availability of Other Information

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, Financial Reporting Direction (FRD) 22C, details in respect of the information items below have been retained by the Corporation and are available to the relevant Ministers, Members of Parliament and the public (subject to Freedom of Information requirements, if applicable). However, in adopting best practice disclosure policies and to ensure the Corporation discharges its accountability obligations, where relevant, details about some of the following matters have been disclosed within this Report of Operations:

- a. a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Corporation
- b. details of shares held by senior officers as nominee or held beneficially in a statutory Corporation or subsidiary
- c. details of publications produced by the Corporation about the activities of the Corporation and where they can be obtained
- d. details of changes in prices, fees, charges, rates and levies charged by the Corporation for its services, including services that are administered
- e. details of any major external reviews carried out in respect of the operation of the Corporation
- f. details of any other research and development activities undertaken by the Corporation that are not otherwise covered either in the Report of Operations or in a document which contains the Financial Report and Report of Operations
- g. details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- h. details of major promotional, public relations and marketing activities undertaken by the Corporation to develop community awareness of the services provided by the Corporation
- i. details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the Report of Operations
- j. a general statement on industrial relations with the Corporation and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations
- k. a list of major committees sponsored by the Corporation, the purposes of each committee and the extent to which the purposes have been achieved.

## Disclosure Index

An index identifying the Corporation's compliance with statutory disclosure requirements is contained in Appendix A, page 67.

## Declaration of Pecuniary Interest

In addition to complying with the disclosure and conflict of interest requirements under the *Corporations Act 2001*, each Director, the Managing Director and Senior Managers are required to disclose any pecuniary interests under the provisions of the *Water Act 1989*.

## External Auditors

Crowe Horwath Australasia Ltd, as an agent for the Auditor-General Victoria, undertook the external audit for 2015/16.

## Risk Management and Chair's Statement

South Gippsland Water is committed to the identification of risks and the responsible management of those risks. The implementation of South Gippsland Water's risk management program is carried out by the Senior Management Team with oversight through the Audit and Risk Management Committee and through the Board's governance processes.

In accordance with the Standing Directions, the Chair of South Gippsland Water provides the following statement:

I, David Schultz certify that South Gippsland Water has partially complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. Risk specific requirements partially met are within interagency risk. Whilst South Gippsland Water has identified the interagency risk, we have yet to formalise the collaboration process with each agency on the allocation of responsibilities, development of risk improvement plans and resources to manage these interagency risks. The aim for the Corporation is to continually improve in this area, to satisfactorily meet full compliance during 2016/17.



**David Schultz**

Chair

Board of Directors

South Gippsland Water

Dated: 30th June 2016

## Manner of Establishment and the Relevant Minister

South Gippsland Region Water Corporation (trading as South Gippsland Water) was constituted on 22nd December 1994, under the *Water Act 1989*, by order of the Hon. Geoff Coleman, Minister for Natural Resources, (Order No S102 published in the Government Gazette). The order took effect from 1st January 1995.

During the 2015/16 reporting period the responsible Minister for the reporting period was:

- the Hon Lisa Neville MP, Minister for Environment, Climate Change and Water for the period from 1st July 2015 to 22nd May 2016, and
- the Hon Lisa Neville MP, Minister for Water for the period from 23rd May 2016 to 30th June 2016.

# Corporate Information

## Objectives, Functions, Powers and Duties

Under the *Water Act 1989*, South Gippsland Water is responsible for a range of functions in its service area, relating to water supply and sewerage. These are:

### Water Supply

- To provide, manage, operate and protect water supply systems, including the collection, storage, treatment, transfer and distribution of water.
- To identify community needs relating to water supply and to plan for the future needs of the community relating to water supply.
- To develop and implement programs for the conservation and efficient use of water.
- To investigate, promote and conduct research into any matter related to its functions, powers and duties in relation to water supply.
- To educate the public about any aspect of water supply.

### Wastewater

- To provide, manage, and operate systems for the conveyance, treatment and disposal of sewerage and, if the Corporation so decides, trade waste.
- To identify community needs relating to sewerage services and to plan for the future needs of the community relating to sewerage services.
- To develop and implement programs for the recycling and reuse of treated waste water.
- To investigate, promote and conduct research into any matter related to its functions, powers and duties in relation to sewerage services.
- To educate the public about any aspect of sewerage.

Both the water and wastewater functions must be performed in an environmentally sound way, having regard to the need to preserve aspects which have landscape and fauna and flora values.

## Freedom of Information (Fol)

### Operation

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Corporation. South Gippsland Water is considered to be a "Government Agency" under the terms of the *Freedom of Information Act 1982*. Accordingly, it is required to comply with the procedures that have been prescribed along with the Corporation's Freedom of Information policy guidelines. Decisions to release information are made by an Authorised Officer.

All applicants are advised of the internal review and appeal provisions that are available.

### Applications

One application was received by South Gippsland Water under the *Freedom of Information Act 1982* during 2015/16. Full access to the information was provided.

## Contact for Requests

Requests under the *Freedom of Information Act 1982*, describing the documents requested, must be made, in writing. A Freedom of Information (Fol) application fee of \$27.90 from 1st July 2016 is payable. Depending on the circumstances, further charges may also be payable. Fol fees and charges are not subject to GST.

**Requests should be addressed to:**

The Fol Contact Officer  
14-18 Pioneer Street, Foster, Vic 3960  
PO Box 102, Foster, Vic 3960  
Phone: (03) 5682 0444  
Fax: (03) 5682 1199  
Email: [sgwater@sgwater.com.au](mailto:sgwater@sgwater.com.au)

## Compliance with the Building Act 1993

The Corporation, complied with the building and maintenance provisions of the *Building Act 1993*, in regard to building essential services, safety and maintenance activities; and was also in compliance with the Builders Code of Australia.

## Events Subsequent to Balance Date

No events have arisen subsequent to balance date through to the reporting date that may have a significant impact on the operations of the entity in future years.

## Protected Disclosures Act 2012

### Compliance with the *Protected Disclosure Act 2012* (formerly the *Whistleblowers Protection Act 2001*)

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action taken.

South Gippsland Water does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. The Corporation is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The Corporation will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

### Reporting procedures

Disclosures of improper conduct or detrimental action by South Gippsland Water or any of its employees and/or officers may be made to Justin Wightman, General Manager Corporate Services.

Alternatively, disclosures of improper conduct or detrimental action by South Gippsland Water or any of its employees and/or officers may also be made directly to the Independent Broad-based Anti-corruption Commission (IBAC):

Level 1, North Tower, 459 Collins Street  
Melbourne, VIC 3000  
Phone: 1300 735 135  
Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

### Further information

The Protected Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by South Gippsland Water or any of its employees and/or officers, are available on South Gippsland Water's website.

### Disclosures under the *Protected Disclosure Act 2012*

	2015-16	2014-15
The number of disclosures made by an individual to the Department and notified to the Independent Broadbased Anticorruption Commission	0	0
Assessable disclosures	0	0

## Victorian Industry Participation Policy - Implementation

In October 2003, the Victorian Parliament passed the *Victorian Industry Participation Policy Act 2003*, (VIPPA), which requires public bodies and departments to report on the implementation of the policy. Departments and public bodies are required to apply the VIPPA in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

There were no contracts awarded with a total tender cost of \$1 million or more in 2015/16.

# Corporate Information

## Consultancies for 2015/16 – Greater than \$10,000

Consultant	Project	Start Date	End Date	Total Approved Project Fee (Excl. GST)	Expenditure 2015/16 (Excl. GST)	Future Expenditure (Excl. GST)
AECOM	• Annual dam safety inspections and surveillance	July 2015	June 2016	\$34,820	\$34,820	\$0
Marsden Jacob	• Northern Towns Business Case	October 2015	March 2016	\$23,758	\$23,758	\$0
Charter Keck Cramer	• Development of Facilities Strategy	March 2016	June 2016	\$19,300	\$19,300	\$0
Cobbitty Consulting	• Water and sewer systems hydraulic modelling • Lohr Avenue SPS upgrade design and commissioning • Wonthaggi WWTP inlet pump station upgrade design • Poowong Water Supply pressure boosting design	July 2015	June 2016	\$64,440	\$64,440	\$0
GHD	• Northern Towns water supply pipeline • Design technical support • Tabro Meats investigation • DP 5 Hydraulics Report	July 2015	June 2016	\$86,691	\$86,691	\$0
KBR	• Leongatha clarifier design review • Venus Bay outfall assessment • Korumburra sewer upgrade design	January 2016	May 2016	\$62,700	\$62,700	\$0
Mott MacDonald	• Leongatha WWTP aeration functional description	November 2015	June 2016	\$13,427	\$13,427	\$0
Jacobs	• Water security outlooks SGW supply systems	October 2015	June 2016	\$15,236	\$15,236	\$0
Optimum Drafting	• Electrical drawing development	January 2016	June 2016	\$29,113	\$29,113	\$0
SJ Progressive	• Water Plan 4 planning • Renewal design • Drafting and as constructed support • Asset management planning	August 2015	June 2016	\$102,195	\$102,195	\$0
Southern Rural Water	• Lance Creek operations and maintenance manuals	November 2015	June 2016	\$33,412	\$33,412	\$0
SGM Consulting	• Dams decommissioning report • Leongatha No 2 reservoir filter design	October 2015	June 2016	\$68,880	\$68,880	\$0

In 2015/16 South Gippsland Water engaged six consultancies where the total fees payable to the consultants were less than \$10,000, with a combined total expenditure of \$15,138 (excl. GST).

The definition of a consultancy has been updated and is listed below. Consultancy disclosures or expenditure reported for 2015/16 cannot be compared to previous years.

A consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through:

- Provision of expert analysis and advice, and/or
- Development of a written report of another intellectual output.

## Disclosure of Major Contracts

There were no new contracts of a value of \$5 million or greater awarded during the reporting period 2015/16.

There was one ongoing contract of a value greater than \$10 million during the period; a contract with South East Water for construction of the Poowong, Loch and Nyora sewerage scheme.

The procurement contract arrangement with South East Water for an amount of \$16.5 million. This contract arrangement was for the design, construction and commissioning of a pressure sewer system for the towns of Poowong, Loch and Nyora. Works are almost complete with major service infrastructure completed and 100% of properties committed to connecting to the scheme.



# Corporate Information

## Details of Information and Communication Technology (ICT) Expenditure

For the 2015/16 reporting period, South Gippsland Water had a total Information Communication and Technology expenditure of \$2,840,339, with the details shown below.

Business As Usual (BAU) ICT Expenditure	NonBusiness As Usual (nonBAU) ICT Expenditure	Operational Expenditure	Capital Expenditure
	(Total = Operational Expenditure and Capital Expenditure)		
(Total)			
\$2,429,819	\$410,520	\$82,123	\$328,397

Information Communication and Technology (ICT) expenditure refers to South Gippsland Water's costs in providing business-enabling ICT services. It comprises Business As Usual ICT expenditure and Non-Business As Usual ICT expenditure. Non-Business as Usual ICT expenditure relates to extending or enhancing South Gippsland Water's current ICT capabilities. Business as Usual ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

South Gippsland Water is working towards the implementation of mobile solutions, including full mobility of all field and office staff. This has resulted in an increase in ICT expenditure by the Corporation over the reporting period and is expected to continue.

## Corporate Water Consumption 2015/16

The calculation below is based on the Foster Head Office and Annex, accommodating 54 full-time equivalent staff (including contractors) and includes Foster Head Office and Annex consumption only.

All other depots, workshops, treatment plants (water and wastewater), pumping stations and infrastructure facilities are specifically not included.

Indicator	Target	Actual 2015/16	Variation %	Actual 2014/15	Actual 2013/14
Consumed [Kilolitre (kL) = 1,000 litres]	260kL	223kL	-14%	185kL	1,026kL*
Kilolitres consumed per full-time equivalent staff member	4.8kL	4.1kL	-14%	3.4kL	19.0kL*

\*Note: A major undetected leak (under the building slab) contributed to high water consumption in 2013/14 and has subsequently been repaired.

## Water Consumed Per Unit of Office Space

Water consumed per unit of office space for 2015/16 was 200.34 litres.

## National Competition Policy

Under agreements reached in 1995 by the Council of Australian Governments, all Australian Governments (Federal, State and Territory) agreed to review and where appropriate, reform all existing legislative restrictions on competition. Under the National Competition Policy the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

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

South Gippsland Water continues to implement and apply this principle in all its business undertakings.

## Goods and Service Tax (GST)

South Gippsland Water received a ruling from the Australian Taxation Office that establishes that our basic services ... "supply of water, sewerage (and sewerage-like) services ... (are) ... GST-free," to our customers. South Gippsland Water put in place appropriate accounting arrangements to manage all other aspects of GST.

## Details of Government Advertising Expenditure

South Gippsland Water's advertising expenditure does not exceed \$100,000.

South Gippsland Water staff photo May 2015.





# Our People

We recognise that our staff are a major asset of South Gippsland Water and we will continue to focus on recruiting, training and retaining staff of the highest calibre. The sound performance of our staff during this year has enabled the Corporation to continue to deliver quality services to our customers across the region.

During the year, South Gippsland Water formed a People and Culture sub-committee of the Board, ensuring the Corporation's strategies and procedures in relation to executive and workforce planning and development are effective, compliant and responsive to organisational issues and emerging needs. The Committee has since endorsed a three-year People and Culture Strategic Plan to operationalise this objective.

## Employment and Conduct Principles

South Gippsland Water is committed to applying merit and equity to its recruitment processes and in all dealings with staff. South Gippsland Water communicates its support of employment and conduct principles by issuing all new employees with a copy of the Code of Conduct for Victorian Public Sector Employees, supported by an Induction Manual that reinforces many elements of the Code of Conduct.

Both of these documents form part of induction process for new employees and provide guidance for addressing ethical issues such as conflict of interest, integrity, respect and human rights. During the financial year, refresher training regarding the Code of Conduct was conducted with a staff attendance rate of 98%. Board Directors and senior management make pecuniary interest statements annually.

## Formal Staff Grievances Disclosure Summary

The table below summarises all formal staff grievances such as sexual harassment, bullying and unfair dismissal complaints.

Year	2015/16	2014/15
Disclosures	2	0

## Equal Opportunity and Workforce Diversity and Inclusion

South Gippsland Water has continued its commitment to the application of Equal Employment Opportunity principles in managing its staff and in all recruitment processes. No Equal Employment Opportunity queries or cases arose in the 2015/16 period.

Going forward, a challenge for both the Corporation and the sector will be achieving greater diversification of, and inclusion within, our workforce. To support this initiative, South Gippsland Water has developed a Workforce Diversity and Inclusion Plan. This plan was approved in June 2016 and will be implemented in the next financial year.

## Workforce Data

Ongoing Employees					Fixed term & Casual Employees	
	Employees (Headcount)	Full Time (Headcount)	Part Time (Headcount)	FTE	Headcount	FTE
June 2016	103	87	10	93.2	6	3.5
June 2015	95	84	5	87.0	6	4

	June 2015/16			June 2014/15		
	Ongoing		Fixed Term and Casual Employees	Ongoing		Fixed Term and Casual Employees
	Employee (Headcount)	FTE	FTE	Employee (Headcount)	FTE	FTE
<b>Gender</b>						
Male	74	69.2	1.8	65	65	3.6
Female	29	24	1.7	24	22	0.4
<b>Age</b>						
Under 25	5	5	0	8	8	0
25-34	17	15.2	0.6	10	9.6	1.6
35-44	23	22.6	0	26	25.2	0
45-54	38	35.2	1.6	30	29.7	1
55-64	16	12.2	1.1	14	13.5	0.4
Over 64	4	3	0.2	1	1	1
<b>Classification</b>						
Trainee				1	1	
Band 3	7	7		5	5	
Band 4	18	16.8	0.5	16	15.7	1.2
Band 5	23	19.3	0.8	18	17.6	
Band 6	16	13.8	0.6	16	15.1	1.2
Band 7	18	16	1.6	16	15.6	1.6
Band 8	6	5.8		5	5	
SEO	11	10.6		8	8	
Executives	3	3		3	3	
Managing Director	1	1		1	1	
	<b>103</b>	<b>93.2</b>	<b>3.5</b>	<b>89</b>	<b>87</b>	<b>4</b>

# Our People



Wonthaggi staff photo May 2015.

## Employee Assistance Program (EAP)

The Corporation offers a confidential Employee Assistance Program to assist staff and their immediate family in times of stress and difficulty. The program provides employees and family members with counselling, coaching and support for workplace and personal issues. The Corporation receives non-identifiable reports to assist it in recognising and proactively addressing any potential themes that might present for the workforce.

## Enterprise Agreement

A new enterprise agreement was negotiated during the 2015/16 financial year with in-principle agreement being met in May 2016. The Corporation's new Enterprise Agreement is expected to be approved in August 2016. South Gippsland Water's Consultative Committee will continue to provide a conduit in understanding and addressing staff concerns with respect to organisational changes within the Corporation.

## Occupational Health and Safety Management (OH&S)

South Gippsland Water's Occupational Health and Safety unit continued its strong focus on improving Occupational Health and Safety (OH&S) risk control across the corporation by implementing new procedures and systems. This involved recertification of South Gippsland Water's Occupational Health and Safety Management System with AS 4801:2001 the Australian Standard for OH&S management systems.

Accreditation and compliance to this standard helps ensure South Gippsland Water is addressing the critical and key criteria of both State and National OH&S legislation. In maintaining accreditation of its OH&S Management System to the national standard, numerous systems have been created for capturing risks, assessments and actions. These systems assist employees to safely carry out their duties without impediment.

The Corporation has targeted focus on compliance training during 2015/16, resulting in a 48% increase in OH&S training days compared to last year.

The Corporation recorded one Lost Time Incident (LTI) during 2015/16 and two Medical Treatment Injuries (MTI). The equivalent lost time of two days, had minimal impact with no work cover claim forthcoming.

The Corporation launched the 2016-2018 Health, Safety and Environment (HSE) strategy during the year with the aim for zero harm throughout the Corporation.

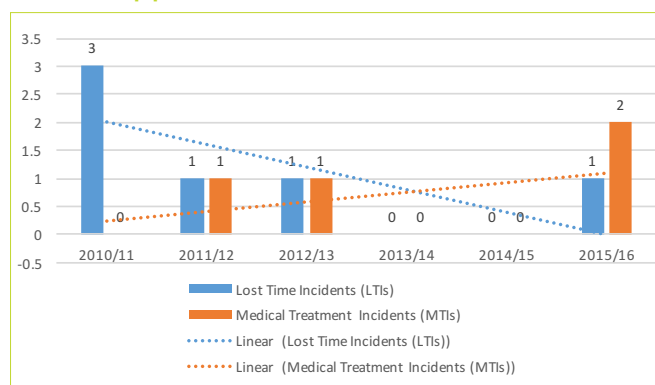
## Lost Time Injury Frequency Rate

Year	Number of LTIs	Total Hours Worked	LTIFR / Million Hour
2011/2012	1	187,181	5.3
2012/2013	1	200,845	5
2013/2014	0	202,684	0
2014/2015	0	205,694	0
2015/2016	1	209,460	4.8
Average over five years			3

## Medical Injury Frequency Rate

Year	Number of MTIs	Total Hours Worked	MTIFR / Million Hour
2011/2012	1	187,181	5.3
2012/2013	1	200,845	5
2013/2014	0	202,684	0
2014/2015	0	205,694	0
2015/2016	2	209,460	9.5
Average over five years			4

## South Gippsland Water LTI / MTI Performance



All scheduled audits were completed within allocated timeframes, resulting in improvement in site safety and compliance.

Employees continue to demonstrate a high understanding of OH&S requirements, the hazards related to their working environment, and the safety systems put in place through the continuous improvement process.

# Social Sustainability

South Gippsland Water operates within the framework set out by the Essential Services Commission, which has responsibility for economic regulation, determining pricing and assessing the service delivery performance of water, gas and electricity providers in Victoria.

The State Government sets out its requirements for water service providers in the Statement of Obligations which forms a direct relationship between the Corporation and government. The Essential Services Commission monitors South Gippsland Water's performance against many of these obligations.

## Collaboration Within the Water Sector

South Gippsland Water, in partnership with East Gippsland Water, Gippsland Water, Westernport Water, and Southern Rural Water, continues to proactively engage in delivering efficiencies and service improvements for water customers across the region as part of the partnership's industry-leading Memorandum of Understanding. Since its formation in 2013 the five Gippsland water corporations have identified efficiencies and improvements across areas such as procurement, fleet management, customer services and meter reading.

In addition, South Gippsland Water, in line with the State Government Water Rebate Initiative, continues to apply savings identified in a review of capital and operational costs to customers' water and sewerage accounts. For each year of the four years 2014-2018 customers will get an average reduction of \$48 off their bills.

To deliver these discounts, a range of savings have been identified across the organisation including:

- Partnering with South East Water to deliver the Poowong, Loch and Nyora Sewerage Scheme, which will result in capital and operational expenditure efficiencies
- Reduced chemical costs through process improvements resulting in more efficient chemical use at water and wastewater treatment plants
- Lower fleet management costs due to technology and scheduling initiatives
- A review of water sampling and testing frequency across the South Gippsland Region
- Ongoing collaboration with the Gippsland Region Water Corporation Memorandum of Understanding.

## Community Service Obligations - Financial Assistance to Eligible Customers and Pensioners

During 2015/16 South Gippsland Water appointed a dedicated Credit Manager to identify and assist customers who may be experiencing hardship. Financial assistance is provided to individuals and organisations as part of the Government's Community Service Obligations.

Value of Community Service Obligation Provided	2015/16	2014/15
Provision of concessions to pensioners	\$1,431,272	\$1,383,287
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	\$146,096	\$141,849
Utility Relief Grants Scheme payments (33 cancelled customers did not send their information)	\$12,555	\$10,860
Water concessions on Life Support Machines - Haemodialysis	\$816	\$716
Hardship Grants applied	\$1,730	\$0
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	Unknown*	Unknown*

\*The Corporation does not have access to this figure.

## Customer Consultation

South Gippsland Water recognises that engaging, informing and consulting with its customers and stakeholders is pivotal to the effectiveness of its services and is a key aspect of the core business of the Corporation.

As such, South Gippsland Water utilises the International Association for Public Participation's Framework (IAP2) for Effective Public Participation, with all major projects having a communications and engagement plan prepared in accordance with the framework.

South Gippsland Water consults with customers, community groups, major regional industries, small businesses and their associations, schools and sporting clubs in order to ascertain their views and preferences regarding services and projects directly affecting them.

South Gippsland Water conducts a range of regular customer consultations, including:

- A biennial customer satisfaction survey
- Meetings with local community and special interest groups, i.e. Lions, Rotary, business and community development groups, Landcare groups, etc.
- Participation at local environment, sustainability and water-related events.

During 2015/16 South Gippsland Water completed a number of customer consultation initiatives on major projects, including the Poowong, Loch and Nyora Sewerage Scheme.

These consultations included:

- Community information sessions
- Stakeholder and community workshops
- Direct mail materials
- Advertisements and advertorials
- Information available for download from the South Gippsland Water website
- Letters and direct correspondence with customers and stakeholders.

A focused consultation program was undertaken with respect to identifying and prioritising a range of options to secure the water supplies of Korumburra, Poowong, Loch and Nyora for the next 50 years. Deliberative forums were undertaken with key community and stakeholder members over a three month period and outcomes presented to the Board.

## Schools Education Programs

South Gippsland Water has continued to facilitate school education programs throughout 2015/16, including:

- Visits to many secondary and primary schools in support of water related aspects of their curriculum and the hosting excursions at a variety of locations.
- Celebrating National Water Week through a school poster competition and related activities.
- Sponsorship and funding of some 20 customer school to participate in the state government's Schools Water Efficiency Program, which involves students in monitoring and the online reporting of water use.
- The South Gippsland Water website includes a dedicated education section featuring teaching resources, online ebooks and games.

## Meetings with Local Community and Special Interest Groups

The Corporation values meetings of this type and is keen to provide speakers to address special interest groups on common interest topics, e.g. Shire Councils, Lions, Rotary, various business and community development groups, local residents and Landcare groups, etc.

# Social Sustainability

## Social Media and the South Gippsland Water Website

During 2015/16 South Gippsland Water launched facebook and Twitter platforms to further inform the community and gain feedback on areas of interest. The platforms have resulted in consistent activity, keeping customers and stakeholders informed with respect to services and projects and an avenue for community comment.

South Gippsland Water's website [www.sgwater.com.au](http://www.sgwater.com.au) provides public access to copies of published materials, system alerts and updates, avenues for bill payment and reporting faults, and invitations to comment, and at certain times, submit online surveys.

## Management of Social and Economic Impacts

South Gippsland Water offers a wide range of assistance to customers facing financial difficulties, including free referral to an independent financial counsellor. The Corporation has operated a tariff assistance and relief program since 1996. The policy incorporates the requirements of the Essential Services Commission's Customer Code and South Gippsland Water's Customer Charter. Features of the policy include, for the Corporation to:

- *Engage in discussions with the customers to determine suitable options available.*
- *Treat all customers sensitively and on a case-by-case basis.*
- *Ensure customers circumstances are kept confidential.*
- *Provide customers with information about assistance programs and government concessions, including the Utility Relief Grant Scheme.*
- *Provide assistance in negotiating installment amounts if the customers' circumstances change.*
- *Offer a range of payment options recognising that the financial hardship may be short or long term.*
- *Refer the customer to an available free, independent and accredited financial counselling service.*
- *Provide interpreter services on request.*
- *Suspend debt processes while negotiating a suitable arrangement with a customer.*
- *Not engage in legal action, restriction of water supply, and additional debt recovery actions against customers who meet the necessary criteria and continue to make payments according to an agreed schedule.*
- *Provide information about how to reduce water consumption, and invite customers to seek further assistance from the Corporation in reducing water usage.*
- *Advise customers about their right to lodge a complaint with the Energy and Water Ombudsman if their affordability issue is not resolved with the Corporation.*

During 2015/16 the Corporation received an extension to the Living Victoria Water Rebate Program to assist customers associated with the Poowong, Loch and Nyora Sewerage Scheme to access water efficient products, providing a whole of water cycle approach to the project. The rebate provided some \$30,500 to assist customers.

The Corporation also follows the guidelines as set down by the Victorian Water Industry, under its "Industry Guide on Residential Hardship". Good relationships are maintained with government departments, voluntary support agencies and counselling services in the region in order to assist with referrals and support services for customers.

*L to R – Jim Fawcett, Director South Gippsland Water; Minister Lisa Neville; Alex Moon, President Yanakie Progress Association; Chris Hughes, Southern Rural Water.  
Photo supplied by The Foster Mirror.*

## DROUGHT RELIEF PARTNERSHIPS

### *Funding For Yanakie Water Security Study*

South Gippsland Water welcomed Minister for Water Lisa Neville's \$50,000 funding announcement for a feasibility study to explore long-term water supply options for Yanakie.

The Yanakie district recently experienced record low rainfall and the local farming community joined forces to look at options for long term water security for the area.

South Gippsland Water, the Victorian Government and stakeholder agencies have worked with the Yanakie Progress Association to identify a range of different options that could support the area during times of low rainfall and drought.

Funding for this feasibility study is key to determine viable options for securing water for both residential and on-farm supply; the study will take into account possible pipeline options and improvements to on-farm surface water storages.

### *Drought Relief for Inverloch Basin Dairy Farmers*

In times of low rainfall, coming up with innovative ways of using water wisely and working with the community to assist in drought relief measures were front of mind for many in the region.

South Gippsland Water made available 100ML of raw water, which had accumulated in a disused storage basin near Inverloch, to seven local dairy farmers for stock and on-farm use.

The Corporation's decision came out of a Tactics for Dry Times workshop organised by GippsDairy and Dairy Australia. The gathering of agency staff and local landholders focused on looking at water availability and reliability options for drought affected dairy farmers in the Wonthaggi/Inverloch area.

The water could not be used as part of the reticulated water supply system as it was not suitable for human consumption. South Gippsland Water made the water available to drought affected farmers in the area, with the farmers providing infrastructure and machinery to access and transport the water.

Although a short-term measure for stock and on-farm use, the availability of the raw water was welcome and timely relief for a group of enterprising local farmers.





# Bulk Entitlement Compliance Reporting

South Gippsland Water holds 11 Bulk Entitlement Conversion Orders which define the Corporation's legal right to extract water to supply its 10 water supply systems. These orders require reporting on various aspects which are summarised below for the 2015/16 reporting period.

System & reference number of relevant Bulk Entitlement	Water supply	Towns serviced	Bulk Entitlement (ML)	Amount taken (ML/y <sup>1</sup> )	Storages <sup>2</sup>	Volume in storages at 30 June 2016 (ML)	Entitlement transfer from (ML/y)	Entitlement transfer to (ML/y)	Entitlement amendment	New entitlement	Failures to comply <sup>4</sup>	Difficulties & remedial action <sup>5</sup>	Compliance with making allowances <sup>6</sup>	Compliance with environmental obligations <sup>7</sup>	Compliance with metering obligations <sup>8</sup>
<b>BEE049323</b> Devon North Alberton Yarram Port Albert	Tarra River	Yarram Alberton Port Albert Devon North	853	478 <sup>9</sup>	N/A	N/A	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
<b>BEE049324</b> Leongatha	Ruby Creek	Leongatha Koonwarra	2,476	1,732	Res. 1	15	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
					Res. 2	81									
					Hyland	393									
	Coalition Creek				Western	189									
			1800		N/A	N/A									
<b>BEE049325</b> Loch Poowong Nyora	Little Bass River	Poowong Loch Nyora	420	231	Little Bass Reservoir	218	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
<b>BEE049326</b> Dumbalk	Tarwin River East	Dumbalk	100	143	N/A	N/A	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
<b>BEE049327</b> Fish Creek	Battery Creek	Fish Creek	251	111	Battery Creek Reservoir	111	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
<b>BEE049328</b> Foster	Deep Creek	Foster	326	180	Deep Creek Reservoir	14	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
<b>BEE049329</b> Meeniyen	Tarwin River	Meeniyen	200	64	N/A	N/A	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
<b>BEE049331</b> Korumburra	Coalition Creek	Korumburra	1,000	673	No. 1	137	Nil	212	Nil	Nil	Nil	Nil	✓	✓	✓
	Ness Creek				No. 2	73									
	Bellview Creek				No. 3	359									
	Tarwin River				N/A	N/A									
			1,800				212 <sup>3</sup>								
<b>BEE049332</b> Toora, Port Franklin, Welshpool and Port Welshpool Agnes River	Agnes River	Toora Welshpool Port Welshpool Port Franklin	1,617	525	Cooks Dam	58.7	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
<b>BEE049334</b> Wonthaggi Inverloch	Lance Creek	Wonthaggi Inverloch Cape Paterson	5,600	1,719	Lance Creek Reservoir	3,299	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓
<b>BEE050819</b> Augmented Melbourne system	Melbourne Headworks System	Wonthaggi Inverloch Korumburra Leongatha	1,000 <sup>10</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	✓	✓	✓

## Notes:

1. Annual amount of water taken in ML for 2015/16 reporting period.
2. Storages included under each Bulk Entitlement.
3. Extraction from the Tarwin River at the diversion point on the Tarwin River.
4. Any failure by the Corporation in complying with the Bulk Entitlement.
5. Any difficulties experienced or anticipated in complying with the Bulk Entitlement and remedial action taken or proposed.
6. Approval, amendment and implementation of programs and proposals for Making Allowances (tick indicates compliance has been met).
7. Approval, amendment and implementation of programs and proposals for Environmental Obligations (tick demonstrates progress towards compliance with environmental obligations).
8. Approval, amendment and implementation of programs and proposals for Metering Obligations (tick demonstrates compliance with metering obligations).
9. 112 ML of the total amount taken for Devon North System is extracted under groundwater license BEE051808.
10. The Bulk Entitlement from Melbourne Head Works (Greater Yarra System – Thomson River Pool) for 15/16 is 1GL. This will increase to 5GL when South Gippsland Water completes the water connection to Korumburra and Leongatha in the future. Allocation available from the pool was 1,343ML on 1st July 2015 and 1,748ML on the 1st July 2016 including the net carryover.

# Water Services

## Water Quality

The water quality monitoring program of South Gippsland Water was subject to two sets of safe drinking water regulations in the 2015/16 year. The *Safe Drinking Water Regulations 2005* applied from the 1st July 2015 until their expiry on the 17th July 2015, while the *Safe Drinking Water Regulations 2015* applied from the 18th July 2015 to the 30th June 2016.

South Gippsland Water maintained its water quality monitoring program consistent with the requirements of both sets of safe drinking water legislation. Further details of drinking water compliance for each distribution system are reported annually to the Department of Health and Human Services and are available on South Gippsland Water's website, or on request.

Percentage compliance detailed in the table below is based on the number of water sampling localities complying with requirements of the *Safe Drinking Water Regulations 2005* in the period 1st July 2015 to 17th July 2015 inclusive.

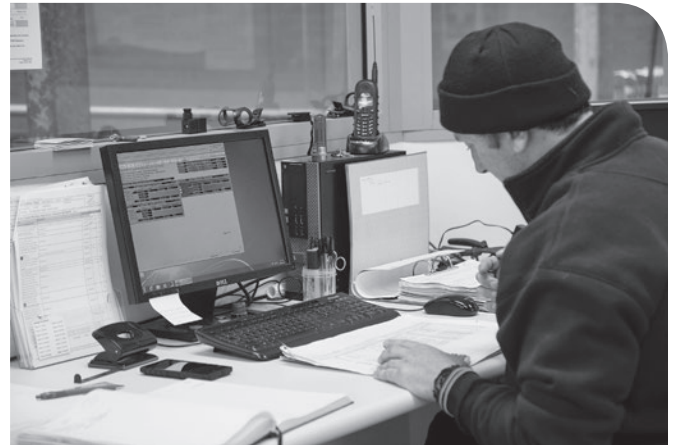
### Compliance with Safe Drinking Water Regulations 1st July - 17th July 2015

Parameter	Water Quality Standard	1st July 2015 to 17th July 2015 %
<i>Escherichia coli</i> ( <i>E. coli</i> )	At least 98% of all samples of drinking water collected in any 12-month period to contain no <i>E. coli</i> per 100mL	100%
Turbidity	95% upper confidence limit of the mean of drinking water samples collected in preceding 12 months must be $\leq 5.0$ NTU (Nephelometric Turbidity Units)	100%
Aluminium	Must not exceed 0.2mg/L	100%
Trihalomethanes	Must not exceed 0.2mg/L	100%
Chloroacetic Acid	Must not exceed 0.15mg/L	100%
Dichloroacetic Acid	Must not exceed 0.1mg/L	100%
Trichloroacetic Acid	Must not exceed 0.1mg/L	100%

Percentage compliance detailed in the table below is based on the number of water sampling localities complying with requirements of the *Safe Drinking Water Regulations 2015* in the period 18th July 2015 to 30th June 2016, inclusive.

### Compliance with Safe Drinking Water Regulations 18th July 2015 - 30th June 2016

Parameter	Water Quality Standard	18th July 2015 to 30th June 2016 %
<i>Escherichia coli</i> ( <i>E. coli</i> )	All samples of drinking water collected to contain no <i>E. coli</i> per 100 milliliters of drinking water with the exception of any false positive sample	100%
Turbidity	The 95th percentile of results for samples in any 12-month period must be less than or equal to 5x0 NTU	100%
Trihalomethanes (Total)	Less than or equal to 0.25mg/L of drinking water	100%



Damien Stefani monitoring the SCADA system at the Lance Creek Water Treatment Plant.



Megan Hoskins collecting water samples for testing as part of the water quality monitoring program.

### Average Annual Drinking Water Consumption ML

Year	2015/ 2016	2014/ 2015	2013/ 2014	2012/ 2013	2011/ 2012
Alberton/Port Albert Yarram/Devon North	356	346	341	348	356
Dumbalk	15	14	14	13	12
Fish Creek	75	78	72	74	77
Foster	137	130	134	132	131
Korumburra	577	598	584	569	495
Wonthaggi/Cape Paterson/Inverloch	1,487	1,490	1,458	1,408	1,373
Leongatha/Koonwarra	1,478	1,453	1,481	1,491	1,502
Meenyan	47	44	43	42	41
Poowong/Loch/Nyora	173	181	181	163	152
Waratah Bay	0	0	0	0	0
Toora/Welshpool/Port Welshpool/Port Franklin	323	325	329	352	364
<b>Total</b>	<b>4668</b>	<b>4659</b>	<b>4637</b>	<b>4592</b>	<b>4503</b>

# Water Services

## Water Consumption

District name	Residential Customers				Non-residential Customers				Total number of customers	Total potable water volume (ML)	Total recycled water volume (ML)	Total consumption (ML)	Average annual consumption (ML)	Daily residential drinking water consumption per capita (ML)	Non Revenue Water			Total non-revenue water (ML)	Total all water sources (ML)
	Number	Potable water volume (ML)	Recycled wastewater volume	Recycled stormwater volume	Number	Potable water volume (ML)	Recycled wastewater volume (ML)	Recycled stormwater volume (ML)							Leakage (ML)	Firefighting (ML)	Other (ML)		
Alberton/Port Albert/Yarram/Devon North	1,263	152	N/A	N/A	488	226	141	N/A	1,862	378	141	519	356	148	62	0	33	95	614
Dumbalk	77	11	N/A	N/A	20	5	0	N/A	103	16	0	16	15	70	0	0	0	0	16
Fish Creek	100	12	N/A	N/A	99	54	0	N/A	207	66	0	66	75	39	41	0	3	44	110
Foster	620	83	N/A	N/A	175	70	0	N/A	871	153	0	153	137	199	9	0	5	14	167
Korumburra	1,802	246	N/A	N/A	275	293	0	N/A	2,228	539	0	539	577	192	116	0	15	131	670
Wonthaggi/CapePaterson/Inverloch	8,926	998	N/A	N/A	820	482	52	N/A	10,207	1,480	52	1,532	1,487	210	193	0	39	232	1,764
Leongatha/Koonwarra	2,496	389	N/A	N/A	552	1,164	0	N/A	3,188	1,553	0	1,553	1,478	194	85	0	84	169	1,722
Meeniyah	205	36	N/A	N/A	47	17	16	N/A	272	53	16	69	47	208	4	0	6	10	79
Poowong/Loch/Nyora	537	77	N/A	N/A	137	90	0	N/A	705	167	0	167	173	167	55	0	8	63	230
Waratah Bay	0	0	N/A	N/A	0	0	6	N/A	0	0	6	6	0	N/A	0	0	0	0	6
Toora/Welshpool/Port Welshpool/Port Franklin	628	72	N/A	N/A	405	252	6	N/A	1,104	324	6	330	323	254	155	0	45	200	530
<b>Total</b>	<b>16,654</b>	<b>2,076</b>	<b>0</b>	<b>0</b>	<b>3,018</b>	<b>2,653</b>	<b>221</b>	<b>0</b>	<b>20,747</b>	<b>4,729</b>	<b>221</b>	<b>4,950</b>	<b>4,668</b>	<b>1,681</b>	<b>720</b>	<b>0</b>	<b>238</b>	<b>958</b>	<b>5,908</b>

Note: Average annual demand is calculated as a rolling 3-year average. Revenue water excludes standpipe sales (33ML) and estimated sales consumption (9ML).

## Drought Response Plan

South Gippsland Water's supply storages and river systems are relatively small relying on the region's generally high annual rainfall to replenish storages prior to the summer draw down.

Three water systems were subject to staged water restrictions during the 2015/16 year. The Coalition Creek System (Korumburra) Little Bass (Poowong Loch, Nyora) and Battery Creek (Fish Creek) were all subject to stage two water restrictions.

South Gippsland Water were successful in securing State Government funding of \$30 million for a \$43 million project to secure the water supply to Korumburra, Poowong, Loch and Nyora by constructing connecting pipelines to the Lance Creek Reservoir and Melbourne Supply System. This is a three year project and in the interim South Gippsland Water will rely on a combination of water sources, including surface and ground water to secure the Coalition Creek Water Supply System over the summer months. This means utilising a temporary pump station and a network of aged pipeline and pump infrastructure to augment the supply to Korumburra.

## Major Non-Residential Water Users

Name of Customer	Information as to customer participation in water conservation programs
Murray Goulburn Co-Operative Co Ltd (Leongatha)	Highly active in water conservation
Burra Foods Pty Ltd (Korumburra)	Processing facilities upgraded; including water conservation measures and community re-use

## Customers by Volume/Range for 2015/16

Volumetric Range ML per year	Number of Customers
Equal to or greater than 200ML and less than 300ML	1
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 1,000ML	1
Greater than 1,000ML	0
<b>Total Number of Customers</b>	<b>2</b>

# Wastewater Services

## Wastewater Management

During 2015/16, South Gippsland Water was compliant with sewerage treatment quality standards at all ten of its wastewater systems. One wastewater treatment plant was non-compliant to the amenity licence condition due to an odour complaint. The details of the non-compliance to the Environmental Protection Authority waste discharge licence is shown in the table below:

### Analysis of performance against EPA Licence 74240 environmental performance conditions

Condition Area	Condition Reference	Condition Description	Condition complied with?
<b>General</b>	G1	Waste from the premises must not be discharged to the environment except in accordance with this licence.	Yes
	G2	You must immediately notify EPA of non-compliance with any condition of this licence.	Yes
	G3	By 30 September each year you must submit an annual performance statement to EPA for the previous financial year in accordance with the Annual Performance Statement guidelines (EPA Publication 1320).	Yes
	G4	Documents and monitoring records used for preparation of the annual performance statement must be retained at the premises for seven years from the date of each statement.	Yes
	G5	You must implement a monitoring program that enables you and EPA to determine compliance with this licence.	Yes
<b>Amenity</b>	A1	Offensive odours must not be discharged beyond the boundaries for the premises.	No <sup>1</sup>
<b>Water Discharges</b>	DW1	Stormwater discharged from the premises must not be contaminated with waste.	Yes
	DW2	Discharge of waste to surface waters must be in accordance with the 'Discharge to Water' table.	Yes
	DW2.8	Discharge of treated wastewater during wet weather conditions must be in accordance with specifications in "Discharge to Water" section of EPA Publication 1322 'Licence Management Guidelines'.	Yes
	DW3	The mixing zone extends as defined in the licence.	Yes
	DW4	You must install and maintain signage at the discharge point showing, (a) the extent of the mixing zone, (b) your name, (c) the EPA licence number, and (d) the discharge point number.	Yes
<b>Land Discharges</b>	DL1	You must not contaminate land or groundwater.	Yes
	DL2	Discharge of wastewater to land must not adversely affect the land.	Yes
	DL4	Deposit of biosolids to land must not adversely affect the land.	Yes

Note 1: The Wonthaggi Waste Water Treatment Plant breached licence condition A1 when an odour complaint was received in November 2015. The odour was verified as originating from the primary lagoon due to a lack of dissolved oxygen.

### Improvements in wastewater management implemented during the year included:

- A number of sewerage pumping stations have been upgraded to improve efficiency and reduce the risk of spills from occurring.
- Targeted relining of sewer pipelines has been undertaken to reduce blockages, spills and infiltration in higher risk areas including Inverloch, Toora, Wonthaggi, Leongatha, Welshpool and Port Welshpool.
- Continued improvements to wastewater management systems have been implemented, particularly for monitoring, calibration, documentation and reporting.
- Improvements have been made to the lagoon aeration system at the Wonthaggi Waste Water Treatment Plant with the installation of a low energy aerator.
- Optimisation of treatment processes at the Leongatha and Korumburra Waste Water Treatment Plants.

## Treated Effluent

Treated effluent re-use systems are in place at Tarraville, Welshpool, Toora, Inverloch, Waratah Bay, Meenian, Leongatha and Korumburra.

In an industry-first, South Gippsland Water and South East Water have collaborated to connect more than 400 properties across the three South Gippsland townships (Poowong, Loch and Nyora), with waste water being transported to South East Water's Lang Lang Recycling Plant for Treatment and reuse. Effluent is treated to class A and the bulk recycled water scheme services industry and agriculture in the Lang Lang, Koo Wee Rup South and Nyora areas.

South Gippsland Water continues to seek innovative methods for disposal of effluent for all of its sewerage treatment plants.

## Bio Solids

A total of 1,365 tonnes from a stockpile of stored biosolids has been removed from the Biosolids Management Facility at the Leongatha Waste Water Treatment Plant and transferred to the Soil and Organic Recycling Facility at Dutson Downs to be processed for re-use.



# Environmental Sustainability

## Corporate Sustainability Strategy

To deliver our vision *"to be widely recognised as an exemplary service provider and valued as an essential contributor to regional development and resource sustainability"*, South Gippsland Water is focused on four key sustainability priorities.

### Water and wastewater services

We will provide water resources to a diverse region for a range of uses and accommodate the impacts of population growth and climate change, this will include identifying alternative water supplies such as recycled water.

### Water and wastewater quality

We will provide a quality product to the region and contribute to public health through the delivery of safe drinking water and the collection and treatment of wastewater.

### Natural environment

We will protect, conserve and enhance our community's natural assets to ensure that our water resources are managed appropriately, to minimise the impact of our operations on the surrounding environment and protect our natural assets for future generations.

### Greenhouse Gases

We will reduce our greenhouse gas emissions to minimise our contribution to climate change and will be an adaptable business to enable our services to be delivered in a changing climate.

## Environment and Sustainability

South Gippsland Water's Environment and Sustainability Policy defines its commitment to undertaking activities in an environmentally responsible manner, taking into account resource availability, environmental values, legislative obligations, community expectations and "Best Practice" protocols. The Environment and Sustainability Policy forms the basis upon which the Corporation sets its objectives and targets and reflects its commitment to comply with the relevant legal requirements.

## Policy Environmental Management System

South Gippsland Water's commitment to responsible environmental management is also reflected in the Environmental Management System which has been certified to the Australian Standard AS/NZS ISO 14001. The role of the Environmental Management System (EMS) is to identify, manage and reduce the impacts to the environment from the Corporation's activities.

Some of the key areas of the EMS include:

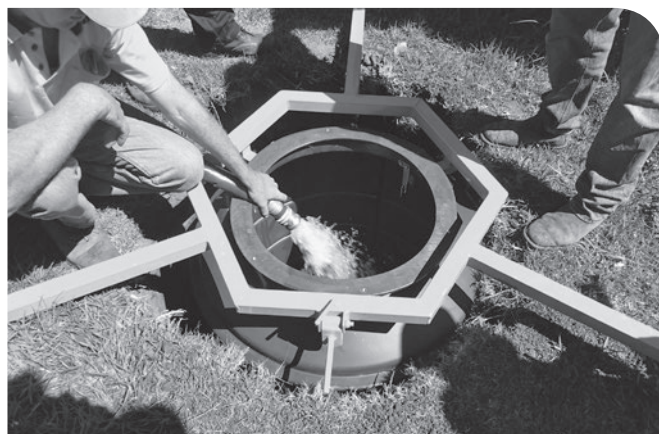
- *Identifying impacts that the Corporation may be having on the environment*
- *Operational and incident management procedures*
- *Objectives and targets to improve environmental performance*
- *Specification of environmental responsibilities*
- *Continual improvement.*

## Regional Catchment Strategies

South Gippsland Water regards itself as a key stakeholder in environment and catchment management initiatives. The Corporation continues to work with the West Gippsland Catchment Management Authority and local councils in implementing programs to manage and protect catchment areas in the South Gippsland region.

Programs include the West Gippsland Regional Catchment Strategy (WGRCS) 2012 – 2018. The overall objectives of the strategy relate to protecting water, biodiversity, atmosphere and climate, and supporting people, communities, infrastructure and production.

The Corporation liaised with the South Gippsland Shire Council during 2015/16 with respect to the 2012 Ministers' guideline, *Planning Permit Applications in Potable Water Supply Catchment Areas* and recognises the close link between catchment management and the Corporation's goals to manage and provide environmentally sound, safe, high quality drinking water to its customers.



*Installation of a Pressure Sewer System pod in Alberton.*

In addition, South Gippsland Water has a number of programs in place to protect water quality and enhance the environment.

### Catchment and Waterway Health

South Gippsland Water extracts water from rivers and small streams to provide high quality drinking water to its customers. The Corporation takes less than 1% of the total historical surface water flows in the region to service the communities, industries and businesses of South Gippsland.

South Gippsland Water continues to manage activities that may impact on waterways in an environmentally sustainable fashion.

A key issue in monitoring waterway health is an understanding of the condition of the waterway systems in the South Gippsland Water Supply Catchment Areas. Waterways support an enormous diversity of life. A healthy waterway is representative of a healthy catchment which is also vital for the supply of good quality potable water.

South Gippsland Water has worked with the West Gippsland Catchment Management Authority and other agencies in implementing the West Gippsland Regional Waterway Strategy. South Gippsland Water continued its river health monitoring program involving monitoring and assessment of key waterways within the Declared Water Supply Catchments in the South Gippsland Basin. Biological monitoring of wastewater outflows into Little Ruby Creek at Leongatha and Foster Creek at Korumburra were also undertaken.

### South Gippsland Shire Council

South Gippsland Water liaised closely with South Gippsland Shire Council in preparation of a Catchment Policy for the Tarwin River Water Supply Catchment. The associated Domestic Waste Water Management Plan was approved by the South Gippsland Shire Council at its May 2016 meeting.

### Land Use and Development

South Gippsland Water continues adherence to the Planning Permit Application in Open Potable Water Supply Catchment Areas Management Ministerial Guidelines for all its water supply catchments with special considerations for the Tarwin River Water Supply Catchment.

### Weed Control Program

South Gippsland Water has developed an extensive weed control program for its land. Objectives of managing environmental weeds include to:

- *Maintain indigenous biodiversity, particularly ecosystems of high conservation value*
- *Maintain the viability of threatened species and communities*
- *Promote ecological sustainability and the provision of ecosystem services*
- *Prevent adverse social or economic impacts by taking an integrated approach to management.*

# Environmental Sustainability

## Sustainable Water Use

South Gippsland Water recognises that with appropriate management, by-products of wastewater treatment (e.g. treated effluent) can be a resource rather than a waste product.

A total of 221ML of recycled water was used for irrigation during 2015/16, with the majority being used on agricultural land, and a small amount for recreation/sporting grounds.

Treated wastewater from South Gippsland Water's Tarraville Waste Water Treatment Plant is piped to an adjacent property for pasture irrigation by a neighboring landholder and a grazier in Cape Paterson uses a portion of the treated wastewater from the Inverloch wastewater system for irrigation. Treated wastewater from the Welshpool Waste Water Treatment Plant is used for pasture irrigation on occasion by a neighboring landholder.

The Toora Football Club uses treated wastewater from the Toora wastewater system to irrigate the playing surface of the recreation oval. This re-use arrangement has effectively drought-proofed this important community facility.

All treated wastewater from the Waratah Bay Waste Water Treatment Plant is used onsite for pasture irrigation, and occasionally by a neighboring landholder for crop and pasture irrigation.

Following an extensive upgrade of the Leongatha and Korumburra Waste Water Treatment facilities, stand pipes have been installed enabling reuse for applications such as road works and weed control.

The sewerage scheme constructed at Meenyan has incorporated wetlands as the final treatment process. This provides treated effluent to multiple reuse sites within the area including the Stony Creek Football Oval, the Meenyan Football Oval and a neighboring farmer, and provides for irrigation on South Gippsland Water's land surrounding the treatment plant.

A collaborative approach with South East Water sees 100% of effluent from the Poowong, Loch and Nyora Sewerage Scheme Treated at the Lang Lang Waste Water Treatment Plant and utilised by industry and agriculture in the Lang Lang, Koo Wee Rup South and Nyora areas.

South Gippsland Water continues to look for further opportunities to establish wastewater re-use schemes where beneficial and cost-effective outcomes can be secured.

The Corporation practices are in compliance with the *Use of Reclaimed Water Guidelines for Environmental Management*.

## Uniform Drought Response Plan

The South Gippsland Water Drought Response Plan (DRP) was prepared in accordance with State Government guidelines during 2011/12. The DRP is a dynamic document which is periodically refined based on actual drought experience and as more supply system information becomes available.

The requirements specified in the DRP guidelines include defining the legal and institutional context, describing the supply system and changes since the last drought, setting objectives for drought management, identifying and evaluating drought response options, developing a sequential plan of action, identifying pre-drought activities, and evaluating the effectiveness of the DRP post-drought. The DRP is fully revised and updated every five years.

## Water Supply Demand Strategy

The Corporation finalised its long term Water Supply Demand Strategy (WSDS) in 2011/12. The detailed strategy document was approved by the Board of Directors and submitted to the Minister for Water.

The strategy outlines the use of the pipeline connecting the Desalination Plant and Lance Creek Reservoir (initially for construction purposes) which has provided South Gippsland Water with an access point to the Melbourne Water Supply System as a potential source of supplementary and long-term water supply for up to 78% of our customers in the southern and northern service areas.

The Corporation was successful gaining \$30 million funding through the 2016 State Government budget process for the \$43 million Lance Creek Water Connection project. This will secure the water supplies of Korumburra, Poowong, Loch and Nyora over the longer term (50 years) and is less susceptible to climate variability due to its connection to the Melbourne Water Supply System. The expected completion date for the project is 2019.

## Community Partners in Environment and Sustainability

South Gippsland Water supports local organisations and groups involved in catchment improvement and environmental education. These organisations provide benefits to South Gippsland Water by raising awareness and understanding of water issues and by providing on-ground improvements in our water supply catchments. In addition, by supporting these organisations, South Gippsland Water is strengthening partnerships and providing wider benefits to the South Gippsland community.

South Gippsland Water provides financial contributions to groups either by annual sponsorship or on a case-by-case basis. The groups and organisations supported by the Corporation during 2015/16 are listed in the table below.

*Community groups, organisations and activities supported by South Gippsland Water in 2015/16*

Name	Activities	Type of Support	
		Financial	In-kind
Bass Coast Landcare Network	A community-based organisation that facilitates catchment improvements such as revegetation and streamside fencing	\$4,950	✓
National Water Week (NWW)	Local primary schools participated in the NWW Poster Competition with all families of participating schools receiving a calendar of posters promoting water conservation and raising awareness about the many and varied water sources	-	✓ \$7,000
Schools Water Efficiency Program (SWEP)	South Gippsland Water will fund Year 2/Year 3 program payments for 20 schools	✓ \$3,000	-
H4O – Help For Water Efficient Organisations Grants	Community grants for water efficiency projects	✓ \$5,040	-
H2O – Hills To Oceans Grants	Landholder and community grants to improve catchment health and environment	✓ \$2,500	-
Public Water Bottle and Drinking Water Fountains or Water Trailer	Free donation of water or loan of portable water bottle refill stations and drinking fountains, or water trailer to community events	-	✓

# Environmental Sustainability

## Biodiversity

South Gippsland Water recognises its responsibility in protecting the biodiversity assets in its areas of operation for the benefit of the region. The Corporation is committed to integrating biodiversity conservation and management into operating and management systems.

Accordingly, South Gippsland Water will:

- *integrate social, environmental and economic factors into decision-making and seek to maximise net beneficial outcomes*
- *apply the precautionary principle in evaluating the decisions and policies we make*
- *act to conserve or reinstate the biodiversity and ecological integrity of land, aquatic and other natural assets that we manage*
- *maintain biodiversity registers for land and aquatic systems in the vicinity of our operating areas and take these into account during planning and approval processes*
- *ensure staff appreciate and respect biodiversity values and recognise their role in protecting biodiversity from detrimental impacts as a result of their work activities*
- *cooperate with other agencies in the development and implementation of biodiversity conservation initiatives.*

South Gippsland Water has developed profiles for all systems that contain a wealth of biodiversity information including:

- *Bioregion designation*
- *Flora, fauna and threatened species*
- *Planning scheme zones and overlays.*

## Greenhouse Gas Emissions

The following table sets out Corporate greenhouse gas emissions for the past five years.

ITEM	2015/16 [Emissions in Tonnes]	2014/15 [Emissions in Tonnes]	2013/14 [Emissions in Tonnes]	2012/13 [Emissions in Tonnes]	2011/12 [Emissions in Tonnes]
Water Treatment and Pumping	2,012	2,058	1,664	2,133	2,618
Wastewater Treatment	4,725	4,674	4,421	4,550	4,674
Waste Disposal	Not recorded	Not recorded	Not recorded	Not recorded	Not recorded
Energy Use – Non-fleet	175	157	135	165	198
Vehicle Fleet	693	523	652	703	664
Offsets Purchased	Nil	Nil	Nil	Nil	Nil
Any Other Activities	-	-	-	-	-
Gross Tonnes CO <sub>2</sub> e	7,605	7,412	6,872	7,550	8,154
Net CO <sub>2</sub> e	7,605	7,412	6,872	7,550	8,154

## Net Energy Consumption

Net energy consumption was 1,067 MJ/ML potable water and 2,645 MJ/ML wastewater.

South Gippsland Water aims to reduce greenhouse gas emissions to minimise its contribution to climate change, and to be an adaptable business in order to enable services to be delivered in a changing climate.

The Corporation has identified around 50 options for energy savings. The key energy efficiency improvement opportunities are:

- *Reduction of treatment volumes in wastewater and water treatment*
- *Efficiency improvement of pumping systems*
- *Investigating use of the potential energy in water, sun and wind*
- *Motivation of employees to be efficient with their energy use.*



Tree planting with local Scouts at the Meeniyan wetland and wastewater treatment and site.



Be Smart, Choose Tap – South Gippsland Water's stand at the 2016 Sustainability Festival.



# Summary of Major Projects 2015/16

The following table summarises the major projects undertaken by South Gippsland Water during 2015/16, and the progress or results at the end of the financial year.

SOUTH GIPPSLAND WATER - MAJOR PROJECTS		
Reason	Project Description	Result / Progress
<b>Poowong, Loch and Nyora Sewerage Scheme</b> South Gippsland Water's region has a number of small towns without adequate wastewater management facilities. Unsuitable soil types and smaller size allotments mean that current septic systems are unable to retain effluent on these individual allotments. In many locations, grey water finds its way directly to the street drainage system with resultant health, environment and amenity issues.	A pressure sewer system installed in each town. A main pump station in each town transfers wastewater to Nyora and then to the existing South East Water (SEW) Lang Lang WWTP. Individual pumps installed on each property. The Transfer System has a capacity of the equivalent to 2,000 residential properties.	The sewer scheme construction including, pump stations and transfer mains completed December 2015 and approximately 99% of house connections have been completed to 30th June 2016.
<b>Water Renewals/Replacement</b> To rehabilitate/replace inefficient water mains.	Water main replacement program based on established priorities with the Operations Group. Works include the progressive replacement of asbestos cement (AC) pipes installed up to the 1970s.	Ongoing replacement of troublesome water mains within South Gippsland Water's region. Approximately 3.3km of water mains replaced over the year.
<b>Reticulation Sewer Rehabilitation/Infiltration Curtailment/Relining</b> To rehabilitate/reline inefficient sewer mains. Identify troublesome reticulation pipeline locations with increased groundwater infiltration and stormwater inflows.	Reticulation sewer rehabilitation/ replacement works including pipeline replacement/relining and manhole repairs/ replacement based on established priorities with the Operations Group.	Ongoing rehabilitation/replacement of ageing, cracked and broken reticulation sewer pipelines and manholes. Approximately 2.1km of sewer pipelines relined and manholes rehabilitated over the year. Ongoing infiltration and inflow program deployed to identify illegal connections, entry points of groundwater infiltration and stormwater inflows.
<b>Wonthaggi Sewer System Upgrades</b> Implementation of overall upgrading/ augmentation strategy is required to address the existing system capacity deficiencies associated with the Wonthaggi Sewer Reticulation System and to cater for the rapid escalating current and future development within the township.	A staged improvement implementation program over a 50 year horizon for augmenting the Wonthaggi Sewer Reticulation System based on the hydraulic model analysis, flow survey data and comparative risk assessments for existing system capacities.	The sixth stage of sewer upgrade works were commenced in 2015/16 with the program of works ongoing.
<b>Alberton Sewerage Scheme</b> Implementation of sewerage scheme to provide an effective means of managing wastewater within the Alberton township in order to protect public health, public amenity, social, economic and township environmental values.	Construction of a pressure sewer system to manage the collection and transmission of wastewater from the Alberton township to the existing Tarraville WWTP.	All reticulation, rising sewer main and pumping station installations have been completed. 63 customers have connected to the new scheme to date.
<b>Lance Creek Water Connection Project – Lance Creek to Korumburra and Korumburra to Poowong</b> Connection of existing Korumburra and Little Bass Water Supply systems to the Lance Creek Reservoir and Melbourne Supply System Pipeline.	Installation of water supply trunk main and pumping stations from Lance Creek to Korumburra and Poowong, Loch and Nyora.	\$30 million funding for the project was successfully secured from the Victorian Government's State Budget in April 2016. Detailed design of the pipeline and pumping stations has been completed incorporating value management outcomes. Preparation of Tender documentation and land access is currently underway in preparation for the construction phase of project.
<b>Inverloch Sewer System Upgrades</b> Implementation of overall upgrading/ augmentation strategy is required to address the existing capacity deficiencies associated with the Inverloch Sewer Reticulation System and to cater for the rapid escalating current and future development within the township.	A staged improvement implementation program over a 50 year horizon for augmenting the Inverloch Sewer Reticulation System based on the hydraulic model analysis, flow survey data and comparative risk assessments.	The fifth stage of sewer upgrade works commenced 2015/16 with the program of works ongoing.

# Report of Operations

## Financial Performance

South Gippsland Water's net result for the year was a deficit of \$1.773 million.

Revenue was \$0.239 million lower than 2014/15 which was the combined impact of a reduction in developer contributions (\$1.705 million) offset by increases in service charges (\$0.504 million) and volumetric charges (\$0.890 million). Scheme Income was also higher than prior year (\$0.757 million) due to the corporation offering 12 month interest free loans for the plumbing cost of connections to the Poowong, Loch and Nyora sewerage scheme.

Expenditure was \$2.135 million higher than 2014/15. This is due to a combination of higher wages and salaries costs (\$0.669 million) as a result of timing of increase in ICT roles as the corporation moves to mobile solutions and the reduction of discount rates

applicable to long service leave. There were higher repairs and maintenance costs (\$0.180 million) and higher interest costs on borrowings (\$0.312 million). In addition, there was a \$0.606 million increase in expenses reflected in the decision to offer 12 month interest free loans for plumbing costs for connections to the Poowong, Loch and Nyora sewerage scheme. These costs are fully recoverable in the next 12 months. There was also a (\$0.368 million) general increase in cost of services.

Over \$10.3 million of new capital investment was undertaken during the year to improve services to the Corporation's water and wastewater customers.

This continued high level of capital expenditure has resulted in borrowings increasing \$2.0 million over 2015/16 to \$56.299 million.

### 2015/16 Summary of Financial Results

Financial Result	2015/16 (\$'000)	2014/15 (\$'000)	2013/14 (\$'000)	2012/13 (\$'000)	2011/12 (\$'000)
Core business revenue	26,616	26,912	26,824	27,048	25,793
Government contributions	0	0	0	0	483
Other revenue	2,433	2,376	930	870	967
<b>Total revenue</b>	<b>29,049</b>	<b>29,288</b>	<b>27,754</b>	<b>27,918</b>	<b>27,243</b>
Operating expenditure	18,031	16,848	16,366	16,601	17,267
Depreciation expenditure	9,312	9,279	9,389	9,284	8,829
Finance costs	2,873	2,561	2,351	2,326	2,267
Other expenditure	606	0	0	0	0
<b>Total expenditure</b>	<b>30,822</b>	<b>28,688</b>	<b>28,106</b>	<b>28,211</b>	<b>28,363</b>
<b>Net result before tax</b>	<b>(1,773)</b>	<b>600</b>	<b>(352)</b>	<b>(293)</b>	<b>(1,120)</b>
Current assets	9,901	9,253	6,321	8,181	4,500
Non-current assets	413,943	334,536	319,982	298,634	297,994
<b>Total assets</b>	<b>423,844</b>	<b>343,789</b>	<b>326,303</b>	<b>306,815</b>	<b>302,494</b>
Current liabilities	8,659	9,348	11,894	9,203	13,553
Non-current liabilities	141,484	114,175	94,712	71,960	63,976
<b>Total liabilities</b>	<b>150,143</b>	<b>123,523</b>	<b>106,606</b>	<b>81,163</b>	<b>77,529</b>
Net cash flows from operations	5,045	6,298	8,443	6,180	5,802
Payments for property, plant and equipment (including infrastructure.)	10,322	18,292	12,471	8,990	12,102

### Summary of Financial Performance

Performance Indicator	2015/16	2014/15	2013/14	2012/13	2011/12
Internal Financing Ratio	48.7%	38.4%	68.6%	68.7%	47.4%
Gearing Ratio	13.3%	15.8%	12.5%	12.8%	11.6%
Interest Cover (Cash)	2.8 times	3.9 times	4.6 times	3.6 times	3.6 times
Return on Assets	0.3%	0.9%	0.6%	0.7%	0.4%
Return on Equity	(0.4%)	0.2%	(0.1%)	0.8%	3.0%
Current Ratio	1.3 times	1.1 times	0.6 times	- *	- *

\* New reportable ratio from 1 July 2013



# Water Security for South Gippsland

The Lance Creek Water Connection will secure the water supply needs of Korumburra, Poowong, Loch and Nyora over the next 50 years.

The project connects these townships with South Gippsland Water's largest reservoir, Lance Creek. The system will utilise, when required, an existing connection to the Melbourne Water Supply System, including the Wonthaggi Desalination Plant. The combination of these systems will secure water supply for the area and provide a dependable environment for community development, economic growth and future investment within the region.

The project has a total cost of some \$43 million and, in April 2016, the State Government announced funding of \$30 million.

The connection from Lance Creek to Korumburra, Poowong, Loch and Nyora will be delivered over a 3-year period and involve the construction of pipeline and pump infrastructure necessary to allow the transfer of water to secure these townships.

## Why is the project needed?

The Lance Creek Water Connection is a key component in South Gippsland Water's long-term strategy to secure water supplies for the region. In future years, modelling indicates that South Gippsland's current catchment yields will reduce and will not meet the future growth and water demand for the townships of Korumburra, Poowong, Loch and Nyora.

South Gippsland Water investigated a number of options for securing water supplies for these towns, including both surface water and pipeline options. The resulting business case and formal stakeholder consultation confirmed that the most viable and cost-effective option for water security for the area is the Lance Creek Water Connection.

## Were surface water options considered?

Yes. South Gippsland Water conducted extensive catchment modelling and demand forecasting to determine catchment yield, water demand and regional population growth factors that will influence water security over the next 50 years. Investigations confirmed that future demands would not be met by developing existing surface water storages (expanding, de-silting or building new reservoirs).



Commissioning of DP5 valve which connects Lance Creek Reservoir to the Desalination Plant and Melbourne Water Supply System. L to R: James Russell (KBR), Dean DeMenech (SGW Project Supervisor), Colin Kirkland (Bermad Valves), Denis Landron (Westsure), Kelvin Staley (Kelcon).



Minister Neville announces \$30 million funding for the Lance Creek Water Connection project. L to R: Philippe du Plessis (MD South Gippsland Water), Harriet Shing (Member for Eastern Victoria), Lisa Neville MP (Minister for Water) and Glenn Falcke (GM Operations Burra Foods).

Key considerations include:

- Modelling confirms that, over the next 50 years, catchment yields will be unpredictable due to climate variability and demand for water will not be met even if current rainfall-dependent dams were expanded.
- If reservoirs walls were raised and/or de-silting carried out, existing storages would not reliably fill given their small catchment areas and the potential future impacts of climate change.
- Water treatment plants at Korumburra and Poowong would require significant upgrade works to meet increasing demand and increased water quality standards.
- Dam safety issues would need to be addressed at significant cost before any expansion options could be considered.
- Over the next 50 years, the cost to augment existing dams and water treatment plants exceeds the cost of the Lance Creek Water Connection project and will still not provide a secure, long-term water supply for community development, economic growth and future investment.

## Why a pipeline?

South Gippsland Water's modelling and forecasting confirmed that Lance Creek is a highly secure water supply and, when coupled with the security of the Melbourne Water Supply System, the connection project will be capable of meeting future water demand and supply beyond 2058.

The Lance Creek Water Connection will deliver a higher security of water supply, as the network will:

- Connect townships to a system that is not rainfall dependent and, subsequently, not reliant on marginal catchment yields or subject to climate variability.
- Ensure water of consistent quantity and quality.
- Have the capacity to access the Melbourne Water Supply System for use during periods of water shortage, high demand or when water quality issues arise.
- Provide reliability for economic growth and future investment within the region.

Analysis has identified the Lance Creek Water Connection project as the most viable and cost effective option to provide water security for over 60% of South Gippsland Water's customers.

The existing dams, when no longer needed to supply the townships, will be re-commissioned to make the most of their potential as local community, economic and/or recreational assets. Further consultation will be undertaken on this throughout the project.

# Financial Report

For The Year Ended 30 June 2016

## Table of Contents

<b>Comprehensive Operating Statement</b>	32
<b>Balance Sheet</b>	33
<b>Statement of Changes in Equity</b>	34
<b>Cash Flow Statement</b>	35
<b>Notes to the Financial Report for the year ended 30 June 2015</b>	36
Note 1. Significant Accounting Policies	36
Note 2. Financial Risk Management Objectives and Policies	41
Note 3. Critical Accounting Estimates and Judgements	43
Note 4. Comprehensive Operating Statement – Disclosures	43
Note 5. Income Tax	44
Note 6. Cash and Cash Equivalents	44
Note 7. Receivables	44
Note 8. Inventories	45
Note 9. Other Financial Assets	45
Note 10. Infrastructure, Property, Plant and Equipment	45
Note 11. Intangible Assets	51
Note 12. Payables	51
Note 13. Interest Bearing Liabilities	51
Note 14. Employee Benefits	52
Note 15. Deferred Taxes	52
Note 16. Superannuation	53
Note 17. Contributed Capital	54
Note 18. Reserves	54
Note 19. Accumulated Funds	54
Note 20. Reconciliation of Net Results for the Period After Related Income Tax to Net Cash Flows from Operating Activities	55
Note 21. Responsible Persons and Executive Officer Disclosures	55
Note 22. Dividends	57
Note 23. Commitments	57
Note 24. Contingent Assets and Contingent Liabilities	57
Note 25. Events Occurring after the Balance Sheet Date	57
Note 26. Financial Instruments	58
<b>Statutory Certification</b>	59

# Comprehensive Operating Statement

For the Financial Year Ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Revenue from operating activities</b>			
Service charges	1(c),4(a)	17,135	16,631
Water usage charges	1(c)	8,837	7,947
Interest	1(c)	39	24
Developer contributions	4(a)	605	2,310
		<u>26,616</u>	<u>26,912</u>
<b>Revenue from non-operating activities</b>			
Net gain/(loss) on disposal of non-financial assets	4(b)	(98)	230
Other income	4(a)	2,531	2,146
		<u>2,433</u>	<u>2,376</u>
<b>Total Revenue</b>		<b>29,049</b>	<b>29,288</b>
<b>Expenses from operating activities</b>			
Borrowing costs	1(d),4(c)	(2,873)	(2,561)
Depreciation	1(d),4(c),10(b)	(8,876)	(9,001)
Amortisation	1(d),4(c),11	(436)	(278)
Employee benefits	1(d), 4(c)	(8,784)	(8,115)
Repairs and maintenance expense	1(d)	(1,324)	(1,144)
Environmental contributions	1(d)	(1,101)	(1,101)
Electricity		(848)	(857)
Recoverable plumbing connections		(606)	-
Chemicals		(1,021)	(1,034)
Supplies and services		(4,953)	(4,597)
<b>Total Expenses</b>		<b>(30,822)</b>	<b>(28,688)</b>
<b>Net result before tax</b>		<b>(1,773)</b>	<b>600</b>
<b>Income Tax (expense) / revenue</b>	5	875	(164)
<b>Net result for the period</b>		<b>(898)</b>	<b>436</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to net results			
Gain on revaluation of land, buildings and infrastructure	10(b)	77,619	191
Income tax relating to components of other comprehensive income	5	(23,286)	(58)
<b>Other comprehensive income for the year, net of income tax – change in revaluation reserve</b>		<u>54,333</u>	<u>133</u>
<b>Comprehensive Result</b>		<b>53,435</b>	<b>569</b>

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

# Balance Sheet

As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1(e),2,6,26	4,497	4,663
Receivables	1(e),7,26	2,296	2,187
Inventories	1(e),8	499	418
Prepayments	1(e)	324	255
Other financial assets	2,9,26	2,285	1,730
<b>Total current assets</b>		<b>9,901</b>	<b>9,253</b>
<b>Non-current assets</b>			
Receivables	1(e),7,26	523	596
Infrastructure, property, plant and equipment	1(e),10	388,439	310,495
Intangible assets	1(e),11	3,721	4,067
Deferred tax assets	1(b),15	21,260	19,378
<b>Total non-current assets</b>		<b>413,943</b>	<b>334,536</b>
<b>TOTAL ASSETS</b>		<b>423,844</b>	<b>343,789</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1(f),12,26	4,473	4,237
Interest bearing liabilities	1(f),2,13,26	1,899	2,899
Employee benefits	1(f),14	2,287	2,212
<b>Total current liabilities</b>		<b>8,659</b>	<b>9,348</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	1(f),2,13,26	54,400	51,400
Employee benefits	1(f),14	289	273
Deferred tax liabilities	1(b) 1(h),15	86,795	62,502
<b>Total non-current liabilities</b>		<b>141,484</b>	<b>114,175</b>
<b>TOTAL LIABILITIES</b>		<b>150,143</b>	<b>123,523</b>
<b>NET ASSETS</b>		<b>273,701</b>	<b>220,266</b>
<b>EQUITY</b>			
Contributed capital	1(g),17	65,333	65,333
Reserves	1(g),18	141,500	87,167
Accumulated funds	1(g),19	66,868	67,766
<b>TOTAL EQUITY</b>		<b>273,701</b>	<b>220,266</b>

The above balance sheet should be read in conjunction with the accompanying notes



# Statement of Changes in Equity

For the Financial Year Ended 30 June 2016

	Notes	Contributed Capital \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2014		65,333	87,034	67,330	219,697
Total comprehensive income for the year (net of tax)		-	-	436	436
Revaluation of buildings (net of tax)		-	133	-	133
Total comprehensive income for the year (net of tax and revaluations)		-	133	436	569
Transactions with the State in its capacity as owner:					
Dividends	1(m)	-	-	-	-
Contributions by owners	1(g),17	-	-	-	-
Restated Balance at 30 June 2015		65,333	87,167	67,766	220,266
Total comprehensive income for the year (net of tax)		-	-	(898)	(898)
Revaluation of Land (net of tax)		-	2,023	-	2,023
Revaluation of Buildings (net of tax)		-	(356)	-	(356)
Revaluation of Infrastructure (net of tax)		-	52,666	-	52,666
Total comprehensive income for the year (net of tax and revaluations)		-	141,500	66,868	273,701
Transactions with the State in its capacity as owner:					
Dividends	1(m)	-	-	-	-
Contributions by owners	1(g),17	-	-	-	-
Balance at 30 June 2016		65,333	141,500	66,868	273,701

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Cash Flow Statement

For the Financial Year Ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from Operating Activities</b>			
<b>Receipts</b>			
Service and usage charges		26,647	24,198
Interest received		28	22
GST received from the ATO		1,938	1,342
Developer contribution fees		359	749
Other receipts		887	1,766
		<b>29,859</b>	<b>28,077</b>
<b>Payments</b>			
Payments to suppliers and employees		(20,779)	(18,083)
Interest and other costs of finance paid		(2,869)	(2,516)
GST paid to the ATO		(65)	(79)
Environmental contribution levy paid		(1,101)	(1,101)
		<b>(24,814)</b>	<b>(21,779)</b>
<b>Net cash inflow from Operating Activities</b>	20	<b>5,045</b>	<b>6,298</b>
<b>Cash flows from Investing Activities</b>			
Payments for infrastructure, property, plant and equipment		(8,180)	(14,841)
Proceeds from sale of infrastructure, property, plant and equipment	4(a)	1,259	539
Payments for intangible assets	11	(94)	(3,451)
Net cash (outflow) from investing activities		<b>(7,015)</b>	<b>(17,753)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from borrowings		7,899	17,900
Repayments of borrowings		(5,899)	(4,400)
Net movements in contractor deposits		(196)	(36)
Net cash inflow from financing activities		<b>1,804</b>	<b>13,464</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(166)</b>	<b>2,009</b>
Cash and cash equivalents at the beginning of the financial year		<b>4,663</b>	<b>2,654</b>
<b>Cash and cash equivalents at the end of the financial year</b>	1(e),6	<b>4,497</b>	<b>4,663</b>

The above cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the Financial Report

## for the year ended 30 June 2016

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Accounting

The financial report includes separate financial statements for South Gippsland Region Water Corporation (the Corporation) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2016. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS's), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. South Gippsland Region Water Corporation is a not for-profit entity for the purpose of preparing the financial statements.

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

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

The annual financial statements were authorised for issue by the Board on 25 August 2016.

The principal address is:

South Gippsland Regional Water Corporation  
14-18 Pioneer Street  
Foster VIC 3960

#### 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 Note 1(f) 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

The financial report has been prepared under the historical cost convention, except for the revaluation of financial assets and all classes of infrastructure, property, plant and equipment.

#### Accounting estimates

The preparation of the financial report in conformity with AAS's requires the use of certain accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ

from these estimates. It also requires management to exercise its judgements in the process of applying the Corporation's accounting policies. The most significant accounting estimates undertaken in the preparation of the financial report relate to:

- fair value of infrastructure, property, plant and equipment;
- estimation of asset useful lives for assets reported at fair value;
- impairment of assets;
- recognition of deferred tax assets and liabilities,
- provisions for employee benefits; and
- provision for doubtful debts.

#### Financial statement presentation

The Corporation has applied the revised AASB 101 *Presentation of Financial Statements* which became effective for reporting periods beginning on or after, 1 July 2014, and AASB 1054 *Australian Additional Disclosures* which became effective for reporting periods beginning on, or after 1 July 2014.

#### (b) Changes in accounting policies

Subsequent to the 2014/15 reporting period, there are no new Standards applicable to not for profit entities and as such none have been adopted in the current period.

#### (c) Revenue

##### Service and usage charges

Rate/tariff and service charges are recognised as revenue when levied or determined.

Major 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 trade waste agreements. The meters are read on a monthly basis with accounts sent out on a monthly basis.

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

##### Developer contributions / Fees paid by developers

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

##### Interest

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

##### Lease or rental income

Income from operating leases (i.e. rentals) is recognised in income on a straight-line basis over the lease term. Income is recognised in the comprehensive operating statement and form part of "other income".

#### (d) Expenses

##### Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings. Interest expense is recognised in the period in which it is incurred.

##### Depreciation and Amortisation of Non-current Assets

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

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available 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 in Note 1(h).

Major useful lives within each asset class are consistent with the previous year and fall within the following ranges:

	Useful Life
<b>Corporate</b>	
Buildings	50 years
Furniture & Equipment	10 years
Plant & Machinery	7 - 10 years
Motor Vehicle	2 - 4 Years
Intangible Assets	3 & 7 years
<b>Water Infrastructure</b>	
Storages	350 years
Mains and Reticulation	40 to 110 years
Pump Stations	18 to 75 years
Treatment Plants	10 to 350 years
Water Meters	15 years
<b>Wastewater Infrastructure</b>	
Mains and Reticulation	50 to 100 years
Treatment Plants	5 to 350 years
Pump Stations	10 to 75 years

### Employee Benefits

These expenses include all costs related to employment including wages and salaries, bonuses, fringe benefits tax, leave entitlements, redundancy payments, work cover premiums and payroll tax.

### Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by South Gippsland Water to the relevant superannuation plans in respect to the services of South Gippsland Water'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 South Gippsland Water is required to comply with.

### Repairs and maintenance

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

### Environmental contributions

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has recently been extended to cover the period 1 July 2016 until 30 June 2020.

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

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

### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Comprehensive Operating Statement on a straight-line basis over the period of the lease, in the periods in which they are incurred,

as this represents the pattern of benefits derived from the leased assets.

### Other expenses

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

### Ex Gratia Payments

South Gippsland Water did not incur any ex gratia payments greater than \$5,000 for the year ended 30 June 2016 (\$0 2014/15)

### (e) Assets

#### Cash and deposits

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

#### Receivables

Receivables consist of:

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

Contractual receivables are classified as financial instruments and categorised receivables

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

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

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

#### Inventories

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

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

#### Prepayments

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



**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Infrastructure, property, plant and equipment****Recognition of Non-current Physical Assets**

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$1,000 (\$1,000 2014/15) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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

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

**Measurement of Non-current Physical Assets**

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

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 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.

Depreciated replacement cost has been adopted as an estimate of fair value under the revaluation model adopted for land and building assets.

Plant, equipment and motor vehicles are measured at fair value based on depreciated replacement cost.

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

A full revaluation of infrastructure, land and building assets occurred as at 30 June 2016 and was undertaken with involvement from the Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water and waste water infrastructure and land and buildings. Further details of the valuation exercise are provided in Note 10.

**Revaluation of non-current physical assets**

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

**Impairment of Assets**

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indicators of impairment, except for:

- *Inventories;*
- *Deferred tax assets; and*
- *Financial instrument assets*

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

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

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation reserve.

However, to the extent that an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement, a reversal of that impairment loss is also recognised in the Comprehensive Operating Statement.

**Intangibles**

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

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

	<b>Water Share Entitlements</b>	<b>Access Rights</b>	<b>Software Costs</b>
<b>Useful lives</b>	Indefinite	Finite	Finite
<b>Amortisation method used</b>	Not amortised or revalued	25 years straight line	3 and 7 years – straight line
<b>Internally generated / acquired</b>	Acquired	Acquired	Internally generated / Acquired
<b>Impairment test / Recoverable amount testing</b>	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end / Reviewed annually for indicators of impairment	Amortisation method reviewed at each financial year-end / Reviewed annually for indicators of impairment

**Permanent Water Entitlements**

Permanent water entitlements purchased after 1 July 2011 are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109 Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent entitlements purchased after 1 July 2011 will be tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2011 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

**(f) Liabilities****Payables**

Payables consist of:

- *contractual payables, such as accounts payable and unearned income. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and*

- *statutory payables, such as goods and services tax and fringe benefits tax payables.*

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

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

### Interest bearing liabilities

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

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

South Gippsland Water 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.

### Provisions

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

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

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

### Employee Benefits

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

#### i. Wages and salaries, annual leave and rostered days off

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

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

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

#### ii. Long Service Leave (LSL)

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Corporation does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- *undiscounted value if the Corporation expects to*

*wholly settle within 12 months; and*

- *present value if the Corporation does not expect to wholly settle within 12 months.*

Conditional LSL is disclosed as a non current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non current LSL liability is measured at present value.

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

#### iii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Corporation recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a 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

### On-costs

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

### (g) Equity

#### Contributions by owners

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

#### Asset revaluation reserve

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

### (h) Financial Assets

#### Recognition

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

#### Loans and receivables

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

#### Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Comprehensive Operating Statement where required. No such losses exist in 2015/16 (\$0 2014/15).

#### (i) Fair Value

Consistent with AASB 13 *Fair Value Measurement*, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure,

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency.

The Corporation, in conjunction with VGV, monitors changes in the fair value of each asset through relevant data sources to determine whether revaluation is required.

### Valuation Policies and Processes

#### Plant & Equipment

Plant & Equipment assets are recorded at depreciated replacement cost. This asset class is usually immaterial, and written down replacement cost is considered to be reflective of market value.

For South Gippsland Water, it is determined that plant, equipment and vehicles possess such characteristics, and there is no evidence that a reliable market-based fair value (or other relevant fair value indicators) exists (or any such evidence does not indicate a fair value significantly different from depreciated cost). Therefore depreciated cost generally represents a reasonable approximation of fair value. As such, these assets do not need to undergo an annual fair value assessment.

#### Land and Buildings

South Gippsland Water currently records Land & Buildings in its accounts at fair value. In November 2015, in accordance with the 5 year cycle of revaluation, the Valuer General Victoria (VGV) contracted Egan Valuers to perform an independent valuation of the Corporations land and buildings to determine fair value at 30 June 2016.

Based on the above, the CRO has determined as at 30 June 2016 that the carrying value of the Land and Buildings needed adjusting so as to represent fair value, and using the professional revaluation provided by VGV resulting in an adjustment to fair value. The resultant revaluation has been booked in the accounts and impacts both Land and Building Fair Value, the Asset Revaluation reserve and the Deferred Tax Liability. All classes of assets required a revaluation. Refer to Note 10 for details of the revaluation.

#### Infrastructure Assets

Infrastructure Assets comprise South Gippsland Water's largest asset class. South Gippsland Water currently records Infrastructure Assets in its accounts at fair value. In September 2015 the Valuer General Victoria (VGV) contracted Jones Lang Lusselle (JLL) to perform an independent valuation of the Corporations Infrastructure Assets to determine fair value at 30 June 2016.

Based on the above, the CRO has determined as at 30 June 2016 that the carrying value of this asset class needed adjusting so as to represent the fair value, and using the professional revaluation provided by VGV resulting in an adjustment to fair value. The resultant revaluation has been booked to the accounts and impacts both the Infrastructure Fair Value, the Asset Revaluation Reserve and the deferred Tax Liability. Refer to Note 10 for details of the revaluation.

### (j) Taxation

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

The income tax expense or revenue for the period is the 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.

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.

A deferred tax liability has been recognised for revalued assets, as future depreciation on revalued assets will not be deductible for tax purposes.

### (k) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 23) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### (l) Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 24) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### (m) Dividend Policy

An obligation to pay a dividend only arises after consultation with the portfolio Minister for Environment, Climate Change and Water and the Treasurer and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is zero (\$0 2014/15).

### (n) Goods and Services Tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis, i.e. inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

### (o) New Accounting Standards and Interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. As at 30 June 2016, the applicable standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2016. The Corporation has not and does not intend to adopt these standards early and has listed only standards "applicable" to South Gippsland Water.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting mode and a revised impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has indicated that there is no expected impact on the corporation.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening retained earnings if there are no former performance obligations outstanding.
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 Jan 2019	The change in reporting requirement may see some minor operating leases transferred to the balance sheet. Current value of operating lease commitments is \$18,000.
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-4 <i>Amendments to Australian Accounting Standards</i>	Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: <ul style="list-style-type: none"> <li>establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;</li> <li>prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.</li> </ul>	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not for Profit Public Sector Entities [AASB 10, AASB 124 &amp; AASB 1049]</i>	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the corporation's responsible persons, and the related party transactions from 1 July 2016.

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

- AASB 14 *Regulatory Deferral Accounts*
- AASB 1056 *Superannuation Entities*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-1 *Amendments to Australian Accounting Standards [Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*
- AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*

## NOTE 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's activities expose it to a variety of financial risks: i.e. market risk, credit risk and liquidity risk.

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program seeks to minimise potential adverse effects on the financial

performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit and analysis in respect of investment portfolios to determine market risk.

Risk Management is carried out by the Board's Audit and Risk Management Committee under policies approved by the Board of Directors. The Finance and Corporate Services department 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 interest rate risk, credit risk and liquidity risk including investment of excess liquidity.

### (a) Risk Exposures

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

#### i. Market risk

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

#### Interest Rate Risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's long term borrowings and funds invested on the money market.

The Corporation minimises its exposure to interest rate changes on its long term borrowings by holding a mix of fixed and floating rate debt. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly. The Corporation manages its debt and interest rate risk within the ranges set using Treasury Management Guidelines, set by the Audit and Risk Committee and approved by the Board.

The Corporation has minimal exposure to interest rate risk and manages its interest rate risk by maintaining a low level of cash and other financial assets which allows the Corporation to meet its short term cash needs.

#### Foreign Exchange Risk

The Corporation has no exposure to changes in foreign exchange rates.

#### Other Price Risk

The Corporation has no significant exposure to other price risks.

#### Market Risk Sensitivity Analysis

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The Corporation believes that over the next 12 months a movement of 1% in interest rates is reasonable.

30 June 2016	Carrying amount \$'000	Interest rate risk			
		-1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash and Cash Equivalents (Note 6)	4,497	(45)	(45)	45	45
<b>Financial Liabilities</b>					
Interest Bearing Liabilities (Note 13)					
- Variable	1,899	19	19	(19)	(19)
- Fixed	54,400	-	-	-	-
Total increase/(decrease)		(26)	(26)	26	26

30 June 2015	Carrying amount \$'000	Interest rate risk			
		-1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash and Cash Equivalents (Note 6)	4,663	(47)	(47)	47	47
<b>Financial Liabilities</b>					
Interest Bearing Liabilities (Note 13)					
- Variable	2,899	29	29	(29)	(29)
- Fixed	51,400	-	-	-	-
Total increase/(decrease)		(18)	(18)	18	18

#### ii. 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 customers and a smaller number of 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 debt management policy and procedure for the collection of overdue receivables.

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 7.

Credit quality of contractual financial assets that are neither past due nor impaired	Financial institutions (triple-A credit rating)	Government agencies (triple-A credit rating)	Government agencies (triple-B credit rating)	Other (min triple-B credit rating)	TOTAL
<b>2016</b>					
Cash and deposits	121	4,376	-	-	4,497
Receivables	-	-	-	-	-
Investments and other financial assets	-	-	-	-	-
Total contractual financial assets	121	4,376	-	-	4,497
<b>2015</b>					
Cash and deposits	226	4,437	-	-	4,663
Receivables	-	-	-	-	-
Investments and other financial assets	-	-	-	-	-
Total contractual financial assets	226	4,437	-	-	4,663

#### iii. Liquidity Risk

Liquidity Risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. The Corporation's financial liability maturities have been disclosed in Note 26.1.

#### (b) Fair Value Estimation

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

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial assets. The carrying amounts and aggregate net fair values of financial assets and financial liabilities at balance date have been provided in Note 26.2.

**NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and/or assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Refer to note 1a for a list of the most significant accounting estimates used in preparing the financial report.

**NOTE 4. COMPREHENSIVE OPERATING STATEMENT – DISCLOSURES**

	Note	2016 \$'000	2015 \$'000
<b>(a) Significant Revenues</b>			
<b>Service Charges</b>			
Water service charges		6,058	6,057
Sewerage charges		8,412	8,097
Trade waste charges		2,665	2,477
		<u>17,135</u>	<u>16,631</u>
<b>Developer contributions</b>			
Fees paid by developers		359	749
Assets received from developers		246	1,561
		<u>605</u>	<u>2,310</u>
<b>Other Income</b>			
Schemes Income		1,453	1,277
Other Income		1,078	869
		<u>2,531</u>	<u>2,146</u>
<b>(b) Net gains and expenses</b>			
The surplus/(deficit) from operating activities includes the following specific net gains and expenses:			
Proceeds from disposal of land & plant and equipment		1,258	539
Written down amount of land & plant and equipment		(1,356)	(309)
Net Gain on disposal		<u>(98)</u>	<u>230</u>
<b>(c) Significant Expenses</b>			
<b>Depreciation:</b>	10		
Buildings		96	80
Water infrastructure		4,037	4,382
Wastewater infrastructure		3,643	3,745
Plant, equipment and motor vehicles		1,100	794
Total depreciation		<u>8,876</u>	<u>9,001</u>
<b>Amortisation</b>			
Intangible assets	11	436	278
Total amortisation		<u>436</u>	<u>278</u>
Asset write-offs (included in supplies and services)		11	19
<b>Employee Benefits</b>			
Salaries and wages		6,704	6,124
Annual leave		653	564
Long service leave		272	310
Superannuation contributions		616	589
Other		539	528
Total employee benefit costs		<u>8,784</u>	<u>8,115</u>
Borrowing costs		2,873	2,561
Bad and doubtful debts		42	58
Rental expense - operating lease		3	7
<b>Auditors' remuneration</b>			
Victorian Auditor Generals Office for audit of financial statements		39	33
Internal audit (RSM Bird Cameron - to 31 January 2015)		-	20
Internal audit (DMG Financial - from 1 February 2015)		45	21
		<u>84</u>	<u>74</u>

**NOTE 5. INCOME TAX**

	2016 \$'000	2015 \$'000
Income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:		
<b>(a) Income tax expense</b>		
Current tax payable	-	-
Deferred tax relating to temporary differences	(875)	164
	(875)	164
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) in deferred tax assets	(1,882)	(2,336)
Increase in deferred tax liabilities	24,293	2,558
	22,411	222
<b>(b) Reconciliation of income tax to prima facie tax payable</b>		
Result before income tax expense	(1,773)	600
Tax at Australian tax rate of 30% (2014 30%)	(532)	180
Tax effect amounts which are not deductible (taxable in calculating taxable income):		
- Sundry items	(343)	(16)
Income tax as reported in the Comprehensive Operating Statement	(875)	164
<b>(c) Tax (expense) in Other Comprehensive Income</b>		
Impact of revaluation of land, buildings and infrastructure	(23,286)	(58)
Deferred tax relating to permanent differences	(23,286)	(58)

**NOTE 6. CASH AND CASH EQUIVALENTS**

Cash at bank	121	226
Deposits at call	4,376	4,437
	4,497	4,663
<b>(a) Reconciliation to cash at the end of year</b>		
The above figure is reconciled to cash at the end of the financial year as shown in the Cash Flow Statement, as follows:		
Balance as above	4,497	4,663
Balance as per Cash Flow Statement	4,497	4,663
<b>(b) Deposits at call</b>		
The deposits are bearing floating interest rates between 0.10% and 1.70% (0.10% to 2.45% in 2014/15) All Deposits are held with Treasury Corporation Victoria.		
	4,497	4,663

**NOTE 7. RECEIVABLES**

Current		
<i>Contractual</i>		
Trade receivables	1,289	1,300
Provision for impaired receivables	(45)	(53)
Schemes receivables	460	171
<i>Statutory</i>		
GST Receivable	592	769
	2,296	2,187
Non Current		
<i>Contractual</i>		
Schemes receivables	523	596
<b>Total receivables</b>	<b>2,819</b>	<b>2,783</b>

**(a) Provision for impaired receivables**

As at the 30 June 2016, current receivables of the Corporation with a nominal value of \$136,512 (2015 \$148,625) were impaired. The amount of the provision was \$45,000 (2015 \$52,683). For 2016 the individual impaired receivables mainly relate to tenants, whom are in difficult economic situations. It was assessed that a portion of these impaired receivables are expected to be recovered.

The ageing of the provision is as follows:

3 to 6 months	-	-
Over 6 months	45	53
Total	45	53

	2016 \$'000	2015 \$'000
Movements in the provision for impaired receivable are as follows:		
At 1 July	53	45
Provision for impairment recognised during the year	34	66
Receivable written off during the year as uncollectable	(42)	(58)
Unused amount reversed		
At 30 June	45	53

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

#### (b) Past due but not impaired trade receivables

As at the 30 June 2015, trade receivables of \$176,000 (2014 \$194,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these receivables is as follows:

3 to 6 months	17	22
Over 6 months	159	177
Total	176	199

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.

#### (c) Fair Value and Credit Risk

Due to the short term nature of the current receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables mentioned above. The Corporation does not hold any collateral as security. Refer to Note 2 for more information on the risk management policy of the Corporation.

### NOTE 8. INVENTORIES

Current		
Stores and consumables – at cost	499	418
<b>Total current inventories</b>	<b>499</b>	<b>418</b>

### NOTE 9. OTHER FINANCIAL ASSETS

Current		
Accrued revenue	2,285	1,730
<b>Total current other financial assets</b>	<b>2,285</b>	<b>1,730</b>

### NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

#### (a) i) Classification by 'purpose groups' – carrying amounts

\$ '000	2016 \$ '000	2015 \$ '000
<i>Nature based classification</i>		
Land at fair value	11,909	10,274
Buildings at fair value	1,307	1,882
Plant, Equipment & Vehicles at fair value	2,975	3,324
Infrastructure – Water Distribution at fair value	110,865	61,570
Infrastructure – Water Harvesting & Major Transfer at fair value	70,624	59,921
Infrastructure – Water Quality at fair value	30,616	31,667
Infrastructure – Sewer Collection at fair value	99,444	71,087
Infrastructure – Sewer Treatment & Disposal at fair value	55,535	54,926
Capital Works in Progress at fair value	5,164	15,844
<b>Net carrying amount of Infrastructure, property, Plant and Equipment</b>	<b>388,439</b>	<b>310,495</b>

## (a) ii) Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2016 \$ '000	2015 \$ '000	2016 \$ '000	2015 \$ '000	2016 \$ '000	2015 \$ '000
<i>Nature based classification</i>						
Land at fair value	11,909	10,274	-	-	11,909	10,274
Buildings at fair value	1,308	1,882	(1)	-	1,307	1,882
Plant, Equipment & Vehicles at fair value	5,444	8,833	(2,470)	(5,509)	2,975	3,324
Infrastructure - Water Distribution at fair value	110,869	69,014	(4)	(7,444)	110,865	61,570
Infrastructure - Water Harvesting & Major Transfer at fair value	70,627	62,674	(3)	(2,753)	70,624	59,921
Infrastructure - Water Quality at fair value	30,618	39,168	(2)	(7,501)	30,616	31,667
Infrastructure - Sewer Collection at fair value	99,606	77,773	(162)	(6,686)	99,444	71,087
Infrastructure - Sewer Treatment & Disposal at fair value	55,540	62,334	(5)	(7,408)	55,535	54,926
Capital Works in Progress at fair value	5,164	15,844	-	-	5,164	15,844
	<b>391,085</b>	<b>347,796</b>	<b>(2,647)</b>	<b>(37,301)</b>	<b>388,439</b>	<b>310,495</b>

The asset classes of land and buildings were valued at 30 June 2016 by Egan Nations Valuers (Vic) in accordance with the *Financial Management Act 1994* in conformity with Australian Accounting Standards, Victorian Government Policies and valuation guidelines. The valuation was performed on a fair value basis using market evidence, adjusted for the community service obligation (CSO) to reflect the specialised nature of the land and buildings being valued. Where this approach was not suitable, using the depreciated replacement cost method for buildings.

Infrastructure assets were independently valued at 30 June 2016 by the Valuer General of Victoria, using Jones Jang Lasselle valuers. The valuation methodology used was depreciated replacement costs using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2015. Cost models were built based on actual construction information complemented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

Also refer to Note 1(i) in relation to valuation of the above non-current assets.

## (b) (i) Movements during the reporting period

	Land at fair value	Buildings at fair value	Water distribution at fair value	Water harvesting & major transfer at fair value	Water Quality at fair value	Sewer Collection at fair value	Sewer treatment & disposal at fair value	Plant, equipment and other at fair value	Capital works in progress at fair value	Total
<b>2015 / 2016</b>										
Opening WDV at 1 July	10,274	1,882	61,570	59,921	31,667	71,087	54,926	3,324	15,844	310,495
Fair value of assets received free of charge or for nominal considerations*	-	-	65	-	-	182	-	-	-	247
Additions	-	-	-	-	-	102	-	-	10,312	10,414
Disposals	(1,257)	-	-	-	-	-	-	(201)	-	(1,458)
Transfers between Asset Classes	-	33	1,793	367	250	17,418	279	951	(20,992)	-
Revaluation	2,892	(511)	49,328	11,007	173	12,748	1,982	-	-	77,619
Impairment of assets	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(96)	(1,891)	(671)	(1,475)	(1,991)	(1,652)	(1,100)	-	(8,876)
Closing balance at 30 June	<b>11,909</b>	<b>1,307</b>	<b>110,865</b>	<b>70,624</b>	<b>30,616</b>	<b>99,444</b>	<b>55,535</b>	<b>2,974</b>	<b>5,164</b>	<b>388,439</b>

\* Developer contributions are recorded above as fair value of assets received free of charge or for nominal considerations.

	Land at fair value	Buildings at fair value	Water distribution at fair value	Water harvesting & major transfer at fair value	Water Quality at fair value	Sewer Collection at fair value	Sewer treatment & disposal at fair value	Plant, equipment and other at fair value	Capital works in progress at fair value	Total
<b>2014 / 2015</b>										
Opening WDV at 1 July	10,258	1,608	61,925	60,245	32,747	67,832	52,479	2,705	12,216	302,015
Fair value of assets received free of charge or for nominal considerations*	-	-	425	-	-	1,137	-	-	-	1,562
Additions	16	162	-	-	-	-	-	1,647	15,773	17,598
Disposals	-	-	-	-	-	(75)	-	(234)	-	(309)
Transfers between Asset Classes	-	-	1,299	387	519	4,053	4,325	-	(12,145)	-
Revaluation	-	191	-	-	-	-	-	-	-	191
Impairment of assets	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(80)	(2,079)	(711)	(1,599)	(1,860)	(1,878)	(794)	-	(9,001)
Closing balance at 30 June	<b>10,274</b>	<b>1,882</b>	<b>61,570</b>	<b>59,921</b>	<b>31,667</b>	<b>71,087</b>	<b>54,926</b>	<b>3,324</b>	<b>15,844</b>	<b>310,495</b>

\* Developer contributions are recorded above as fair value of assets received free of charge or for nominal considerations.



**(b) (ii) Aggregate depreciation recognised as an expense during the year**

	2016	2015
Land at fair value	-	-
Buildings at fair value	96	80
Plant, Equipment & Vehicles at fair value	1,100	794
Infrastructure - Water Distribution at fair value	1,891	2,079
Infrastructure - Water Harvesting & Major Transfer at fair value	671	711
Infrastructure - Water Quality at fair value	1,475	1,599
Infrastructure - Sewer Collection at fair value	1,991	1,860
Infrastructure - Sewer Treatment & Disposal at fair value	1,652	1,878
Capital Works in Progress at fair value	-	-
	<b>8,876</b>	<b>9,001</b>

Refer Note 1 for the accounting policy relating to disclosure of the fair value measurement hierarchy. The Corporation has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period. The fair value measurement hierarchy for assets as at 30 June 2016 is presented below. Please note this does not reconcile to the tables presented above as this only includes those assets measured at fair value.

**Fair value measurement hierarchy for assets as at 30 June 2016**

\$'000	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
<b>Land at fair value</b>				
Non-specialised land	1,323	-	1,323	-
Specialised land	10,586	-	-	10,586
<b>Total of land at fair value</b>	<b>11,909</b>	<b>-</b>	<b>1,323</b>	<b>10,586</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	-	-	-	-
Specialised buildings	1,307	-	-	1,307
<b>Total of buildings at fair value</b>	<b>1,307</b>	<b>-</b>	<b>-</b>	<b>1,307</b>
<b>Infrastructure at fair value</b>				
Infrastructure - water distribution	110,865	-	-	110,865
Infrastructure - water harvesting and major transfers	70,624	-	-	70,624
Infrastructure - water quality	30,616	-	-	30,616
Infrastructure - sewer collection	99,444	-	-	99,444
Infrastructure - sewer treatment and major disposal	55,535	-	-	55,535
<b>Total infrastructure at fair value</b>	<b>367,084</b>	<b>-</b>	<b>-</b>	<b>367,084</b>
<b>Plant and equipment at fair value</b>				
Plant and equipment	2,975	-	-	2,975
<b>Total plant and equipment at fair value</b>	<b>2,975</b>	<b>-</b>	<b>-</b>	<b>2,975</b>
<b>Total</b>	<b>383,275</b>	<b>-</b>	<b>1,323</b>	<b>381,952</b>

**Fair value measurement hierarchy for assets as at 30 June 2015**

\$'000	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
<b>Land at fair value</b>				
Non-specialised land	3,564	-	3,564	-
Specialised land	6,710	-	-	6,710
<b>Total of land at fair value</b>	<b>10,274</b>	<b>-</b>	<b>3,564</b>	<b>6,710</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	1,164	-	1,164	-
Specialised buildings	718	-	-	718
<b>Total of buildings at fair value</b>	<b>1,882</b>	<b>-</b>	<b>1,164</b>	<b>718</b>
<b>Infrastructure at fair value</b>				
Infrastructure - water distribution	61,870	-	-	61,870
Infrastructure - water harvesting and major transfers	59,921	-	-	59,921
Infrastructure - water quality	31,667	-	-	31,667
Infrastructure - sewer collection	70,787	-	-	70,787
Infrastructure - sewer treatment and major disposal	54,926	-	-	54,926
<b>Total infrastructure at fair value</b>	<b>279,171</b>	<b>-</b>	<b>-</b>	<b>279,171</b>
<b>Plant and equipment at fair value</b>				
Plant and equipment	3,324	-	-	3,324
<b>Total plant and equipment at fair value</b>	<b>3,324</b>	<b>-</b>	<b>-</b>	<b>3,324</b>
<b>Total</b>	<b>294,651</b>	<b>-</b>	<b>4,728</b>	<b>289,923</b>

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

**NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONT'D)*****Non specialised land and buildings***

For non specialised land and buildings, an independent valuation was performed by independent valuers Egan Nations Valuers (Vic) to determine the fair value using the market value approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2016

To the extent that non specialised land and buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach. Refer to note 1(i) for fair value assessment.

***Specialised land and buildings***

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

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

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

An independent valuation of the Corporations' specialised land and specialised buildings was performed by the Valuer General Victoria. The effective date of the valuation is 30 June 2016. Refer note 1(i) for fair value assessment.

***Water and wastewater infrastructure***

Water and wastewater infrastructure are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying

depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

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

An independent valuation of the Corporations water and wastewater infrastructure was performed by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016. Refer note 1(i) for fair value assessment.

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

***Vehicles***

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

***Plant and equipment***

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, and office equipment is classified as a Level 3 fair value measurement.

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

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

***Reconciliation of Level 3 fair value***

2016	Specialised land	Specialised buildings	Water Distribution	Water Harvestings	Water Quality	Sewer Collection	Sewer Treatment	Plant, Equipment & Vehicles
<b>Opening balance</b>	<b>6,710</b>	<b>718</b>	<b>61,570</b>	<b>59,921</b>	<b>31,667</b>	<b>71,087</b>	<b>54,926</b>	<b>3,324</b>
Purchases (sales)	-	33	1,858	367	250	17,418	279	951
Transfers in (out) of Level 3	-	-	-	-	-	-	-	-
Gains or losses recognised in net result	(1,257)	-	-	-	-	-	-	(201)
Depreciation	-	(96)	(1,891)	(671)	(1,475)	(1,991)	(1,652)	(1,100)
Impairment loss	-	-	-	-	-	-	-	-
<b>Subtotal</b>								
Revaluation	2,892	(511)	49,328	11,007	173	12,748	1,982	-
<b>Subtotal</b>								
<b>Closing balance</b>	<b>8,345</b>	<b>69</b>	<b>110,865</b>	<b>70,624</b>	<b>30,615</b>	<b>99,260</b>	<b>55,535</b>	<b>2,974</b>
Unrealised gains/ (losses) on nonfinancial assets	-	-	-	-	-	-	-	-

2015	Specialised land	Specialised buildings	Water Distribution	Water Harvestings	Water Quality	Sewer Collection	Sewer Treatment	Plant, Equipment & Vehicles
<b>Opening balance</b>	<b>6,710</b>	<b>589</b>	<b>61,925</b>	<b>60,245</b>	<b>32,747</b>	<b>67,832</b>	<b>52,479</b>	<b>2,705</b>
Purchases (sales)	-	84	1,724	387	519	5,190	4,325	1,645
Transfers in (out) of Level 3	-	-	-	-	-	-	-	-
Gains or losses recognised in net result	-	-	-	-	-	(75)	-	(233)
Depreciation	-	(26)	(2,079)	(711)	(1,599)	(1,860)	(1,878)	(793)
Impairment loss	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>6,710</b>	<b>643</b>	<b>61,570</b>	<b>59,921</b>	<b>31,667</b>	<b>71,087</b>	<b>54,926</b>	<b>3,324</b>
Revaluation	-	75	-	-	-	-	-	75
<b>Subtotal</b>								
<b>Closing balance</b>	<b>6,710</b>	<b>718</b>	<b>61,570</b>	<b>59,921</b>	<b>31,667</b>	<b>71,087</b>	<b>54,926</b>	<b>3,399</b>
Unrealised gains/ (losses) on nonfinancial assets	-	-	-	-	-	-	-	-

*Description of significant unobservable inputs to Level 3 valuations*

Asset Class	Fair Value at 30 June 2016	Valuation technique <sup>(i)</sup>	Significant unobservable inputs <sup>(ii)</sup>	Range (weighted average cost per unit) <sup>(iii)</sup>	Sensitivity of fair value measurement to changes in significant unobservable inputs
Land and Buildings					
Specialised land		Market approach	Community Service Obligation (CSO) adjustment VGV provided to Egan Nations Valuers (Vic)	\$1,000 - \$1,427,000 (\$81,014) CSO 10% – 30%	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value
Specialised buildings		Depreciated replacement cost	Cost per unit	\$1,000–\$454,000 per unit (\$63,750)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			Useful life of specialised buildings	9 – 50 years (21 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant, Equipment and Vehicles					
Plant and equipment	\$1,188,615	Depreciated replacement cost	Cost per unit	\$20 –\$118,000 per unit (\$3,449 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			Useful life of plant and equipment	3 – 30 years (10 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	\$1,605,385	Depreciated replacement cost	Cost per unit	\$260–\$56 000 per unit (\$19 000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			Useful life of vehicles	4 – 10years (8 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water Infrastructure					
Storage	\$42,970,810	Depreciated replacement cost	Cost per unit	\$9,600 –\$13,788,440 per unit (\$3,069,344 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			No. of facilities	14 Reservoirs	
			Useful life of the infrastructure	10 to 350 years (70 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Treatment Plants	\$33,521,650	Depreciated replacement cost	Cost per unit	\$1,170,820 –\$8,069,230 per unit (\$3,352,165 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			No. of facilities	10 Water Treatment Plants	
			Useful life of the infrastructure	10 to 350 years (24 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Mains & Reticulation	\$102,232,520	Depreciated replacement cost	Cost per metre	\$10 – \$1,325 per metre (\$132 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value
			Useful life of the infrastructure	40 to 110 years (72 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Pump Stations	\$1,421,810	Depreciated replacement cost	Cost per unit	\$2,560 – \$298,330 per unit (\$78,989 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			No. of facilities	18 Water Pump Stations	
			Useful life of the infrastructure	18 to 75 years (26 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Waste Water Infrastructure					
Treatment Plants	\$38,935,195	Depreciated replacement cost	Cost per unit	\$1,297,100 - \$6,415,590 per unit (\$3,539,563 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair
			No. of Facilities	11 Waste Water Treatment Plants	
			Useful life of the infrastructure	5 to 350 years (34 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Mains & Reticulation	\$75,554,259	Depreciated replacement cost	Cost per metre	\$6 – \$893 per metre (\$128 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value
			Useful life of the infrastructure	50 to 100 years (74 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Pump Stations	\$7,826,690	Depreciated replacement cost	Cost per unit	\$2,400 –\$897,150 per unit (\$52,883 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			No. of Facilities	148 Sewer Pump Stations	
			Useful life of the infrastructure	10 to 75 years (28 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

The significant unobservable inputs have changed from 30 June 2015 due to revaluation.

## NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Asset Class	DRC at 30 June 2015	Valuation technique <sup>(i)</sup>	Significant unobservable inputs <sup>(i)</sup>	Range (weighted average cost per unit) <sup>(i)</sup>	Sensitivity of fair value measurement to changes in significant unobservable inputs
Land and Buildings					
Specialised land	\$10,274,000	Market approach	Community Service Obligation (CSO) adjustment VGV provided to Egan Nations Valuers (Vic)	\$900 –\$1,470,000 (\$101,000) CSO 30%	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value
Specialised buildings	\$1,882,000	Depreciated replacement cost	Cost per unit	\$900–\$241,000 per unit (\$27,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			Useful life of specialised buildings	4–50 years (21 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant, Equipment and Vehicles					
Plant and equipment	\$1,588,862	Depreciated replacement cost	Cost per unit	\$50 –\$90,000 per unit (\$6,500 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			Useful life of plant and equipment	5–25 years (9 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	\$1,735,596	Depreciated replacement cost	Cost per unit	\$4 000–\$54 000 per unit (\$19 000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			Useful life of vehicles	2–10 years (3 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water Infrastructure					
Storage	\$33,390,000	Depreciated replacement cost	Cost per unit	\$103,000 –\$15,000,000 per unit (\$2,385,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			No. of facilities	14 Reservoirs	
			Useful life of the infrastructure	15 to 350 years (51 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Treatment Plants	\$18,000,000	Depreciated replacement cost	Cost per unit	\$680,000 –\$5,600,000 per unit (\$1,800,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			No. of facilities	10 Water Treatment Plants	
			Useful life of the infrastructure	10 to 120 years (33 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Mains & Reticulation	\$65,775,558	Depreciated replacement cost	Cost per metre	\$10 – \$4,900 per metre (\$105 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value
			Useful life of the infrastructure	40 to 110 years (72 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Pump Stations	\$1,106,000	Depreciated replacement cost	Cost per unit	\$1,500 –\$60,000 per unit (\$79,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			No. of facilities	14 Water Pump Stations	
			Useful life of the infrastructure	15 to 70 years (54 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Waste Water Infrastructure					
Treatment Plants	\$24,255,000	Depreciated replacement cost	Cost per unit	\$245,000 - \$6,900,000 per unit (\$2,205,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair
			No. of Facilities	11 Waste Water Treatment Plants	
			Useful life of the infrastructure	10 to 150 years (33 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Mains & Reticulation	\$67,576,881	Depreciated replacement cost	Cost per metre	\$10 – \$7,100 per metre (\$125 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value
			Useful life of the infrastructure	50 to 140 years (88 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Pump Stations	\$7,250,000	Depreciated replacement cost	Cost per unit	\$1,500–\$1,100,000 per unit (\$50,000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
			No. of Facilities	145 Sewer Pump Stations	
			Useful life of the infrastructure	15 to 80 years (42 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

The significant unobservable inputs have changed from 30 June 2015 due to revaluation.

**NOTE 11. INTANGIBLE ASSETS**

	Software Costs	Access Rights	Water Entitlements	Total
Movements during the period	\$'000	\$'000	\$'000	\$'000
At 1 July 2015, net of accumulated amortisation	389	3,115	563	4,067
Additions	91	-	-	91
Impairment	-	-	-	-
Amortisation	(292)	(145)	-	(437)
<b>At 30 June 2016, net of accumulated amortisation</b>	<b>188</b>	<b>2,970</b>	<b>563</b>	<b>3,721</b>
At 1 July 2014, net of accumulated amortisation	330	-	563	893
Additions	251	3,200	-	3,451
Impairment	-	-	-	-
Amortisation	(192)	(85)	-	(278)
<b>At 30 June 2015, net of accumulated amortisation</b>	<b>389</b>	<b>3,115</b>	<b>563</b>	<b>4,067</b>

**NOTE 12. PAYABLES**

	2016 \$'000	2015 \$'000
<b>Current</b>		
<i>Contractual</i>		
Trade creditors	1,634	1,436
Accrued expenses	2,640	2,405
Contractor deposits/retentions	164	360
<i>Statutory</i>		
GST Payable	6	3
FBT Payable	29	33
<b>Total current payables</b>	<b>4,473</b>	<b>4,237</b>

For an analysis of the sensitivity of payables to foreign currency and interest rate risk, refer to Note 2.

**NOTE 13. INTEREST BEARING LIABILITIES**

<b>Current</b>		
Secured		
Loans - Treasury Corporation of Victoria (TCV)	1,899	2,899
<b>Total current interest bearing liabilities</b>	<b>1,899</b>	<b>2,899</b>
<b>Non-Current</b>		
Secured		
Loans - Treasury Corporation of Victoria (TCV)	54,400	51,400
<b>Total non-current interest bearing liabilities</b>	<b>54,400</b>	<b>51,400</b>
<b>Total interest bearing liabilities</b>	<b>56,299</b>	<b>54,299</b>
<b>Assets pledged as security</b>	Nil	Nil
The borrowings are secured by a guarantee signed by the Treasurer of Victoria in favour of TCV as lender in respect to financial accommodation obtained by the Corporation under Section 8 of the <i>Borrowings &amp; Investment Powers Act 1987</i> .		
<b>Loan facilities - TCV</b>		
Total facilities	56,299	54,299
Used at balance date	56,299	54,299
Unused at balance date	-	-

For the year ending 30 June 2016 the Corporation had approved financial accommodation of \$56.3 million and utilised \$56.3 million. Any unused portion does not carry forward. The Corporation applies for and receives approval of borrowings on an annual basis, as required.

**Fair Value:**

Non traded financial liabilities comprise borrowings with the Treasury Corporation of Victoria (TCV). The fair value of these borrowings was \$61.0 (2015: \$57.4M). The fair value of borrowings are based on cash flows discounted using borrowing rates varying from 1.92% to 6.71% (2015: 1.95% to 6.71%).

**Foreign exchange risk:**

The borrowings are in Australian dollars. There are no foreign currency denominated amounts or foreign currency exposures.

**Interest rate risk:**

Exposures arise, predominately from liabilities bearing variable interest rates as the Corporation intend to hold fixed borrowings to maturity.

TCV borrowings - fixed	54,400	51,400
TCV borrowings - variable	1,899	2,899
	<b>56,299</b>	<b>54,299</b>



## NOTE 14. EMPLOYEE BENEFITS

	2016 \$'000	2015 \$'000
<b>Current</b>		
All rostered days off, annual leave and unconditional long service leave entitlements representing 7+ years of continuous service:		
Rostered days off	63	66
Annual Leave		
Unconditional and expected to settle within 12 months	789	700
Unconditional and expected to settle after 12 months	23	68
Long Service Leave		
Unconditional and expected to settle within 12 months	149	149
Unconditional and expected to settle after 12 months	1,263	1,229
<b>Total Current</b>	<b>2,287</b>	<b>2,212</b>
<b>Non-current</b>		
Conditional long service leave measured at present value	289	273
<b>Total Non-Current</b>	<b>289</b>	<b>273</b>
<b>Total employee benefits</b>	<b>2,576</b>	<b>2,485</b>
<i>The following assumptions were adopted in measuring the present value of long service leave entitlements:</i>		
Weighted average increase in employee costs	4.125%	4.438%
Weighted average discount rates	1.990%	3.028%
Weighted average settlement period	12 yrs	12 yrs

## NOTE 15. DEFERRED TAXES

### Deferred tax assets

The balance comprises temporary differences attributable to:

#### Amounts recognised in Comprehensive Operating Statement

Doubtful debts	13	16
Employee Benefits	773	644
Accrued expenses	234	10
Tax losses	20,240	18,708
<b>Total deferred tax assets</b>	<b>21,260</b>	<b>19,378</b>

### Movements

Opening balance at 1 July	19,378	17,042
Credited / (debited) to other comprehensive income	1,882	2,336
Closing balance at 30 June	<b>21,260</b>	<b>19,378</b>
Deferred tax asset to be recovered after more than 12 months	21,260	19,378

### Deferred tax liabilities

The balance comprises temporary differences attributable to:

#### Amounts recognised in Comprehensive Operating Statement

Depreciation	26,152	25,144
--------------	--------	--------

#### Amounts recognised directly in equity

Revaluation of buildings	60,643	37,358
<b>Total deferred tax liabilities</b>	<b>86,795</b>	<b>62,502</b>

### Movements

Opening balance at 1 July	62,502	59,944
Credited / (debited) to other comprehensive income	24,293	2,558
<b>Closing balance at 30 June</b>	<b>86,795</b>	<b>62,502</b>
Deferred tax liability to be recovered after more than 12 months	86,795	62,502

## NOTE 16. SUPERANNUATION

South Gippsland Water makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions are recognised as an expense in the Statement of Comprehensive Income when they are made or due.

### *Accumulation*

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% required under Superannuation Guarantee legislation (for 2014/15, this was 9.5%).

### *Defined Benefit*

South Gippsland Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

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 South Gippsland Water in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

### *Funding arrangements*

South Gippsland Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the Vested Benefit Indexed (VBI) of the defined benefit category of which South Gippsland Water is a contributing employer was 103.4%. To determine the VBI, the fund Actuary used the following long term assumptions:

Net investment returns	7.50% pa
Salary information	4.25% pa
Price inflation (CPI)	2.75% pa

Vision Super has advised that the VBI at 30 June 2016 was 105.8%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangement from prior years.

## **Employer Contributions**

### *Regular Contributions*

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, South Gippsland Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee, on the advice of the Fund's Actuary. For the year ended 30 June 2016, this rate was 9.5% of members' salaries, and will increase in line with the required Superannuation Guarantee contribution rate.

In addition, South Gippsland Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

### *Funding Calls*

If the defined benefit category is in an unsatisfactory financial position at actuarial investigation or the defined benefit category's VBI is below the shortfall limit at any time other than the date of the actuarial investigation, the defined benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including South Gippsland Water) 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.

### *Latest actuarial investigation surplus amounts*

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which South Gippsland Water is a contributing employer:

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 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 2014.

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.

South Gippsland Water was notified of the results of the actuarial investigation during January 2015.

**NOTE 16. SUPERANNUATION (CONT'D)***Superannuation Contributions*

Contributions by South Gippsland Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2016 are detailed below:

Scheme	Type of Scheme	Rate	2016 \$'000	2015 \$'000
Vision Super	Defined Benefits	9.5%	38	43
Vision Super	Accumulation Plan	9.5%	410	375
Various Employee Choice Funds	Accumulation Plan	9.5%	168	171

In addition to the above contributions, South Gippsland Water has paid unfunded liability payments to Vision Super totalling \$0 during 2015/16 (\$0 2014/15).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2016 (\$0 2014/15).

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2017 is \$39,000. (2016 \$34,000)

**NOTE 17. CONTRIBUTED CAPITAL**

	2016 \$'000	2015 \$'000
Opening balance at 1 July	65,333	65,333
Capital transactions with the State in its capacity as owner arising from:		
Capital contributions	-	-
Closing balance at 30 June	65,333	65,333

**NOTE 18. RESERVES**

## Composition of reserves

## Asset revaluation reserve surplus

Land	5,346	3,323
Buildings	419	775
Infrastructure	135,735	83,069
Total Reserves	141,500	87,167

## Movement in reserves

Asset Revaluation reserve		
Opening balance at 1 July	87,167	87,034
Revaluation increment on non-current assets:		
Land	2,023	-
Buildings (net of tax)	(356)	133
Infrastructure	52,666	-
Closing balance at 30 June	141,500	87,167

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

**NOTE 19. ACCUMULATED FUNDS**

Opening balance at 1 July	67,766	67,330
Net surplus/(deficit)	(898)	436
Closing balance at 30 June	66,868	67,766

## NOTE 20. RECONCILIATION OF NET RESULTS FOR THE PERIOD AFTER RELATED INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2016 \$'000	2015 \$'000
<b>Net result for the period after income tax</b>	(898)	436
<b>Add/(less) non-cash flows in Net Result</b>		
Income Tax	(875)	164
(Profit)/Loss on disposal of non-current assets	98	(230)
Depreciation and amortisation	9,312	9,276
Provision for impaired receivables	(8)	35
Developer contributions	(246)	(1,561)
<b>Changes in Assets and Liabilities</b>		
Decrease/(Increase) in trade receivables	(28)	(1,517)
(Increase)/Decrease in inventories	(81)	38
(Increase)/Decrease in prepayments	(69)	(124)
(Increase)/Decrease in other assets	(555)	115
(Decrease)/Increase in payables	(71)	(990)
(Decrease)/Increase in employee benefits liabilities	91	140
(Decrease)/Increase in accrued expenses	(1,625)	516
<b>Net cash inflows from Operating Activities</b>	<u>5,045</u>	<u>6,298</u>
<b>Non cash activities</b>		
Income for Capital Purposes – Gifted development assets	246	1,561

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

## NOTE 21. RESPONSIBLE PERSONS AND EXECUTIVE OFFICER DISCLOSURES

### (a) Responsible persons

The name of persons who were responsible persons at anytime during the financial year were:

The Hon. Lisa Neville MLA, Minister for Environment, Climate Change and Water – 1 July 2015 to 30 June 2016

The names of Board Members of South Gippsland Water for the Year to 30 June 2016 were:

Name	Position	Dates
Joan Liley	Chair	1 July 2015 to 30 September 2016
David Schultz	Director	1 July 2015 to 30 September 2016
	Chair	1 October 2015 to 30 June 2016
Jim Fawcett	Deputy Chair	1 July 2015 to 30 September 2015
	Director	1 October 2015 to 30 June 2016
Anna Kilborn	Director	1 July 2015 to 30 September 2015
	Deputy Chair	1 October 2015 to 30 June 2016
Chris Badger	Director	1 July 2015 to 30 June 2016
Irene Irvine	Director	1 July 2015 to 30 June 2016
Steve Rieniets	Director	1 July 2015 to 30 September 2015
Michelle Blackburn	Director	1 October 2015 to 30 June 2016
Kate Young	Director	1 October 2015 to 30 June 2016
Geoff Lake	Director	1 October 2015 to 30 June 2016

The Accountable Officer of South Gippsland Water for the year to 30 June 2016 was:  
Philippe du Plessis  
1 July 2015 to 30 June 2016

## Remuneration of responsible persons

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

Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid):

	2016	2015
	\$'000	\$'000
	475	445

Remuneration received, or due and receivable from the Corporation in connection with the management of any related party entity is nil (2015 nil).

The number of responsible persons whose remuneration from the Corporation was within the specified bands were as follows:

Income band (\$)	2016 No.	2015 No.
0 - 9,999	1	-
10,000 - 19,999	4	-
20,000 - 29,999	4	6
40,000 - 49,999	1	1
260,000 - 269,999	-	1
270,000 - 279,999	1	-
<b>Total Numbers</b>	<b>11</b>	<b>8</b>

## Retirement benefits of responsible persons

The retirement benefits paid by the Corporation in connection with the retirement of responsible persons of the Corporation amounted to:

	2016	2015
	\$'000	\$'000
	37	35

## Other related party transactions

There were no loans in existence by the Corporation to responsible persons or related parties at the date of this report. (Nil 2014/15)

There were no other transactions between the Corporation and responsible persons and their related parties during the financial year. (Nil 2014/15)

There were no contractors with significant management responsibility during the financial year.

## (b) Executive officers' remuneration

The number of executive officers, other than ministers and managing directors, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Income band \$	Total Remuneration		Base Remuneration	
	2016	2015	2016	2015
120,000 - 129,999	-	-	1	-
140,000 - 149,999	1	-	-	-
180,000 - 189,999	-	-	-	3
190,000 - 199,999	-	3	2	-
200,000 - 209,999	2	-	-	-
<b>Total Amount</b>	<b>\$551,000</b>	<b>\$587,000</b>	<b>\$514,000</b>	<b>\$556,000</b>
<b>Total Numbers</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Total annualised employee equivalent (AEE) (a)</b>	<b>2.7</b>	<b>3.0</b>	<b>2.7</b>	<b>3.0</b>

Note: (a) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.



**NOTE 22. DIVIDENDS**

The process to determine the 2015/16 dividend has not yet been completed at the reporting date.  
The Board's preliminary dividend estimate for this period is \$0 (\$0 2014/15)

**NOTE 23. COMMITMENTS**

	2016 \$'000	2015 \$'000
The following commitments are inclusive of GST.		
<b>(a) Finance lease commitments</b>		
At 30 June 2016 the Corporation had no finance lease commitments. (\$0 2014/15)		
<b>(b) Capital commitments</b>		
At 30 June 2016, the Corporation had the following significant capital commitments:		
Poowong/Loch/Nyora sewerage scheme – completion		
Sewer system upgrades – Wonthaggi		
Sewer system upgrades – Inverloch		
Water system upgrades – Leongatha		
Outstanding capital commitments are to be paid as follows:		
within one year	2,705	6,934
one to five years	-	-
	<u>2,705</u>	<u>6,934</u>
<b>(c) Operating lease commitments</b>		
At 30 June 2016, the Corporation had the following operating lease commitments:		
Photocopier		
Office Accommodation		
Storage site rental		
Outstanding lease commitments are to be paid as follows:		
within one year	11	11
one to five years	7	13
	<u>18</u>	<u>24</u>
<b>(d) Environmental Contribution commitments</b>		
At 30 June 2016, the Corporation had outstanding environmental contribution commitments to be paid as follows:		
within one year	1,101	1,101
one to five years	3,561	-
	<u>4,662</u>	<u>1,101</u>

**NOTE 24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

At 30 June 2016 South Gippsland Water was not aware of any Contingent Assets or Contingent Liabilities relating to the Corporation.  
(Nil 2014/15)

**NOTE 25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

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

**NOTE 26. FINANCIAL INSTRUMENTS****26.1 Interest rate risk exposures**

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

	Non-interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	Contractual repricing or maturity periods						
				1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>2016</b>										
<b>Financial assets</b>										
Cash	-	-	4,497	-	-	-	-	-	-	4,497
Receivables	2,296	-	-	-	-	-	-	-	-	2,296
Other financial assets	2,285	-	-	-	-	-	-	-	-	2,285
Total financial assets	4,581		4,497	-	-	-	-	-	-	9,078
<b>Financial liabilities</b>										
Payables	4,474	-	-	-	-	-	-	-	-	
Interest bearing liabilities	-	54,400	1,899	6,879	4,500	6,000	7,900	6,220	24,800	56,299
Total financial liabilities	4,474	54,400	1,899	6,879	4,500	6,000	7,900	6,220	24,800	60,773
Net financial assets/ (liabilities)	107	(54,400)	2,598	(6,879)	(4,500)	(6,000)	(7,900)	(6,220)	(24,800)	(51,695)
Weighted average interest rate		4.32%	1.92%	3.63%	6.13%	4.52%	4.15%	5.53%	3.45%	4.13%

	Non-interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	Contractual repricing or maturity periods						
				1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>2015</b>										
<b>Financial assets</b>										
Cash	-	-	4,663	-	-	-	-	-	-	4,663
Receivables	2,187	-	-	-	-	-	-	-	-	2,187
Total financial assets	1,730	-	-	-	-	-	-	-	-	1,730
	3,917		4,663	-	-	-	-	-	-	8,580
<b>Financial liabilities</b>										
Payables	4,237	-	-	-	-	-	-	-	-	
Interest bearing liabilities	-	51,400	2,899	5,899	4,980	4,500	6,000	7,900	25,020	54,299
Total financial liabilities	4,237	51,400	2,899	5,899	4,980	4,500	6,000	7,900	25,020	58,536
Net financial assets/ (liabilities)	(320)	(51,400)	1,764	(5,899)	(4,980)	(4,500)	(6,000)	(7,900)	(25,020)	(49,956)
Weighted average interest rate		4.40%	2.17%	3.14%	4.29%	6.13%	4.52%	4.15%	4.20%	4.28%

**26.2 Fair Value**

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

	2016		2015	
	Carrying Amount \$'000	Carrying Amount \$'000	Carrying Amount \$'000	Fair Value \$'000
Payables	4,474	4,474	4,237	4,237
Interest Bearing Liabilities	56,299	61,025	54,299	57,391
Total Financial Liabilities	60,773	65,499	58,536	61,628

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



## Statutory Certification

**South Gippsland Region Water Corporation**

FOR THE YEAR ENDED 30 JUNE 2016

The attached Financial Statements for South Gippsland Region Water Corporation have been prepared in accordance with Standing Directions 4.2 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 notes to and forming part of the Financial Statements, presents fairly the financial transactions during the year ended 30 June 2016 and the financial position of the Corporation as at 30 June 2016

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 29 August 2016.

David Schultz  
Chair

Philippe du Plessis  
Managing Director

Justin Wightman  
Chief Finance & Accounting Officer



Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000

Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010

Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

## INDEPENDENT AUDITOR'S REPORT

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

#### *The Financial Report*

I have audited the accompanying financial report for the year ended 30 June 2016 of the South Gippsland Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification.

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

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

#### *Auditor's Responsibility*

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

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

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

*Auditing in the Public Interest*



## Independent Auditor's Report (continued)


### *Independence*

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

### *Opinion*

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

MELBOURNE  
1 September 2016

  
for Dr Peter Frost  
Acting Auditor-General

*Auditing in the Public Interest*

# Performance Report

For the year ended 30 June 2015

**TABLE 1 - FINANCIAL PERFORMANCE INDICATORS**

Key Performance indicator		2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year %	Notes	Variance to Target %	Notes
F1	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax payments / Net interest payments	3.9	2.8	3.4	(28.2%)	1a	(17.6%)	1b
F2	<b>Gearing Ratio</b> Total debt (including finance leases) / Total assets x 100	15.8%	13.3%	16.7%	(15.8%)	1c	(20.3%)	1d
F3	<b>Internal Financing Ratio</b> Net operating cash flow less dividends / Capital expenditure x 100	38.4%	48.7%	73.7%	26.8%	1e	(33.9%)	1f
F4	<b>Current Ratio</b> Current Assets / Current Liabilities (excluding long term employee provisions and revenue in advance)	1.14 times	1.34 times	1.09 times	17.5%	1g	22.9%	1h
F5	<b>Return on Assets (ROA)</b> Earnings before net interest and tax / Average Assets x 100	0.9%	0.3%	0.5%	(66.7%)	1i	(40.0%)	1j
F6	<b>Return on Equity (ROE)</b> Net profit after tax / Average total equity x 100	0.2%	(0.4%)	(0.5%)	(100%)	1k	0.0%	
F7	<b>EBITDA Margin</b> Earnings before interest, tax, depreciation and amortisation / Total revenue x 100	42.5%	35.8%	39.6%	(15.8%)	1l	(9.6%)	1m

Notes:

- 1a – The unfavorable movement in cash interest cover compared to the prior year is a combination of the result of a reduction in income as a result of lower developer cash contributions combined with an increase in expenses in the areas of ICT \$400k, as the corporation moves to mobile solutions, repairs and maintenance costs \$300k and the decision to fund 12 month interest free plumbing connections on the Poowong, Loch and Nyora sewerage scheme, which has resulted in \$680k of additional cash outflow. This will be recovered over the next 12 months. No actions required to rectify.
- 1b – The unfavorable movement in cash interest cover compared to target is a combination of the result of a reduction in income as a result of lower developer cash contributions combined with an increase in expenses in the areas of ICT \$400k, as the corporation moves to mobile solutions, repairs and maintenance costs \$300k and the decision to fund 12 month interest free plumbing connections on the Poowong, Loch and Nyora sewerage scheme. This has resulted in \$680k of additional cash outflow, which will be recovered over the next 12 months. No actions required to rectify.
- 1c – The gearing ratio is favorable to the prior year due to the revaluation of Infrastructure, land and buildings during 2015/16. Total assets being the denominator in this calculation will result in the ratio reducing as asset values rise. No actions required to rectify.
- 1d – The gearing ratio is favorable compared to target due to the revaluation of Infrastructure, land and buildings during 2015/16. The revaluation resulted in a significant increase in the value of fixed assets compared to that which was budgeted. Total assets being the denominator in this calculation will result in the ratio reducing as asset values rise. No actions required to rectify.
- 1e – The internal financing ratio is favorable compared to the prior year as a result of significantly increased capital program in 2014/15 compared to 2015/16. The majority of this is the Poowong Loch and Nyora sewerage scheme with \$11.9M spent during 2014/15. The favorable movement in the internal financing ratio is in line with expectations as SGW capital program returned to normal levels in 2015/16. No actions required to rectify.
- 1f – The internal financing ratio is unfavorable compared to the target as a result of lower cash flows than budgeted which is a combination of the result of a reduction in income as a result of lower developer cash contributions combined with an increase in expenses in the areas of ICT \$400k, as the corporation moves to mobile solutions, repairs and maintenance costs \$300k and the decision to fund 12 month interest free plumbing connections on the Poowong, Loch and Nyora sewerage scheme, which has resulted in \$680k of additional cash outflow. This will be recovered over the next 12 months. No actions required to rectify.
- 1g – The current ratio is favorable compared to the prior year as a result of both higher water volume accruals, due to a significantly dry summer and autumn compared to the prior year (\$555k) and an increase in receivables as a result of the decision to fund 12 month interest free plumbing connections on the Poowong, Loch and Nyora sewerage scheme (\$680k). Both of these current assets did not exist in the prior year. In addition, the movement of \$1.0M in borrowings from current to long term during the year resulted in lower current liabilities.
- 1h – The current ratio is favorable compared to the target as a result of both higher water volume accruals, due to a significantly dry summer and autumn compared to the budget (\$555k) and an increase in receivables as a result of the decision to fund 12 month interest free plumbing connections on the Poowong, Loch and Nyora sewerage scheme (\$680k). Both of these current assets were not budgeted. In addition, the movement of \$1.0M in borrowings from current to long term during the year resulted in lower current liabilities compared to budget.
- 1i – The return on assets is unfavorable compared to the prior year as a result of achieving a deficit in 2015/16 compared to a surplus in 2014/15. In addition the revaluation of infrastructure, land and buildings during 2015/16 resulted in a significant increase in the denominator of this ratio being average assets. The deficit is in line with budget expectations.
- 1j – The return on assets is unfavorable compared to the target as a result of the revaluation of infrastructure, land and buildings during 2015/16 resulted in a significant increase in the denominator of this ratio being average assets.
- 1k – The return on equity is unfavorable compared to the prior year as a result of achieving a deficit in 2015/16 compared to a surplus in 2014/15. The deficit was in line with budget expectations.
- 1l – The EBITDA margin is unfavorable compared to prior year as a result of making a deficit in 2015/16 compared to a surplus in 2014/15. The deficit result was budgeted.
- 1m – The EBITDA margin, unfavorable to target, is a combination of the result of a reduction in income as a result of lower developer cash contributions combined with an increase in expenses in the areas of ICT \$400k, as the corporation moves to mobile solutions, repairs and maintenance costs \$300k and the decision to fund 12 month interest free plumbing connections on the Poowong, Loch and Nyora sewerage scheme, which has resulted in \$680k of additional expense. This will be recovered from property owners over the next 12 months. No actions required to rectify.

# Performance Report

For the year ended 30 June 2015

TABLE 2 – WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS								
Key Performance indicator		2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year %	Notes	Variance to Target %	Notes
WS1	<b>Unplanned water supply Interruptions</b> Number of customers receiving more than 5 unplanned interruptions in the year / Total number of water customers (domestic and non-domestic) customers X 100	0.0%	0.0%	0.0%	0.0%		0.0%	
WS2	<b>Interruption time</b> Average duration of unplanned water supply interruptions	160 minutes	96 minutes	100 minutes	40.0%	2a	4.0%	
WS3	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions restored within 5 hours / Total unplanned water supply interruptions X 100	99.2%	99.2%	99.0%	0.0%		0.2%	
SS1	<b>Containment of sewer spillages</b> Sewer spills from reticulation and branch sewers contained within 5 hours / Total sewer spills from reticulation and branch sewers X 100	100.0%	100.0%	100.0%	0.0%		0.0%	
SS2	<b>Sewer spills interruptions</b> No of residential sewerage customers affected by sewerage interruptions not restored within 5 hours	0.0%	0.0%	0.0%	0.0%		0.0%	

Notes:

2a – The average duration of unplanned water supply interruptions was favorable compared to the prior year due to two major incidents in the prior year. One which involved a break of a valve on a township trunk main and the other a break on a major trunk main, which did not occur this year.

TABLE 3 – CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS								
Key Performance indicator		2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year %	Notes	Variance to Target %	Notes
CR1	<b>Water Quality complaints</b> No of complaints per 100 customers for:	0.2	0.3	0.8	(50.0%)	3a	62.5%	3b
CR2	<b>Sewerage service quality complaints</b> No. of complaints per 100 customers	0.0	0.0	0.0	0.0%		0.0%	
CR3	<b>Sewage odour complaints</b> No. of complaints per 100 customers	0.0	0.0	0.0	0.0%		0.0%	
CR4	<b>Billing complaints</b> No. of complaints per 100 customers	0.1	0.1	0.2	0.0%		(50.0%)	3c

Notes:

3a – The unfavorable result compared to the prior year is a result of two occurrences of algal blooms in 2015/16 due to the prevailing weather conditions. No major algal incidents occurred in 2014/15.

3b – The favorable result compared to the target is a result of an increased preventative maintenance program including targeted air scouring programs of known problem areas.

3c – The favorable billing complaints (11) compared to target (14) is considered to be due to the ongoing reduction in tariffs as a result of the government water rebate and the realignment of tariffs across the region.

TABLE 4 - ENVIRONMENTAL PERFORMANCE INDICATORS								
Key Performance indicator		2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year %	Notes	Variance to Target %	Notes
E1	<b>Effluent re-use volume (end use)</b>	4.0%	6.4%	4.0%	60.0%	4a	60.0%	4b
E2	<b>Total Net CO2 emissions</b> Net tonnes CO2 equivalent	7,410	7,385	8,415	0.3%		12.2%	4c

Notes:

4a – The favorable result compared to the prior year is due to the drier conditions of summer and autumn in 2015/16 compared to 2014/15, which increased re-use water purchased by customers.

4b – The favorable result compared to target is due to the dryer conditions of summer and autumn in 2015/16, which increased re-use water purchased by customers.

4c – The CO2 emissions were favorable to the target due to a combination of a concerted effort to reduce power usage via process review and reduced fleet emissions as a result of purchase of more efficient fleet vehicles.



## Statutory Certification

South Gippsland Region Water Corporation

### Certification of Performance Report for 2015/16

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

The report outlines the relevant performance indicators for the financial year as determined by the Minister for Water, Environment and Climate Change and as set out in the 2015/16 Corporate Plan, the actual results achieved for the financial year against pre-determined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and /or between the actual results in the current year and previous year.

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

A handwritten signature in dark ink, appearing to read "D Schultz".

David Schultz  
Chair

A handwritten signature in dark ink, appearing to read "P du Plessis".

Philippe du Plessis  
Managing Director

A handwritten signature in dark ink, appearing to read "J Wightman".

Justin Wightman  
Chief Finance & Accounting Officer

Dated this 29<sup>th</sup> day of August 2016



Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000

Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010

Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

## INDEPENDENT AUDITOR'S REPORT

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

#### *The Performance Report*

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

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

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

#### *Auditor's Responsibility*

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

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

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

*Auditing in the Public Interest*



## Independent Auditor's Report (continued)


### *Independence*

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

### *Opinion*

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

MELBOURNE  
1 September 2016

  
for Dr Peter Frost  
Acting Auditor-General

*Auditing in the Public Interest*

# Appendix A – Disclosure index

The 2015/16 Annual Report of the South Gippsland Water is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

Direction	Requirement	Page Reference
<b>Ministerial Reporting Directions</b>		
MRD 1	Performance Reporting	24, 62 & 63
MRD 2	Reporting on Water Consumption & Drought Response	22 & 23
MRD 3	Environmental & Social Sustainability Reporting	19 & 20, 26 & 27
MRD 4	Bulk Entitlements	21
MRD 5	Annual Reporting – Major Non-residential Water Users	23
<b>Financial Reporting Directions</b>		
<b>Report of Operations</b>		
<i>Charter and purpose</i>		
FRD 22G	Manner of establishment and the relevant Ministers	13
FRD 22G	Objectives, functions, powers and duties	14
FRD 22G	Nature and range of services provided	6
<i>Management and structure</i>		
FRD 22G	Organisational structure	11
FRD 22G	Names of Board Members Major Committees	9
<i>Financial and other information</i>		
FRD 22G	Statement of workforce data	17
FRD 22G	Employment and conduct principles	17
FRD 22G	Summary of financial results [5 year]	29
FRD 22G	Significant changes in financial position during the year	29
FRD 22G	Operational & budgetary objectives and performance against objectives	29
FRD 22G	Major changes or factors affecting performance	29
FRD 22G	Subsequent events	14
FRD 22C	Details of consultancies >\$10,000	15
FRD 22C	Details of consultancies – total No. and cost <\$10,000	15
FRD 12A	Disclosure of major contracts	15
FRD 22G	Application and operation of Freedom of Information Act 1982	14
FDR 22G	Compliance with the Protected Disclosures Act 2012	14
FRD 22G	Compliance with building and maintenance provisions of Building Act 1993	14
FRD 22G	Statement on National Competition Policy	16
FRD 22G	Occupational Health and Safety Policy	18
FRD 22G	Environmental Reporting [Office]	25-27
FRD 25B	Victorian Industry Participation Policy disclosures	14
FRD 22G	ICT Expenditure	16
FRD 10A	Disclosure index	67
FRD 22G	Statement of availability of other information	13
FRD 121	Infrastructure Assets (Water/Rail)	-
FRD 27C	Presentation & reporting of performance information	29
<b>Financial Statements</b>		
<i>Financial statements required under Part 7 of the Financial Management Act 1994</i>		
SD 4.2(b)	Operating Statement	32
SD 4.2(b)	Balance Sheet	33
SD 4.2(b)	Statement of Changes in Equity	34
SD 4.2(b)	Cash Flow Statement	35
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	36-41
SD 4.2(c)	Compliance with Ministerial Directions	64
SD 4.2(d)	Rounding of amounts	36
SD 4.2(c)	Accountable officer's declaration	8
SD 4.2(g)	General information requirements	6 & 7
SD 4.2(j)	Sign-off requirements	8
SD 4.5.5	Risk Management Compliance Attestation	13
<i>Other disclosures in notes to the financial statements</i>		
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities	None
FRD 11	Disclosure of ex-gratia payments	37
FRD 13	Disclosure of Parliamentary Appropriations	None
FRD 21B	Disclosure of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities)	55 & 56
FRD 102	Inventories	46
FRD 103F	Non-financial current Physical Assets	37 & 38
FRD 106	Impairment of Assets	39
FRD 109	Intangible Assets	38
FRD 110	Cash Flow Statements	35
FRD 112C	Defined Benefit Superannuation Obligations	53
FRD 114A	Financial Instruments	58
FRD 119	Contributions by Owners	39
<b>Legislation</b>		
Freedom of Information Act 1982		14
Building Act 1983		14
Financial Management Act 1994		59-61, 64-66
Audit Act 1994		59-61, 64-66
Victorian Industry Participation Policy Act 2003		14
Multicultural Victoria Act 2004		17
Copyright ISSN1838-3173		



#### HEAD OFFICE

14-18 Pioneer Street  
PO Box 102  
FOSTER VIC 3960

Phone (03) 5682 0444  
Fax (03) 5682 1199  
Email [sgwater@sgwater.com.au](mailto:sgwater@sgwater.com.au)  
Web [sgwater.com.au](http://sgwater.com.au)

#### RESPONSIBLE MINISTER

The Hon Lisa Neville MP

#### BANKERS

Westpac Bank  
28 Bair Street  
LEONGATHA VIC 3953

#### AUDITORS

Auditor General, Victoria  
By Agent Crowe Horwath Australasia Ltd

#### INSURERS

Jardine Lloyd Thompson (JLT)

#### SOLICITORS

Oakleys White  
Russell Kennedy

#### INDUSTRY ASSOCIATIONS

Australian Water & Wastewater Association  
Institute of Water Administration  
Victorian Water Industry Association

#### OTHER ASSOCIATIONS

Business Management Health Services  
Candowie-Lance Creek Catchment Management Group  
South Gippsland Landcare Network  
Victorian Employers Chamber of Commerce & Industry  
Waterwatch  
West Gippsland Catchment Management Authority

#### CHARITY

WaterAid Australia

#### Copyright

State of Victoria, South Gippsland Water 2016. This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the *Copyright Act 1968*.