



**Southern  
Rural Water**

Managing Water. Serving Communities.



**Southern Rural Water**  
Annual Report 2014–15

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## An introduction to Southern Rural Water

Gippsland and Southern Rural Water Corporation (trading as Southern Rural Water) manages rural water across the southern half of Victoria, from the Great Divide to the coast, and from the South Australian border to the New South Wales border.

Southern Rural Water (SRW's) customers are principally the farmers, graziers and growers of southern Victoria, but we also supply water in bulk to non-metropolitan urban water corporations and Latrobe Valley electricity generators.

SRW manages three irrigation districts, the state's largest groundwater operation and its second largest non-metropolitan headworks business.

SRW is a statutory water corporation established under the *Water Act 1989*. The responsible Ministers during the 2014-15 period were:

- the Hon Peter Walsh MLA, Minister for Water for the period from 1 July 2014 to 3 December 2014
- the Hon Lisa Neville MP, Minister for Environment, Climate Change and Water for the period from 4 December 2014 to 30 June 2015.

The responsible Minister appoints a skills-based Board, which is responsible for setting SRW's strategic direction.

### Vision

Boosting southern Victoria's food, fibre and regional productivity through outstanding rural water management.

### Trademark behaviours

- United
- Customer obsessed
- Ambitious
- Results-driven
- Energetic

### History

In the early 1990s, a major change was afoot in Victoria's water sector.

Irrigator protests over the Rural Water Corporation's charges led to the McDonald Review.

In 1992, the review set in train the establishment of the Rural Water Corporation and five regions, each with its own Board of Management. On 1 July 1994, the five regional boards became independent rural water authorities – including the Gippsland Rural Water Authority and Southern Rural Water Authority.

On 1 July 1995, these two were merged to form what is today known as SRW, the trading name of the Gippsland and Southern Rural Water Corporation.

Since then, SRW has continued to strive to manage rural water through close engagement with its customers and stakeholders.

### Our services

SRW's main business centres are located in Maffra, Werribee, Ringwood and Warrnambool, with smaller offices scattered across our region of responsibility. SRW employs 163 people and its area covers 37% of the state.

#### Irrigation

SRW manage the delivery of water to the Werribee, Bacchus Marsh and Macalister Irrigation Districts and maintain the channels, pipelines and drains for these districts.

#### Large dams

SRW harvests, stores and manages water in Glenmaggie, Narracan, Blue Rock, Melton, Merrimu, Pykes Creek and Rosslynne reservoirs. This water is then supplied to irrigators, urban water corporations and power generators, or retained for government.

A further part of SRW's responsibilities is to manage recreational facilities at some water storages and weirs.

#### Groundwater and rivers

SRW implements government regulations and policy for groundwater and surface water management in accordance with delegated powers from the *Water Act 1989*. We assess licence applications, issue licences to construct new farm dams and bores (if approved) and manage new and existing groundwater and surface water licences.

SRW is also the appointed Resource Manager for a range of surface water catchments (mostly in Gippsland) and provides administrative support to the Victorian Drillers' Licensing Board.



# 01

## Our year in summary

### At a glance

*... a good season for the MID, but much drier in the state's south-west*

*... continued increase in Bore Construction Licence applications*

### Our season

Macalister irrigators enjoyed a good season with full high reliability allocation. Things were drier in the west, though, and while the Werribee basin had sufficient water for the season, users along many unregulated rivers throughout south-western Victoria faced significant restrictions. No restrictions were placed on groundwater.

Application numbers within Groundwater and Rivers increased 11% on the previous year, with bore construction licence numbers continuing to grow where most other application types have plateaued.

### Our service outcomes for the year

*... ranked second for customer service in mystery shopper program*

*... increased satisfaction in our stakeholder survey*

*... 550ML of new high reliability water shares in the MID*

*... 5GL of water carried over in the Werribee basin (for the first time)*

*... new opportunities for trade and carryover of groundwater*

*... \$32M Phase 1A of MID2030*

*... \$4.5M pipeline in Werribee*

*... preparing to launch digital Groundwater Hub*

*... Bore Construction Licences going on-line*

#### GREAT SERVICE

SRW again participated in the Customer Service Benchmarking Australia (CSBA) mystery shopper survey and ranked second out of 24 participating Australian water authorities.

Our hard work on strategy and culture is paying off, with tremendous feedback from our three-yearly stakeholder survey and a significant increase in satisfaction from our Groundwater and Rivers customers.

#### MORE WATER FOR PRODUCTION

In the Macalister Irrigation District (MID), the Phase 1A channel automation program has produced 2.8GL of water savings, and we sold more than 500ML of high reliability water shares (HRWS) at auction in February 2015. A further 50ML of HRWS has been sold from 200ML placed on the market at a "shelf price".

The 2014-15 season was the first season where individuals could carryover unused water in Werribee and Bacchus Marsh, with almost 5GL carried over.

SRW also introduced a recycled water sales product in Werribee to make more recycled water available to those who can use it.

In the state's south-west SRW has developed a management plan for the limestone aquifer. This plan replaces some small groundwater management area plans and allows greater opportunities for trade and carryover.

#### MODERNISING OUR IRRIGATION SYSTEMS

SRW continues to modernise its irrigation districts:

- the \$32M Phase 1A project in the MID jointly funded by the State Government and MID customers will see almost 75% of the channel network modernised
- the \$4.5M piping of the 4/1 section of Werribee Irrigation District (WID) represents 12.5% of the existing channel network.

These projects help make customers more resilient to climate change, improve production, benefit the environment and generate jobs in regional economies.

#### TECHNOLOGY FOR CUSTOMER CONTROL AND CONVENIENCE

One of SRW's major community engagement projects – producing regional groundwater atlases – is about to turn digital. We will launch the Groundwater Hub of Southern Victoria in 2015 to provide a tailored "choose your adventure" style experience to help people learn more about groundwater and conserving our natural resources.

## At a glance

## Financial outcomes for the year

## AFFORDABLE PRICES

SRW prices for 2014-15 were consistent with the Water Plan. Relative to 2013-14, average annual charges increased by:

- MID 2.33%
- Groundwater 2.0%
- WID 3.48%
- Surface Water 2.11%
- BMID 0.22%

These increases are not adjusted by CPI.

## SOUND FINANCES

The financial results for the year were better than forecast – reflecting higher-than-expected receipts from the water share auction, lower operating costs and savings against the capital program.

	Target	Actual
Operating result (EBITDA)	\$6.5M	\$7.7M
Total debt	\$26.9M	\$16.7M
Interest cover ratio (cash)	5.8	16.5

## NEW REVENUE

New revenue can help keep prices affordable and debt levels manageable.

SRW has developed a strategy to deliver more than \$30M of new revenue by 2025. This year we generated \$300k from land sales, \$2M from auctioning water shares, and \$100k from recycled water sales.

## COST SAVINGS

Our 2014-15 actual expenditure was \$470k better than the target. For 2014-15, we met our target of reducing capital expenditure (excluding modernisation projects) by 25% as compared with our Water Plan estimates.

## Enabling our business

## HIGH PERFORMANCE CULTURE

SRW has adopted a new set of trademark behaviours to replace our values (United, Customer Obsessed, Ambitious, Results Driven, Energetic) to replace our values. The new language is quickly spreading across the organisation and these behaviours have been embedded into SRW's recruitment processes.

With extensive staff engagement, SRW negotiated a new Enterprise Bargaining Agreement, delivering a pay rise for staff and genuine productivity improvements for the business.

We have also partnered with National Disability Recruitment Service (NDRS) and improved our recruitment processes to make roles more attractive to people with disabilities.

## INFORMED ASSET MANAGEMENT

Managing assets to meet obligations and customer service expectations while keeping long-term asset costs as low as possible requires information and analysis to decide the best mix of actions for all assets.

The project to install Authority asset management software has been completed and is now being used to record maintenance, inspections and repairs.

## GOVERNANCE

SRW had no risk occurrences of more than minor consequence during the year and no breaches of Bulk Entitlement or other significant compliance obligations.

The Board conducted its annual performance review in December 2014 and held its meetings at various locations across southern Victoria. This provided the opportunity for inspection tours and to maintain and further extend relationships with customers and stakeholders.

... we stayed with the indicative price paths from our Water Plan, which were generally around CPI (or less for Bacchus Marsh)

... operating result was around \$1M better than budget, and our debt \$10M lower ... \$2.4M of new revenue

... \$470k operating cost savings, and 25% off capital

... new trademark behaviours

... an EBA with genuine productivity improvements

... recruiting for diversity

... new Asset Management software is "live"

... no significant risk occurrences or compliance breaches



This year we continued to focus on delivering the objectives from our long-term strategic plan, which in turn focuses on delivering value to our customers and the state of Victoria.

We have made excellent progress on:

- MID2030 Phase 1A works, the \$32M project jointly funded by the Victorian Government and MID irrigators
- launching the Port Phillip and Western Port Groundwater Atlas and building on our new groundwater website
- the renewal of Werribee Irrigation District (WID) by starting to pipe the 4/1 subsection of the channel system
- completing Phase 1 of the Bacchus Marsh Irrigation District (BMID) renewal study.

These projects will provide better service to our customers and help drive regional job growth, along with increasing our customers' resilience to climate change.

We are starting to see value from our new asset management system (Authority) and have also made considerable progress in reducing the cost of future modernisation of our irrigation districts.

We received tremendous feedback in our stakeholder survey from our partners in southern Victoria. It was pleasing to see that the hard work we have undertaken internally and externally has been noticed by the 40 stakeholders who participated in the survey.

After a wet winter, spring and summer were relatively mild, with different levels of rainfall in the south-west and Gippsland. While the Werribee basin had sufficient water for the season, the dry spell put considerable strain on our customers with unregulated water supplies in the west, with many restrictions on the use of unregulated surface water. In the MID, we had an excellent season for our customers, with 100% high reliability water and 20% low reliability water allocation and good rainfall over summer. Water availability in Gippsland was better than average.

Our power generation and urban water customers are well placed. There remains good water availability for Western Water in the medium term while Gippsland Water and the power generators' shares of our storages remain close to full.

We continued to monitor changes in groundwater levels with the impact of the drier seasonal conditions and increased usage. No new groundwater restrictions were required.

Our focus remains strongly on delivering our long-term strategic plan. This has six major objectives to deliver value to our customers and stakeholders - financial strength for Southern Rural Water, enhance climate change resilience and drive job growth in our local communities:

- modernising our irrigation districts
- providing more water for production
- improving customer control and convenience
- increasing new revenue
- reducing operating costs
- reducing capital costs.

We would like to thank our staff who have helped us achieve some great things this year.

As always, we value the support from customers, stakeholders and communities who work with us to provide great service at a fair price, particularly the highly committed people on our customer consultative committees.

In closing, we would like to thank the Board directors for their work over the course of the year.

### Accountable Officer's attestation

In accordance with the *Financial Management Act 1994*, I am pleased to present Southern Rural Water's annual report for the year ending 30 June 2015.

#### CLINTON RODDA

Managing Director  
Southern Rural Water  
31 August 2015

**Terry Burgi**  
Chairperson



**Clinton Rodda**  
Managing Director



## Governance information

### ROLE OF THE BOARD

In accordance with the *Water Act 1989* the Southern Rural Water (SRW) Board is responsible for:

- the strategic planning of the Corporation
- the management of the affairs of the corporation.

In doing so, the Board must be mindful of the sustainable management principles for water corporations; it must also act as efficiently as possible, consistent with commercial practice.

### MEMBERSHIP OF THE BOARD

- The Chairperson is appointed by the responsible Minister in accordance with the *Water Act 1989*.
- Directors are similarly appointed by the responsible Minister.
- The Deputy Chairperson, being one of the appointed directors, is appointed as Deputy Chairperson by the Board.
- The Managing Director is appointed by the Board.
- Directors are appointed on the basis of their qualifications and experience; they do not represent any particular constituency.
- Remuneration is set by the responsible Minister.

### BOARD COMMITTEES

Board committees are established by the Board to assist in detailed examination of matters and to make recommendations to the Board.

The **Audit and Risk Policy Committee** assists the Board in discharging its responsibilities for:

- the integrity of the annual financial statements and financial reporting
- exposure to legal and business risk and associated risk management
- the effectiveness of the external and internal audit functions
- the adequacy and effectiveness of financial management, financial control systems and other internal controls.

#### COMMITTEE MEMBERS

Terry Swingler (Chairperson), Gabrielle Bell and Matthew Coleman. External member Tom Castles was a member of the committee from 1 July 2014 to 17 February 2015. Naomi Pye was appointed to the committee on 5 March 2015.

The **Asset Governance Committee** advises the Board on policy, strategy and performance of asset management to ensure it meets the needs of the corporation.

#### COMMITTEE MEMBERS

Russell Napper (Chairperson), Terry Burgi, Matthew Coleman and Naomi Pye.

The **Remuneration and Corporate Governance Committee** fosters excellence in remuneration and corporate governance specifically to ensure that executive remuneration and corporate governance policies and procedures comply with government requirements and better practice.

#### COMMITTEE MEMBERS

Terry Burgi (Chairperson), Gabrielle Bell, Andrea Killeen and Terry Swingler.

The **Organisational Culture Committee** advises the Board on policy, strategy and performance of organisational culture to ensure it meets the needs of the corporation.

#### COMMITTEE MEMBERS

All members of the Board are members of the Organisational Culture Committee. The Deputy Chairperson (Andrea Killeen) is the committee Chairperson.

### Board activities for the year

Development opportunities in the last year included:

- participation by five Board members at the VicWater annual conference in Melbourne, 11-12 September 2014
- directors attending various AICD sessions as applicable
- participation by the Managing Director in the 2015 ANCOLD conference in Brisbane, 28-29 May 2015.

The Board conducted its annual Board performance review in December 2014 and reported to the responsible Minister on the review outcomes on 17 February 2015. The review was conducted with the assistance of an external facilitator and comprised assessment of the Board as a whole, the performance of individual directors including a peer review, the performance of the Chairperson, and the performance of Board committees.

A Board performance improvement plan has been produced from the review, providing a structure to assist the Board in its aim of achieving continuous improvement. The performance improvement plan has been progressed, with monitoring of achievements at subsequent Board meetings.

Board meetings were held at strategic locations across southern Victoria, providing the opportunity for inspection tours, to meet with customers and stakeholders to discuss water matters, to maintain and further extend relationships, and to gain exposure to customer issues and industry trends and developments:

- August 2014, at Melton: inspection of the Lerderderg River diversion weir followed by a meeting with the Werribee Bacchus Marsh Customer Consultative Committee and the Melton Council Mayor and CEO, at which a presentation was made on Victoria's opportunities in agribusiness and SRW's response.
- September 2014, at Red Hill: inspection tour, meetings with several irrigator customers on the Mornington Peninsula and representatives of the Port Phillip and Westernport Catchment Management Authority and Melbourne Water.
- November 2014, Mount Gambier: inspection tour and a meeting with irrigators in the Mount Gambier region, an area covered by the SA-Vic Border Groundwater Agreement. The Board also held a meeting with several local stakeholders at which management presented on the South West Limestone Local Management Plan.
- December 2014, Melbourne: a meeting with members of SRW's Southern Groundwater and Rivers Forum.
- February 2015, Melbourne: a meeting with the Victorian Environmental Water Holder, West Gippsland Catchment Management Authority and Melbourne Water for presentations on environmental water releases to rivers and streams in the east and inner west of SRW's region.
- March 2015, Maffra: inspection of sites affected by salinity and noting effects of groundwater pumping followed by a meeting with the Macalister Customer Consultative Committee and the Wellington Community Salinity Committee.
- May 2015, Bairnsdale: a visit to two major food processors, gaining an insight into the processing of irrigation customers' produce, followed by a meeting with a wide range of stakeholders.
- June, 2015, Werribee: a meeting with the Essential Services Commission and the Department of Treasury and Finance at which a presentation was made on SRW's strategic direction. The Board also visited the Wyndham Harbour development site at Werribee South where the project director, contractor and hydrogeologist provided a briefing and inspection tour over parts of the site.

## Organisational structure as at 30 June 2015

Board						
Terry Burgi (Chairperson), Andrea Killeen (Deputy Chairperson), Gabrielle Bell, Matthew Coleman, Russell Napper, Naomi Pye, Clinton Rodda, Terry Swingler						
Management						
<b>Managing Director</b> Clinton Rodda						<b>Corporation Secretary</b> Brian Carr  <b>Executive Assistant</b> Lauren Daly
General Manager Groundwater and Rivers Craig Parker	General Manager Strategic and Technical Paul Byrnes	Manager Strategy and Performance Lincoln Eddy	Manager People and Customer Service Janet Granger-Wilcox	Chief Financial Officer Stuart Wrigglesworth	Manager Water Supply East Terry Clapham	Manager Water Supply West Ed Smith
<ul style="list-style-type: none"> <li>• Applications</li> <li>• Field compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Water resource management</li> <li>• Environment</li> <li>• Distribution assets</li> <li>• Headworks assets</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate strategy and planning</li> <li>• Performance reporting</li> <li>• Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Human resources</li> <li>• Safety</li> <li>• Info technology</li> <li>• Customer service</li> <li>• Corporate communication</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> <li>• Risk management</li> <li>• Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Eastern headworks</li> <li>• Macalister Irrigation District</li> </ul>	<ul style="list-style-type: none"> <li>• Western headworks</li> <li>• Werribee Irrigation District</li> <li>• Bacchus Marsh Irrigation District</li> </ul>

- **Audit and Risk Policy Committee:** Terry Swingler (Chairperson), Gabrielle Bell, Matthew Coleman, Naomi Pye.



### Board and Board Committee Meetings attendances 2014-15 summary

	Board meetings	Audit and Risk Policy Committee	Asset Governance Committee	Remuneration and Corporate Governance Committee	Organisational Culture Committee
Terry Burgi	12 of 12		4 of 4	4 of 4	3 of 3
Andrea Killeen	12 of 12			4 of 4	3 of 3
Gabrielle Bell	12 of 12	5 of 5		4 of 4	3 of 3
Matthew Coleman	12 of 12	5 of 5	4 of 4		3 of 3
Russell Napper	9 of 12*		3 of 4*		2 of 3*
Naomi Pye	12 of 12	1 of 1	4 of 4		3 of 3
Clinton Rodda	11 of 12*				3 of 3
Terry Swingler	12 of 12	5 of 5		4 of 4	3 of 3

\*On Board-approved leave.

Mr Tom Castles, external member of the Audit and Risk Policy Committee, attended 3 of 4 meetings of that committee.

## Director profiles

### MR TERRY BURGI CHAIRPERSON

Mr Burgi is a fruit grower in the Yarra Valley. He has more than 30 years' experience representing farmers in industry organisations at regional, state and federal levels and is a CFA volunteer with more than 45 years of active service. Mr Burgi has a Bachelor of in Engineering (Agricultural) from Melbourne University and previously worked in the water industry. He is a Fellow of the Australian Institute of Company Directors and a member of the Institution of Engineers Australia. Mr Burgi was first appointed to the Board on 1 July 2004. He was appointed as Deputy Chairperson in August 2010 and Chairperson in October 2011. He was reappointed as Chairperson in October 2013\*.

### MS ANDREA KILLEEN DEPUTY CHAIRPERSON

Ms Killeen is a farmer in the MID. She has been a Director of GippsDairy, a Director of the Macalister Demonstration Farm and a member of SRW's Macalister Customer Consultative Committee. Ms Killeen is a voluntary flood warden and an associate member of the SES. She is a member of the Australian Institute of Company Directors. Ms Killeen was first appointed to the Board on 1 July 2010\*.

### MS GABRIELLE BELL DIRECTOR

Ms Bell is a corporate lawyer with broad experience working in the Australia and South-East Asia region. She specialises in corporate advisory (including corporate governance), mergers and acquisitions and capital markets. Ms Bell holds a Bachelor of Laws and a Bachelor of Engineering (Chemical). Ms Bell is also a Director of Northern Melbourne Medicare Local and Director and Company Secretary of Eastern Melbourne Healthcare Network Ltd. She is a member of the Australian Institute of Company Directors. Ms Bell was appointed to the Board on 1 October 2012\*.

### **MR MATTHEW COLEMAN DIRECTOR**

Mr Coleman owns a dairy farm at Yannathan. He has held senior manager roles in the federal public service as well as working in the wool and grains industries and for the Victorian Farmers Federation. He is a Director of the Royal Agricultural Society of Victoria and a member of the Regional Development Australia – Southern Melbourne Advisory Committee. Mr Coleman holds a Master of Science (Agricultural Economics), Bachelor of Agricultural Science, Diploma of Financial Services (Financial Planning), Graduate Diploma of Agribusiness and is a member of the Australian Institute of Company Directors. Mr Coleman was appointed to the Board on 1 October 2012\*.

### **MR RUSSELL NAPPER DIRECTOR**

Mr Napper is an irrigation farmer at Sale and holds a Trade Certificate in Fitting and Turning. He was a member of the committee implementing the Lake Wellington Salinity Management Plan from 1995 to 2002, being Chairperson of that group from 1996 to 2002. He was subsequently appointed Chair of the Wellington Community Salinity Group from 2003 until appointed to the Board of SRW in 2011.

Mr Napper was a member of SRW's Macalister Customer Consultative Committee from 2002 to October 2011 and Treasurer of the Maffra and Districts Landcare Network from 1998 to 2008. Mr Napper is a member of the Maffra Lions Club, where he has served as President and as Secretary. He is a member of the Australian Institute of Company Directors. Mr Napper was first appointed to the Board on 1 October 2011\*.

### **MS NAOMI PYE DIRECTOR**

Ms Pye is a dairy farmer at Bessiebelle. She was a Board member of the Glenelg Hopkins Catchment Management Authority (2006–11) and has previously held board and committee roles with the Victorian Farmers Federation (1999–07), WestVic Dairy Project Steering Committee (2000–06) and Australian Dairy Farmers (2005–06). Prior to her appointment to the Board of SRW, she was a member of the Southern Groundwater and Rivers Forum, a customer consultative committee of SRW. Ms Pye has a Diploma of Teaching and an Advanced Diploma of Agriculture; she is a Graduate of the Australian Institute of Company Directors. Ms Pye was first appointed to the Board on 1 October 2011\*.

### **MR TERRY SWINGLER DIRECTOR**

Mr Swingler is a Director of Equipsuper Pty Ltd and the Victorian Government's appointed Director on the Joint Government Enterprise Ltd (in liquidation) (trading as Water for Rivers). He has held senior roles as Yarra Valley Water's General Manager Finance and Company Secretary (1995–2012) and Corporate Secretary with Melbourne Water (1986–95). Mr Swingler has a Diploma of Business (Accounting) and is a Fellow of CPA Australia, Governance Institute of Australia and the Australian Institute of Company Directors.

Mr Swingler was appointed to the Board on 1 October 2013\*.

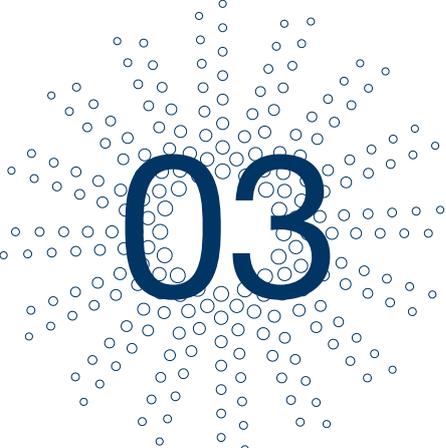
### **MR CLINTON RODDA MANAGING DIRECTOR**

Mr Rodda joined SRW in 2005 after spending 17 years in the utilities sector and 10 years in management consulting.

He has previously held senior management roles with Energy Brix and Eastern Area Power Grid, and has worked nationally and internationally as a consultant. He holds a Bachelor of Business, a Master of Business Administration, a Diploma in Ontological Coaching, and is a member of the Australian Institute of Company Directors. Mr Rodda was appointed Managing Director on 4 July 2009 and reappointed in March 2014 for a further five years effective from July 2014.

\* In April 2015 the responsible Minister announced a review of all water board director positions as part of the 2015 Board appointment process.





# 03

## Serving our customers

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### Water Supply

Water Supply is the largest component of Southern Rural Water's (SRW's) operations, accounting for 65% of gross annual turnover.

SRW operates the Macalister, Werribee and Bacchus Marsh irrigation districts, and is responsible for seven storages in its region, together with a number of smaller regulating structures. The storages include Blue Rock Lake, Lake Glenmaggie, Lake Narracan, Melton Reservoir, Merrimu Reservoir, Pykes Creek Reservoir and Rosslynne Reservoir.

From these storages, SRW harvests and stores water for irrigation customers, urban water corporations and the Latrobe Valley power generators in accordance with the provisions of Bulk Entitlement Orders.

### Water Supply East

#### The Eastern Irrigation Business

Eastern Irrigation Business manages the delivery of water to customers in the Macalister Irrigation District (MID) and on the Macalister and Thomson rivers and Rainbow Creek.

The main storage (Lake Glenmaggie) and diversion weirs (on the Thomson and Macalister rivers) provide water to about 1,000 customers. The bulk of this water is delivered via gravity irrigation from 15 August to 15 May. Our river customers who pump direct from waterways can order water 365 days a year.

The 2014-15 irrigation season opened with an allocation on 1 July of 85% high reliability water shares (HRWS). Rainfall in late June and early July boosted inflows into Lake Glenmaggie, allowing the seasonal allocation to increase to 100% of HRWS on 15 July.

Changes made this season to the Thomson Drought Reserve (TDR) rules saw the entire TDR volume included in the allocation model, supplementing the overall allocation up to 100% of HRWS. This water remains in the model until 100% HRWS is reached using water in Glenmaggie and harvest rights only. The TDR is then incrementally paid back as inflows to Glenmaggie allow. Once TDR water has been paid back, the allocation of low reliability water shares (LRWS) is possible if inflows to the lake allow.

Continued steady inflows throughout July saw the storage close to capacity, with releases starting on 29 July. SRW manages the Lake Glenmaggie volume during the spring with release strategies and aims to have the reservoir at full capacity between 15 September and 1 October. On 27 September, storage levels in Lake Glenmaggie reached 99.9%.

Spill entitlement was available for customers until 15 December 2014, with 44,090ML delivered. Significant rain in early December resulted in reduced customer demand. This left district customers in a good position leading into the driest part of the season with 100% of water entitlements available.

With below average inflows throughout summer, the allocation remained at 100% HRWS. In early April, rain fell in the catchment, boosting flows into Glenmaggie. These flows paid back the water in the TDR, and continued steady inflows allowed us to allocate 10% LRWS. A further 10% LRWS was allocated in late April, bringing our final allocation for the season to 100% HRWS and 20% LRWS.

The TDR opened the season with a volume of 33,818ML with inflows totalling 9,879ML. Usage for the season totalled 5,147ML, leaving a remaining volume of 38,550ML (plus inflows) for the 2015-16 season.

Irrigation deliveries to customers this season totalled 135,489ML, which is below the budgeted deliveries of 147,454ML, but slightly above the five-year average of 129,046ML. This season's lower customer demand can be attributed to cooler seasonal temperatures in early spring, a mild summer and adequate rainfall in early autumn to sustain pasture water requirements.

Spill entitlement was available until 15 December, and several unexpected rainfalls kept allocation trades lower this season, with 9,701.4ML traded. This volume is below 'trades in an average year' of 12,000 to 13,000ML.

Above average rainfall in April slowed customer demand. Lake Glenmaggie closed the season with a volume of 83,727ML or 47.1% on 15 May 2015, compared with 66,543ML or 37.5% on 15 May 2014.

A strong focus was placed on reducing district outfalls this year, with the goal to improve by 10% on the previous year. The seasonal target of keeping outfalls below 21,000ML was surpassed with a season ending total of 19,926ML, 17.1% lower than last year.

On 25 February 2015, SRW held its first auction of water shares made available through savings from the Phase 1A channel automation programs in the MID. The total water savings from these projects are 2,772ML. This year, SRW offered 523.4ML of HRWS and 261.7ML of LRWS. All the shares this year were sold, with paired HRWS and LRWS selling for an average price of \$1,835.86 per ML and the remaining HRWS selling for an average price of \$1,842.99 per ML. All HRWS and LRWS sold at the auction exceeded the reserve price and came with seasonal water

allocation for 2014-15. Proceeds from the sale of the shares fund other water savings projects as part of the MID2030 program.

This year SRW allocated 200ML of saved water to be placed on the market at a “shelf price”. This allows customers who are either uncomfortable participating in an auction or did not have access to funds at the time of the auction to buy water shares. The water shares are offered for sale at the highest price from the most recent auction, which in this case was \$1,900ML. The 200ML equates to 174.4ML HRWS and 87.2ML LRWS once converted; at the time of writing, 50ML of HRWS and 50ML of LRWS have been sold.

### Maintenance and capital works

This year’s carp damage repair program on the Main Sale channel has started from the railway line north of Sale through to the Princes Highway. This will completely rehabilitate more than one kilometre of major channel. Materials are being

sourced from a private farm dam that has been constructed by SRW for the use of materials. Beaching will be placed around corners and at the sides of structures to alleviate erosion issues. A new access track along the top of the bank will be built, giving access to regulators and also for spraying and other maintenance and operational activities.

SRW is also addressing some long-term channel bank erosion issues across the district. Some of the medium-sized channels are badly affected by erosion due to wave and wind action, meaning the banks have worn down over the years leaving very little stability. Approximately 200 to 300 metres of channel bank will be refurbished through this project. SRW is also continuing with a major tree removal program; some trees have been removed during the irrigation season, and others will be removed during the winter shutdown period. Problem trees could affect supply if they fall over or limbs fall off. Similar trees

have fallen in the past and we have been lucky not to have interruptions to supply or major damage.

### Channel inspections

In winter, while the system is empty, SRW closely inspects its critical assets – mainly earthen sections of main channels that are susceptible to failure during the irrigation season.

During these inspections, we look for:

- cracks and holes
- slumping of banks
- blockages from debris and siltation
- animal burrowing activity from foxes, wombats, rats and rabbits.

These inspections and repairs each winter reduce the potential for interrupted supply during the irrigation season. SRW also inspects its less critical assets on a rotating basis, and each asset’s condition rating is checked against the last one. Re-rating helps inform maintenance programs for the future. The inspection team is targeting the Nambrok, Sale and the Eastern areas, and each member will inspect between 20 and 25 assets a day.

### Weeds

The most prolific weed problems this season were the emergent types such as Cumbungi and Spike Rush. Using the chemical glyphosate, our staff carried out the control of these outbreaks in channels when weather conditions permitted. Contractors again undertook weed control in drains.

This winter there will also be a major focus on mechanical cleaning of some smaller channels for a build-up of weeds and silt deposits and some of the larger channels will be cleaned by contractors, as significant silt beds have been identified.

### Irrigation Districts performance against target

	Macalister	
	Target %	Actual %
Flow rate consistency (automated outlets)	85.0	82.4
Orders delivered within one day of request	95.0	97.4
Orders delivered at right time of day (am or pm)	70.0	82.8
Applications (processed within standard timeframes)	98.0	100.0
Delivery reliability	99.0	100.0
Delivery efficiency	74.0	74.4
Customer satisfaction (survey result)	80.0	82.0

### Storage operation performance against target

	Blue Rock Lake	
	Target %	Actual %
Orders released on time	97.5	100.0
Release availability	99.4	100.0
Release accuracy	86.0	96.0
Customer satisfaction	79.0	98.0



The submerged weed program during the 2014-15 season focused on main channels: Main Southern, Main Northern and the Main Sale. A total distance of 45 km was covered.

This program has been completed in-house by SRW staff for the past two seasons; channel automation is making this process a lot easier to manage with water movement controlled by remotely operated regulators. Some of the smaller channels will be treated this season using a boom off the side of a vehicle. It will pull a float (small boat) that is taken down the middle of the channel, with chemical running along the boom down to the float and mixing with water below the surface. SRW hopes this method of application will be a successful addition to the weed control program.

### Winter works for technical officers

Winter works included replacing reference sensors, manufacturing of the 150 battery packs required for the winter program, replacement of gear boxes for two gates plus replacing cables on another four gates. Technical officers were also responsible for software upgrades and identified radio communication problems. There are also jobs that will be identified while gate hibernation is taking place. Test and tag of all hand tools and hard wired yard appliances are also conducted.

### Eastern storages

Headworks East manages three large dams and three diversion weirs on the Latrobe, Tanjil, Thomson and Macalister rivers.

SRW supply water to Victoria's power generators, the MID, Gippsland Water and the environment.

Storages received average inflows during 2014-15, with very few high flow periods occurring.

Water levels in Lake Glenmaggie have gradually drawn down throughout the irrigation season, finishing with approximately 47% in store. Blue Rock Lake has remained above 90% over summer and into autumn. Lake Narracan was maintained at 55% throughout the summer for recreation purposes as directed by the Gippsland Sustainable Water Strategy. This had little to no effect on the system's water shares given that Blue Rock was well above the 80% trigger for maintaining the storage level in Narracan. Dam safety continues to be a focus, particularly with staff training and implementing improved work practices.

We have continued to focus on routine maintenance and surveillance to ensure we maintain compliance with ANCOLD guidelines. Improvements continue to be made to structures with the ongoing implementation of SCADA and structure automation. Maintaining ageing infrastructure continues to be a challenge, but the overall outstanding maintenance task list is reducing. The focus has been on completing operational, maintenance and dam safety inspection tasks as a priority this year.

## SCADA – Automation

### COWWARR WEIR

Automation of the flood gates has been completed. The site has been tested in full auto mode up to 7,000ML/d inflow and worked without incident. SRW is confident that automation of the site will greatly improve the safety of the structure and reduce the amount of intervention previously required to route a flood through the structure. CCTV cameras have also been installed to assist with monitoring the site.

### MAFFRA WEIR

Automation upgrades were completed. Although this site was already automated, changes to improve the program's functionality and performance were undertaken.

### LAKE NARRACAN

SCADA upgrades were implemented at this site to improve access to diversion penstocks. Backup power has been upgraded for improved access and control during power outages.

### BLUE ROCK LAKE

SCADA has been installed to the pump shed, allowing remote access to outlet works. This will interface with the turbine on site in the near future to allow storage operators to change the river flows remotely. CCTV has been installed to assist staff with monitoring and security of the site.

### YALLOURN WEIR

CCTV has been installed on site for security purposes.

### Eastern storage levels at 30 June 2015

	2014-15		2013-14	
	Volume (ML)	Share (%)	Volume (ML)	Share (%)
Glenmaggie	118,164ML	67%	103,857ML	58.4%
Blue Rock	208,098ML	99%	208,565ML	100%
Narracan	6,138ML	84%	3,765ML	52%



## Capital

Several minor projects were completed by Headworks staff over the past 12 months at all sites. Our capital program will be completed this year, which is a great effort from all involved.

## Surrounds management

A fire management plan was developed for Blue Rock and has been implemented. This included upgrading access tracks in heavily treed areas around the storage and providing water points for emergency services. The track network was named for identification purposes.

Weed management and erosion control continued to be an issue at the larger storages. The Southern shoreline at Blue Rock was fenced off, completing its filtration zone to improve water quality.

Erosion has been a continuing issue at Lake Glenmaggie. Repair works were started in the worst areas and the remainder were investigated and prioritised.

## Water Supply West

### Western Irrigation Business

The Western Irrigation Business manages the delivery of water to customers in the Werribee Irrigation District (WID), the Bacchus Marsh Irrigation District (BMID) and river diverters along the southern stretches of the Werribee River.

Water is supplied for vegetable crops, fruit orchards, sand quarries, Moorabool and Wyndham councils, the Werribee Tourist Precinct including the Werribee Open Range Zoo, Werribee Equestrian Centre, Werribee Mansion and the Werribee Golf Club, as well as town supplies.

The 2014-15 season was again relatively dry with rainfall significantly below average for most of the season, particularly in spring when the most water is harvested into the storages. Therefore, Melton Reservoir started the season around 10% full and received little inflow over the season. As a consequence, water was released from Pykes Creek Reservoir and Lake Merrimu throughout the season to replenish Melton and supply customers in the WID. Due to the low inflows and the volume of water carried over by customers from the 2013-14 season, the allocation reached only 70% of HRWS.

At the end of the season, most of SRW's share of Lake Merrimu had been used and Pykes Creek Reservoir was drawn down to around 50%. Therefore, the winter and spring of 2015 will be important for determining water supplies for the next two years.

Overall customer demand has been similar to recent years, and there has been increased use of recycled by WID customers. This may be due to the relatively low allocation and also customers making use of the options provided by carryover.

Overall we delivered 5,002ML of river water and 3,136ML of recycled water to the WID, and 2,535ML of river water to the BMID.

### Major works

Planning for the WID 4/1 pipeline project continued throughout the year with the first sections of pipe going into the ground in June 2015. The project runs over two consecutive winters and will be completed in August 2016.

The newly installed measurement network in the WID has been collecting data on how the system has been running and this will help identify the next stage of the pipeline.

Phase one of the Bacchus Marsh Asset Renewal Study has been completed, and work is now focusing on the engineering options for the future water supply system.

### Werribee Recycled Water Scheme

SRW supplies recycled water from the Western Treatment Plant to WID customers.

This year was the third year of supply under the new contracts. During the first two years, meeting demand for river water and recycled water proved to be difficult during peak demand. This year SRW ran the system seven days a week from November to April, and this resulted in a greater volume of recycled water being used in the district.

We also introduced a recycled water sales product, where customers could take water above their contract volume but within the total bulk supply volume. By doing so, more recycled water available to those who could use it.

The annual Regional Environmental Improvement Plan (REIP) report continued to show some excellent results from the soil monitoring tests. The results showed improvements in most soil profiles, demonstrating the sustainability of the



scheme. SRW is investigating options for the 2014-15 season, including running every day from Christmas to March.

### Western storages

Headworks West operates and maintains four large dams in the western region; three in the Werribee basin and one in the Maribyrnong basin, along with the associated diversion structures and tunnel systems.

Lake Merrimu started the year at 60% capacity and had been drawn down to 30% by the end of the season. Western Water continued to take greater volumes than in recent times due to capacity upgrades to its treatment plants and a lower reliance on the metropolitan water supply. Similarly, Rosslynne Reservoir has been drawn down from around 75% to 45%.

Pykes Creek started the year at 82% and had been drawn down to supply both the BMID and WID via Melton Reservoir and finished the year at around 55%.

### Carryover

The 2014-15 season was the first where individuals could carryover their unused water from the previous season. Just under 5,000ML was carried over.

The starting allocation for the season was 45% as some water had been stored under the previous allocation rules.

The volume carried over to the 2015-16 season is 5,940.7ML, with the starting allocation likely to be around 10% HRWS.

Given the low starting allocation and potential for dry conditions over the 2015-16 season, SRW has been discussing trading options with customers. Some customers who use a lot of water each year have bought water to secure their 2015-16 season.

### Major works

SCADA systems were installed at Pykes Creek and Melton reservoirs. This means that water releases from the reservoirs can be controlled from the planners' office in Werribee. This is a significant productivity gain with staff no longer needing to travel to the reservoirs to set the releases. It will also greatly improve the flexibility of our service to customers.

The cone valve at Pykes Creek and the riparian valve at Lake Merrimu have been rehabilitated, and performance of the Melton release valves has been improved. The roof of the Rosslynne tower has been replaced as well as the seals on the spillway.

### Irrigation districts performance against target

	Werribee		Bacchus Marsh	
	Target %	Actual %	Target %	Actual %
Volume accuracy	93.0	99.2	93.0	97.9
Orders delivered within 1 day of request	70.0	80.0	70.0	82.0
Delivery reliability	99.7	100.0	99.7	100.0
Delivery efficiency	65.0	53.2	65.0	64.9
Customer satisfaction (survey result)	65.0	71.0	75.0	77.0
Drought resilience	64.0	60.0	20.0	20.0
Water quality (recycled water)	100.0	100.0	NA*	NA*

\* Recycled water is not available in Bacchus Marsh

### Storage operation performance against target

	Merrimu Reservoir		Rosslynne Reservoir	
	Target %	Actual %	Target %	Actual %
Orders released on time	98.0	100.0	95.0	100.0
Release availability	99.6	100.0	99.6	100.0
Release accuracy	95.0	98.3	93.0	98.1
Customer satisfaction	76.0	78.0	76.0	76.0

## Recreational facilities

SRW provide recreational parks at Pykes Creek, Melton and Merrimu reservoirs.

Ensuring that visitors to the parks comply with regulations continues to be a challenge. Large numbers of people visit Pykes Creek, including those using boats and jet skis. To ensure safety for all visitors, the external compliance team has been continued. The team has worked well in often difficult circumstances, and improvements are apparent in the behaviour of visitors to the reservoir, including positive feedback.

A community consultation process was undertaken to gauge public expectations of the facilities, activities and the funding options for managing the facilities. This resulted in a Pykes Creek Management Plan, which will be implemented from 2015-16.

At Melton, the urban development along the north-eastern bank of the reservoir continues. SRW is in discussions with multiple developers to ensure that stormwater discharge infrastructure does not lead to erosion of the embankment and affect water quality.

We are also discussing options with Melton Council and Melbourne Water for managing the embankment for vegetation and recreational purposes and participating in a Melton Council advisory committee, which is gauging community expectations and options for recreational activities at the reservoir.

## Groundwater and Rivers

The Groundwater and Rivers business manages SRW's delegated licensing and regulatory functions.

The business consists of:

- assessment staff, who process all licence applications and perform administrative functions
- field operations and compliance team, which undertake meter reading and enforcement, inspect bores under construction, support the application process and are the main customer contact
- the metering group, which is responsible for meter installations, data management and maintenance programs.

### Annual highlights

There were many highlights and challenges, in 2014-15.

### Groundwater and Rivers administration performance against target

Measure	Target	Actual
Applications (processed within standard timeframes)	99.6%	99.1%
Applications (processed within target timeframes)	60.0%	91.5%
Customer satisfaction (applicant feedback)	95.4%	96.9%
Information statement errors	0	0

### Groundwater and Rivers field performance against target

Measure	Target	Actual
Compliance (enforcement actions completed within defined timeframes)	92.0%	83.0%
Inspections (10% of new D&S bores, all other new bores, dams and extraction licences)	97.0%	91.8%
Engagement (actions completed)	18	22
Customer satisfaction (survey result)	75.0%	87%
Metering program (meters compliant with metering plan)	72.0%	97.7%



## CUSTOMER CONTROL AND CONVENIENCE

SRW works closely with customers and stakeholders to give them more choice in how they interact with us. The most pleasing example so far is the automation of bore construction licences. This initiative has been a collaboration between the Department of Environment, Land, Water and Planning and water corporations. The result is that customers will be able to apply for and receive their bore construction licences online, in a very quick transaction at substantially reduced cost.

## LOCAL MANAGEMENT PLANS

### Southwest Limestone

The Southwest Limestone Plan has replaced several small groundwater management area plans with one large area plan that covers the limestone aquifer in the state's south west. This allows greater opportunities for trade, enables the introduction of carryover and delivers an important action from the Western Region Sustainable Water Strategy.

### Deutgam Groundwater Management Area (GMA)

The Deutgam GMA is an important water source for the WID and in the past has been subject to restricted pumping rights to prevent seawater intrusion. Unfortunately, the restrictions were often sudden, leaving growers with little time to plan. This local management plan introduces allocations based on groundwater levels, salinity measures and climate outlook. It provides growers with information about how allocation decisions are made, and also confidence that unexpected restrictions are very unlikely.

## GROUNDWATER ATLAS

The third Port Phillip and Western Port Groundwater Atlas was launched in August at the Hope property on the Koo Wee Rup Swamp. This was the final Atlas launch under the Southern Groundwater Futures program, completing a very successful project to engage the community and improve understanding of groundwater in the southern half of Victoria.

Following on from that success, SRW has constructed an interactive groundwater website for launch later in 2015. The site will allow people to explore and understand groundwater in their area, including basic information, trends and new data. SRW conducted several groundwater workshops connected with the Port Phillip and Western Port Region Groundwater Atlas. The workshops were very well attended and provided valuable feedback on the layout and content of the atlas.

## CURRENT AND FUTURE CHALLENGES

Adding value for customers is a high priority for SRW. Customers can now enter and access their water usage information in SRW's system. The next step is how to capture this data in the most cost-effective way while providing information that can make a real difference to how customers run their business.

Improving water trading is also a key challenge for SRW and stakeholders. During 2014-15, there was increasing use of the Watermatch website. Further initiatives are underway to encourage trade, such as contacting licence holders directly. SRW is pursuing several potential initiatives to increase the opportunities for trade while reducing the time and cost.

## Serving customers

SRW aims to be close to the many people and groups that it works with, including its customers.

### Customer engagement

SRW works and engages with customers in a wide variety of ways.

This year included customer surveys, district updates, local water reports, customer meetings, newsletters, displays at field days, open houses, fact sheets and other publications written in plain English, fact sheets translated into other languages, and more. SRW's website is constantly updated with new information.

There is a range of customer advisory and reference groups.

The main strategic aim is that customers believe SRW provide great service at affordable prices.

Customer committees play the crucial role of providing customer views, which help SRW to pursue this aim. Their input is greatly valued.

## Water Supply (Irrigation)

SRW must understand its customers' needs and desires, so we can provide water supply to customers in the best possible way.

To complement work with individual customers, SRW has a formal consultation process to ensure customer input into our operations and long-term planning.

SRW's core committees are the:

- Macalister Customer Consultative Committee
- Werribee Bacchus Marsh Customer Consultative Committee
- Wellington Community Salinity Group.

These committees are responsible for:

- providing a customer's view on key business issues
- building an understanding of issues facing customers, and identifying current and future expectations
- working with staff to develop business plans that identify prices, investment priorities and service/performance measures and standards
- improving relationships with customers through communication, problem solving and dispute resolution
- linking the business to the community.

The committees meet on a monthly or bi-monthly basis and contribute to developing plans and responses for both immediate and longer-term issues.

These committees are sometimes supplemented with working groups and other committees as required.

## Groundwater and Rivers

SRW consults with water users across southern Victoria on the wide range of services provided through the Groundwater and Rivers business.

The core committee is the Southern Groundwater and Rivers Forum, which meets quarterly.

This committee provides:

- a forum to help shape SRW's approach to operations and policy implementation
- high-level input into plans for the Groundwater and Rivers business
- a strong communication link between SRW and its licence holders.

In the more intensive areas of groundwater and surface water use, SRW maintains local area committees to review aquifer and river response, especially in times of drought.

These committees meet annually.

## Headworks

The Headworks business has a small number of customers (generally bulk entitlement holders). There are processes in place to meet both the consultation requirements of the bulk entitlements and to ensure regular engagement with these customers, including:

- management and operational staff meet with customers several times a year to share and discuss policy, strategic and operational matters
- bulk entitlement meetings, where bulk entitlement holders and resource managers meet to discuss storage operator charges, forward capital estimates, environmental matters and operational issues.

## Customer service improvements

One of SRW's trademark behaviours is customer obsessed, and several of our strategic objectives focus on customers (including customer control and convenience, more water for production, and modernising irrigation assets). SRW has several significant cross-business customer service improvement projects underway, including:

- making all transactions available online
- better systems for managing customer data
- a focus on breakthrough operation expenditure reduction, in order to return either lower prices or better service to customers.

SRW again participated in the Customer Service Benchmarking Australia (CSBA) mystery shopper survey and ranked second out of 24 participating Australian water authorities. Customer service staff continue to work on improving the way we interact with customers.



## Feedback

All feedback is valuable.

SRW seeks feedback from its customers and stakeholders in many ways, including:

- customer committees
- regular surveys of customers in all businesses
- feedback forms sent to all licence applicants
- regular stakeholder meetings
- Board meetings being conducted across the state involving visits and meetings with customers and stakeholders
- staff talking to customers as they visit their properties
- customer feedback via our website.

Customers who feel that a complaint has not been satisfactorily resolved can contact the Energy and Water Ombudsman Victoria (EWOV) on 1300 500 509.

## Cultural diversity

SRW recognises and supports cultural diversity.

We have a culturally diverse customer base, particularly in the intensive vegetable growing districts of Werribee and Bacchus Marsh and areas such as the Koo Wee Rup Swamp, where a portion of customers are from non-English speaking backgrounds.

During 2014-15, we continued to develop accessible information using plain English, information mapping and translations where appropriate. This has simplified communications with customers, as well as internal and stakeholder communications.

## Indigenous affairs

SRW seeks to advance its understanding and recognition of indigenous social, spiritual and customary rights. During 2014-15 actions included:

- referring new licence applications to traditional custodian groups as part of the public processes
- inviting a guest speaker to the annual staff conference to talk about the cultural significance of water to indigenous communities
- consulting indigenous groups when planning for any major project on waterways
- supporting NAIDOC Week activities.

SRW's policy on the Involvement and Acknowledgement of Traditional Custodians requires that for ceremonial events, SRW will:

- identify, and liaise with, the relevant group of traditional custodians
- contact traditional custodians well in advance of planned ceremonial events and invite traditional custodian participation
- invite an appropriate representative of the traditional custodians to make a welcome to country statement
- formally acknowledge traditional custodians.

## Social sustainability

### Hardship and drought

SRW knows that a range of personal and external issues – including a hot and dry summer, market fluctuations and personal hardship – often affects many of customers' businesses.

SRW continues to operate a Customer Hardship Policy. This formalises payment plan arrangements, where an account service fee is levied for those customers who opt for an individual payment plan. Interest is not charged where an account service fee applies, which acts to lower the cost to the customer while allowing SRW to recoup adequate charges to meet its cost of debt.

The policy states that where customers experience hardship, SRW will seek to understand their situation and find responses that are mutually acceptable.

This may involve individual discussions with customers or with customer consultative committees. Solutions will be tailored that assist the customer and do not negatively affect SRW's financial performance (such as waivers or rebates) or require cross subsidy from other customers.

### Community service obligations

During 2014-15, SRW granted \$13,845.68 in pensioner concessions. This compares with \$13,766.84 the previous year.

## 04

## Working with stakeholders

## Working with stakeholders

Building effective working relationships with stakeholders is crucial to Southern Rural Water (SRW). One of our primary aims is to meet defined stakeholder obligations – on time and in full.

SRW also seeks to work with stakeholders at a deeper level and where we have common interests, to help them meet their objectives within relevant policy constraints.

SRW's region includes the metropolitan wholesale water corporation, six metropolitan retail water corporations, three retail urban corporations, five catchment management authorities, more than 25 rural municipalities and many more councils in urban Melbourne.

SRW also works closely with other State Government agencies – especially the Department of Environment, Land, Water and Planning (DELWP) – in its delegated licensing functions, as well as the Environment Protection Authority, Department of Health and the Essential Services Commission.

Some of the many other stakeholder groups we work with include:

- the responsible Minister and her staff
- Department of Treasury and Finance
- primary industry groups such as the Victorian Farmers Federation
- Environment Victoria
- Federal Government agencies such as the Bureau of Meteorology
- the Energy and Water Ombudsman of Victoria
- environmental and sustainability groups
- regional development organisations.

SRW welcomes the challenge of maintaining close working relations with these entities.

We have developed a suite of approaches to suit the different situations of each stakeholder. These include regular senior management meetings with:

- Wellington Shire Council for the Macalister Irrigation District (MID) and Lake Glenmaggie; Wyndham City Council for the Werribee Irrigation District (WID); Moorabool Shire Council for the Bacchus Marsh Irrigation District (BMID), Pykes Creek Reservoir and Merrimu Reservoir; and Melton Shire Council for the Melton Reservoir
- Melbourne Water, West Gippsland Catchment Management Authority and Port Phillip and Westernport Catchment Management Authority, about land and water resource management issues and initiatives, particularly for irrigation districts and storages
- Bulk Entitlement meetings for the Latrobe and Werribee/Maribyrnong systems with the entitlement holders.

SRW relies on a less structured but close dialogue with other municipalities, water corporations and catchment management authorities across southern Victoria.

We also contribute to development and implementation of policy with the DELWP, and the Environment Protection Authority.

## Involved in communities

### Sponsorship

SRW is committed to building its relationship with the communities it serves in southern Victoria. One of the ways we do this is through sponsorship.

Sponsorship focuses on not-for-profit activities which either:

- strengthen local communities
- promote sustainable environmental practice
- educate, particularly on water-related topics.

SRW provides sponsorship to community groups and organisations, industry events or activities and to staff involved in charitable events or extraordinary not-for-profit personal endeavours.

For example, this year we provided sponsorship to Boisdale Consolidated School towards the construction of its new student kitchen.

### Community involvement

SRW staff are involved in local communities in many ways.

They attend numerous community events to promote rural water awareness. During 2014-15, staff attended events such as Farm World at Lardner Park, Sheepvention Field Days and the Blackwood Residents Group annual meeting. SRW hosts numerous tours for local schools, community groups and international aid groups, particularly in our irrigation districts and at our large dams. Under the auspices of Water Week, we host children from local primary schools on specifically designed tours in irrigation districts.

# 04

## Working with stakeholders

SRW works with local community groups such as Landcare and with community groups who wish to use facilities, such as the Melbourne Speedboat and Runabout Club and sailing groups. SRW staff take on additional roles representing SRW on or at groups such as:

- VicWater Red Tape Working Group
- Macalister Irrigation District Sustainability Committee
- Bunyip Foodbelt Steering Committee
- VicWater Sustainability Taskgroup
- Department of Health Safe Drinking Water Regulation Review
- MID Sustainability Group (chaired by the WGCMA)
- Wellington Community Salinity Group
- Werribee South Steering Committee
- Western Treatment Plant Community Liaison Committee
- Clean Coal Victoria Advisory Committee
- Wyndham Harbour Development Stakeholder Reference Group
- Latrobe Valley Mines – Regional Groundwater Management Committee
- Gippsland Water and Earth Resources Coordination Committee
- Committee for Geelong – Leaders for Geelong Alumni
- HR Professionals Network Geelong
- Victorian Water Industry Association – Asset Revaluation Expert Group
- Newry and Tinamba discussion groups
- Focus Farms Group
- MEC Committee
- Wellington Shire MERC Committee

- Gippsland Regional Water Monitoring Partnership
- South West Regional Water Monitoring Partnership
- Melton Weir Development Advisory Committee
- City of Greater Geelong Water Taskforce Committee
- City of Ballarat Water Resources Committee
- Corangamite Regional Inland Acid Sulphate Soil Steering Committee
- Glenelg Hopkins Catchment Management Authority Wetland and River Health Advisory Committee
- NRM Reference Group – WestVic Dairy (Dairy Australia)
- Barwon Region Integrated Water Cycle Management Group
- Glenelg Hopkins Catchment Management Authority RCS
- Corangamite Catchment Management Authority RCS Project Partner group
- Border Groundwaters Agreement Review Committee.

SRW staff also choose to be involved in many community fundraising activities. During 2014-15, these have included the Central Gippsland Health Service cycle relay, Australia's Biggest Morning Tea and our annual 'Rusty Shovel Golf Day' raising funds for charity.

### Freedom of information

SRW is considered to be a government agency under the *Freedom of Information Act 1982* and is required to comply with procedures that have been prescribed, which allow members of the public to gain access to information held by agencies.

A decision to release information is made by Hayley Johnson, our Freedom of Information Officer.

During 2014-15, SRW received five requests for information under the Act.

Reviewing	
Internal review	0
Appeal hearing	0
Review by FOI Commissioner	0
Result	
Information released in full	2
Information released in part	2
Information not released	1
No documents/cancelled request	0
Response still required	0

### How to make an application

An application fee of \$27.20 applies at the time of this report's publication.

All freedom of information requests should be sent to:

The Freedom of Information Officer,

Southern Rural Water

PO Box 153

Maffra, VIC, 3860

For more information, please call SRW on 1300 139 510.



# 05

## Technical and environmental support

### Technical Services

The Technical Services group provides technical services and leads several major strategic projects including:

- MID2030 – which outlines the modernisation strategy for the Macalister Irrigation District (MID)
- Western Irrigation modernisation – which plans the renewal of the Werribee and Bacchus Marsh irrigation districts (WID and BMID)
- Southern Groundwater Futures – which provides information on groundwater for customers and the community.

The group provides:

- asset management services
- long-term capital planning
- planning and delivery of major capital projects
- water resource planning
- environmental expertise.

### Asset management

The project to install our new asset management software, Authority has been completed. The system provides:

- an asset register for all headworks, irrigation and meter assets
- work management to record maintenance, inspections and repairs.

This project is progressively building up the history of the maintenance and condition of assets, providing information for analysis and planning of future maintenance and capital projects.

Additional supporting functionality will be rolled out over the coming months, including GIS data analysis and the use of tablet computers in the field.

Now that the software implementation is complete, the management group is broadening its focus to the oversight and overall improvement of asset management for Southern Rural Water (SRW).

### Irrigation assets

#### MACALISTER IRRIGATION DISTRICT

The MID2030 Project is continuing and MID2030 Phase 1A is progressing well. The project will increase the amount of food produced in the region, and boost the local and state economy. The initial phases are estimated to return 12,300ML of water per year to productive use.

By August 2015, more than \$16M of modernisation works will be complete.

The 2015 winter works program includes:

#### *Eastern and Southern-Cowwarr regulator retrofit program*

This program involves replacing manual regulators with automated flume gates and slip meters. The works involve installing 57 regulators in the Southern-Cowwarr system and 19 in the Eastern system throughout winter 2015.

The program looks at rationalising the assets to save costs. This has led to 21 regulators being removed in the Southern-Cowwarr system and 18 in the Eastern system. A further 45 possible regulator rationalisations are being investigated.

The program has resulted in these achievements and forecast benefits shown in the table below.

### *Southern-Tinamba pipeline design project*

The Southern-Tinamba supply area has a combination of soils, from tight soils that are well suited to channels to loose sediments that make it difficult to construct watertight channels. SRW is developing a 'shovel ready' design to modernise the supply zone using an innovative combination of piping and channel automation. The design is nearly complete and is due in late 2015.

#### *Outlet rationalisation program*

This program targets previously automated parts of the system in the Southern-Cowwarr and Eastern supply zones, where customers are willing to consolidate and modernise their on-farm irrigation outlets.

The benefits include:

- better service for customers, as the modernised outlets give higher and more reliable flows and will close and open automatically
- increased on-farm productivity, which will lead to increased regional productivity
- more accurate water measurement.

	2014 actual		2015 forecast	
	Southern-Cowwarr	Eastern	Southern-Cowwarr	Eastern
Outlets abandoned	5	6	51	32
Outlets upgraded	3	4	20	17
Channel abandoned (km)	0.4	-	12.9	2.2
Water savings generated (ML)	77	25	472	318



The outlet rationalisation program started in 2013 and has upgraded 40% of the outlets and abandoned 60%. This has delivered 872ML of water savings plus an added bonus of abandoning of 1.7 km of channels.

Year	Outlets upgraded	Outlets abandoned
2013	14	18
2014	5	11
2015 (forecast)	19	30
Total	38	59

### Western irrigation

The WID 4/1 Pipeline Project is underway, with construction works starting in May 2015.

The plan is to construct the 6 km pipeline in two stages over the 2015 and 2016 winters. The new pipe will replace ageing and inefficient channels.

Some of the project benefits include:

- saving approximately 600ML of water by eliminating seepage from the channels
- improving community safety by removing open channels
- reducing maintenance
- improving operation and delivery of water to customers
- more land for production.

A long-term plan for the BMID is in progress and will be completed in 2015. Phase 1 was completed in 2015 and outlined a business as usual outlook to maintain the district's current configuration and ageing delivery system.

In 2016, SRW will assess options to modernise the district and reduce losses. We will discuss these plans with customers and stakeholders in the second half of 2016.

### Headworks assets

The major capital projects in the \$3M capital program were:

- \$0.6M Spillway Gate Painting at Glenmaggie Dam
- \$0.3M anchor testing platform at Lake Glenmaggie
- \$0.2M replacement of roofs over the piers at Lerderderg Weir.

The painting project at Glenmaggie Dam involved stripping and painting two spillway gates. The coating on these gates was more than 20 years old and in poor condition. The painting contractors had to enclose the gates so that all stripped material was captured and safely removed from the site. The project commenced in April 2014 but a rapid increase in storage level in June 2014 stopped the works. The works recommenced in March 2015 and were completed in May 2015.

The anchor access platform at Glenmaggie will allow staff to safely access the spillway anchors for periodic testing. The unsafe access platform had prevented anchor testing since 2005.

The roofs over the piers at Lerderderg Weir were in poor condition and had some design flaws. The main issue was that they drained internally and if there was any blockage or leak in the gutters, the overflow went straight into the operating room. In one case, this resulted in a power failure.

### Sustainability

SRW continued its Environmental Management System and held regular training programs for staff to ensure they remain aware of environmental matters. In the MID, we have established a new nutrient monitoring system, in conjunction with West Gippsland Catchment Management Authority (WGCMA), Department of Environment, Land, Water and Planning (DELWP) and Environment Protection Authority (EPA), which is providing greater clarity around nutrient discharges from the district. The group manages the salinity pumps in the MID to control water table levels and monitors blue green algae (BGA) at storages. The team continued to manage SRW's disposal of surplus land.

## Water resources

Launched in August 2014, the Port Phillip and Western Port Groundwater Atlas is the final atlas in the three Atlas series covering the entire region.

SRW wants to make groundwater information easy to access, so SRW are presenting the atlases and other groundwater information on a website. This website is due to be launched in July 2015.

The Groundwater and Rivers Group was able to complete the South West Limestone and Deutgam local management plans with assistance from the Technical Services Group. These are the first of a program of surface water and groundwater areas that will have plans written.

The Lindenow Water Security project assessed the viability of an off stream storage on the Mitchell River taking into account demand, reliability and environmental issues.

## Emergency preparedness

SRW prepares for emergency management by training staff, maintaining emergency plans and testing these plans. There were two exercises to test the plans in 2014-15.

The test held in November 2014 included other emergency agencies and used scenarios at the eastern dams including earthquake, extreme flood and water contamination. It was our second test in the east that included the State Emergency Service (SES), DELWP, Victoria Police, Country Fire Authority (CFA), Gippsland Water, West Gippsland Catchment Management Authority and local councils. We received positive feedback from participants. The test improves staff skills, creates networks with other emergency agencies and allows us to identify where we can improve our plans.

In May 2015, SRW held a Security Risk Management Plan Exercise, which is a legal obligation. This year it was based on The western dams. External participants included the Victoria Police, DELWP and the City of Wyndham. SRW used it as an opportunity for capacity building by using less experienced staff in major roles and assigning them mentors throughout the exercise. The exercise went very well, and the external attendees gave positive feedback.

SRW joined in state and national security and business continuity networks to remain abreast of issues and good practice.

Following the increase in the national security alert level in September 2014, SRW increased surveillance at its dam sites before returning to normal in February 2015.

## Environmental sustainability

### Environmental performance

SRW's aim is to be an environmentally sustainable business.

The Environmental Policy supports this aim and outlines how we seek to meet our environmental responsibilities.

SRW:

- knows the environmental aspects of its operations and how they affect the natural environment and communities it serves
- continually improves the way it operates to reduce these impacts
- works towards achieving best practice environmental sustainability
- ensures that staff are aware of their obligations through training and support
- complies with all relevant legislation, policies and regulations

- continually monitors its performance against agreed objectives
- engages with customers and the wider community to enhance their knowledge of the water cycle and water use efficiency.

To ensure these outcomes are achieved, SRW maintains an Environmental Management System (EMS) consistent with ISO 14001. The EMS provides an understanding of the potential environmental risks of our activities and efficient ways to minimise these risks.

To continue to improve the sustainability of operations, SRW also:

- finds ways to save water and improve water use efficiency
- minimises its impact on the natural environment
- improves resource efficiency with a view to becoming carbon neutral
- reduces waste and improves recycling.

SRW has developed several programs and activities designed to promote sustainability within its business. Many of the programs are ongoing.



## Sustainable water use

### The efficiency of irrigation systems

Stage name	Completion date	Water savings target	Audited water savings
Outlet Rationalisation Program Stage 1	16 August 2013	350ML	338ML
MID2030 Leading Works Program Stage 1 – Eastern Regulator Retrofit Program	16 August 2012	1,050ML	1,343ML
MID2030 Leading Works Program Stage 1 – Heyfield Regulator Retrofit Program	16 August 2013	920ML	1,200ML

Modernisation plans for the MID to reduce losses and increase service levels. The table lists the stages and target savings from these investments.

Investments and initiatives to improve the efficiency of the WID include:

- replacement of the 4/1 sub-system channels with pipes has commenced and will save 600ML. Works will be completed in 2016
- a measurement network across the WID supply system is now complete. The network is providing accurate flow measurements for analysis and understanding of WID losses.

For the BMID, the major source of losses is the Main Channel. Reconfiguration options for BMID have been developed to avoid the Main Channel and are currently being developed to inform future investment decisions.

## Other statutory obligations

### Regional catchment management strategies

SRW has five catchment management authority (CMA) partners across its region: Corangamite, East Gippsland, Glenelg Hopkins, Port Phillip and Westernport, and West Gippsland. Each CMA has a Regional Catchment Strategy, which sets directions, strategies and actions to be pursued by all catchment partners.

SRW supports each Regional Catchment Strategy through:

- continued strengthening of the licensing of surface and groundwater, including further development of public processes and increasing rigour in the information provided in support of applications
- production of local management rules for groundwater and rivers
- a continuing program to meter all significant water users, including reducing thresholds for when a meter will be fitted and metering water in dairy sheds using 10ML or more
- contributing to river monitoring through regional monitoring partnerships, such as the Gippsland Regional Monitoring Partnership

- contributing to local catchment plans such as the Macalister Land and Water Management Plan
- support for Victoria's Water Recycling Action Plan through the WID Recycled Water Scheme
- contributing to managing irrigation-induced salinity in the MID through the local Salinity Management Plan and the installation and operation of groundwater control pumps.

In the case of the West Gippsland strategies, SRW plays a major role in the implementation of the Macalister Land and Water Management Plan, ia an active participant in the MID Sustainability Group and manages a major nutrient monitoring program.

The purpose of the MID Sustainability Group is to address the overarching sustainability issues that face the MID. It aims to bring together stakeholders and technical expertise to adopt a holistic approach in ensuring a sustainable future for water in the MID.

### Victorian Biodiversity Strategy

SRW recognises the ecological linkages between different parts of the environment (e.g. streams, streamside vegetation, and the biodiversity they support) and is aware that our actions and strategies influence biodiversity conservation.

SRW aim is to work with other stakeholders to implement initiatives such as Regional Catchment Strategies.

## Victorian waterway management strategy

The Victorian River Health Strategy provides a framework to manage and restore our rivers over the long term.

Key elements of the strategy relevant to SRW are:

- facilitating the movement of water to its highest value use
- providing and managing water for the environment
- restoring flow-stressed river systems.

## Greenhouse gas emissions

Water will be a key area of vulnerability as a result of climate change, with changes in rainfall, temperature, evaporation and humidity patterns. In 2014-15, SRW continued to work closely with its regional partners and local communities to understand the potential effects of climate change on our water and drainage systems.

SRW is focusing on using more fuel-efficient vehicles. A partnership with Greenfleet offsets carbon emissions from our vehicle fleet through the planting of native forests. SRW has also purchase green power for the majority of our electricity needs. In addition, it has have commercial contracts with energy suppliers to operate hydro-electric schemes at Blue Rock and Glenmaggie and is currently looking at other opportunities in our network to generate renewable energy. These initiatives, combined with the use of solar cells in the field, significantly reduce SRW's carbon footprint.

The table on pages 26 and 27 provides a summary of SRW's greenhouse gas emissions for 2014-15.

## State Environment Protection Policy

### SEPP (WATERS OF VICTORIA)

Under the State Environment Protection Policy (Waters of Victoria), SRW and other relevant water corporations are required to work with the DELWP, the EPA, and CMAs to identify a credible, independent audit system and use it to audit the impact of irrigation drain discharges on surface waters. SRW is also required to have a Nutrient Reduction Plan.

SRW prepared a Nutrient Reduction Plan, but it has since been replaced by the more comprehensive plan, the Macalister Land and Water Management Plan. Administered by the West Gippsland CMA with strong support from SRW, the plan provides strategic direction for the management of land and water in the MID and surrounding dryland areas. The plan has a particular focus on reducing the impact of the land and water assets on the Gippsland Lakes, and also integrates the management of other natural resources in the MID and surrounding dryland areas, including biodiversity, wetlands, floodplains, waterways and groundwater.

SRW has operated a nutrient monitoring program for more than 10 years. Originally based on a drain monitoring program approved by the EPA, the program was replaced by a river-based monitoring program in 2014. The new program was developed in conjunction with the West Gippsland CMA, DELWP, EPA, Gippsland Lakes Ministerial Advisory Committee (GLMAC), Thiess, Sinclair Knight Merz and the University of Melbourne to provide a more accurate method for estimating discharge loads from the district.

## Corporate water consumption

SRW's corporate water consumption for 2014-15 was 1,955 kilolitres. Total consumption of five kilolitres per 156.49 full-time equivalent employees located at all sites was based on water used for amenities, lawns, gardens, vehicle washing and miscellaneous uses as well as for capital projects and construction.



## Reporting of office-based environmental data

Energy use				
Energy	Description		Unit	Amount
E1	Total energy usage segmented by primary source (including Green Power)	Electricity	Mj	1,594,084
		Natural gas	Mj	72,406
		<b>Total</b>		<b>1,666,491</b>
E2	Greenhouse gas emissions (GhGE) associated with energy use, segmented by primary source and offsets	Electricity	Tonnes CO <sub>2</sub>	0
		Natural gas	Tonnes CO <sub>2</sub>	4
		<b>Total</b>		<b>4</b>
E3	Percentage of electricity purchased as Green Power		% Total Energy Consumption	100
E4	Units of office energy used per full-time equivalent (FTE)		Mj/FTE	10,649
E5	Units of office energy used per unit of office space		Mj/m <sup>2</sup>	322

Waste production				
Waste	Description		Unit	Amount
Ws1	Total units of waste disposed of by destination	Landfill	Tonnes	36
		Recycle	Tonnes	38
		<b>Total</b>		<b>74</b>
Ws2	Units of office waste disposed of per FTE by destination	Landfill	Kg/FTE	230
		Recycle	Kg/FTE	244
		<b>Total</b>		<b>474</b>
Ws3	Recycling rate		% total waste	51
Ws4	GhGE associated with waste disposal		Tonnes CO <sub>2</sub>	43

Paper use				
Paper	Description		Unit	Amount
P1	Total units of A4 paper equivalent used		Reams	1,409
P2	Units of A4 paper equivalent used per FTE		Reams/FTE	9
P3	Percentage of recycled content of paper purchased		%	72

Water consumption				
Water	Description		Unit	Amount
W1	Total units of metered water consumption by water source		KL	1,955
W2	Units of metered water consumed in offices per FTE by usage type		KL/FTE	5

## Transportation

Transport	Description		Unit	Amount
T1	Total energy consumption segmented by vehicle type	Diesel	Gj	13,905
		Petrol	Gj	2,726
TOTAL				16,631
T2	Total vehicle travel associated with entity operations segmented by vehicle type	Diesel	Km	4,360,248
		Petrol	Km	1,902,295
TOTAL				6,262,543
T3a	Total GhGE associated with vehicle fleet segmented by vehicle type	Diesel	Tonnes CO <sub>2</sub>	1,079
		Petrol	Tonnes CO <sub>2</sub>	210
TOTAL				1,289
T3b	GhGE associated with vehicle fleet per 1,000km segmented by vehicle type	Diesel	Tonnes CO <sub>2</sub> /1,000km	0.223
		Petrol	Tonnes CO <sub>2</sub> /1,000km	0.096
TOTAL				0.319
T4	Total distance travelled by air		Km	58,658
T5	Percentage of employees regularly (>75% of work attendance days) using public transport, cycling, walking or carpooling to and from work or working from home by locality type		% of total employees	0%
			Metro Regional	4%

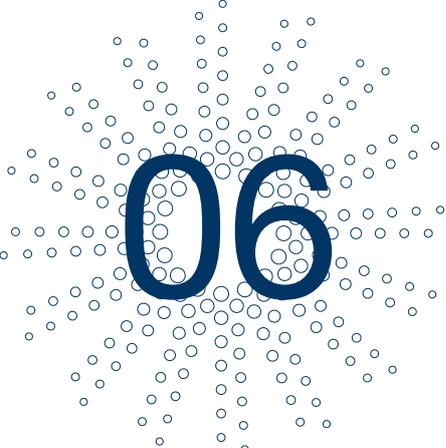
## Greenhouse emissions by activity

GhGE			2010-11	2011-12	2012-13	2013-14	2014-15
G1	Total GhGE associated with energy use	Tonnes CO <sub>2</sub>	5	5	3	5	4
G2	Total GhGE from vehicle fleet	Tonnes CO <sub>2</sub>	1,130	1,169	1,274	1,265	1,289
G3	Total GhGE from air travel	Tonnes CO <sub>2</sub>	6	5	6	7	6
G4	Total GhGE associated with waste disposal	Tonnes CO <sub>2</sub>	44	42	43	47	43
G5	Total GhGE offsets purchased	Tonnes CO <sub>2</sub>	1,130	1,169	1,274	1,265	1,289
G6	Any other known GhGE associated with other activities	Tonnes CO <sub>2</sub>	0	0	0	0	0
Net GHG emissions			55	52	52	59	53

## Energy consumption (Mj)

			2010-11	2011-12	2012-13	2013-14	2014-15
E6	Total energy usage, segmented by primary source (including GreenPower)	Electricity	1,493,168	1,535,958	1,606,454	1,509,366	1,594,084
		Natural Gas	88,444	100,324	53,285	104,150	72,406
Total			1,581,612	1,636,282	1,659,739	1,613,516	1,666,490





# 06

## Learning and growth

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### Leadership team

The Southern Rural Water (SRW) leadership team includes:

#### **CLINTON RODDA MANAGING DIRECTOR**

Clinton joined SRW in 2005 after spending 17 years in the utilities sector and 10 years in management consulting. He has been Managing Director since 2009. Clinton has previously held senior management roles with Energy Brix and Eastern Area Power Grid and has worked nationally and internationally as a consultant. Clinton holds a Bachelor of Business, a Master of Business Administration, a Diploma in Ontological Coaching and is a member of the Australian Institute of Company Directors. Clinton recently completed the 'Leader of the Future' program with JMW Consultants Inc.

#### **PAUL BYRNES GENERAL MANAGER TECHNICAL SERVICES**

Paul joined SRW in 1999, having held technical positions in several rural water authorities. He brings a strong background in water and asset management. He has had a lead role in establishing strategic reviews of the irrigation districts and in implementing major water saving and technology projects. Paul holds a Bachelor of Engineering, Graduate Diploma in GIS and Remote Sensing and a Graduate Certificate in Water Engineering.

#### **CRAIG PARKER GENERAL MANAGER GROUNDWATER AND RIVERS**

Craig started with SRW in 2000 as a field officer in the Moe office. He has worked in many roles within the business and was appointed Manager Groundwater and Rivers in early 2008, and then General Manager Groundwater and Rivers in 2010. He is actively involved in customer committees to be able to understand the challenges faced by farmers.

#### **EDWARD SMITH MANAGER WATER SUPPLY WEST**

Edward was appointed as Manager Water Supply West in mid-2011. He joined SRW in December 2006 as the project manager for the unbundling of water entitlements in SRW's regulated systems, which gave him a broad understanding of how irrigation districts work. He has also been involved in the transfer of unregulated licence information to the State Water Register. Before his current appointment, he worked on several strategic projects including the balanced scorecard. Edward has worked as a business analyst for an asset management company maintaining and upgrading the London Underground rail system.

#### **TERRY CLAPHAM MANAGER WATER SUPPLY EAST**

Terry was appointed as Manager Water Supply East in November 2011. With a mechanical background in the automotive and offshore drilling industries, he joined the Rural Water Commission (now SRW) in 1987 to work in field operations. Since then he has held planning, coordination and supervisory roles, and been instrumental in developing and implementing environmental and efficiency projects in the Macalister Irrigation District.

#### **STUART WRIGGLESWORTH CHIEF FINANCIAL OFFICER**

Having grown up on a family farm supplied from the Macalister system, Stuart joined SRW as Finance Manager in late 2005 and was appointed Chief Financial Officer in 2011. He has six years' experience working in professional practice for Pricewaterhouse Coopers in Melbourne and South Africa, as well as over five years in the UK working in finance and accounting roles for a number of commercial and public sector businesses. Stuart holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants.



## BRIAN CARR COMPANY SECRETARY

Brian joined SRW in March 2009 after having served as Corporate Secretary of Goulburn-Murray Water for 12 years. His earlier career included work in insurance, investments and property investment. He holds a Bachelor of Economics and is a Fellow of the Governance Institute of Australia.

## LINCOLN EDDY MANAGER STRATEGY AND PERFORMANCE

Lincoln joined SRW in 1997 as a Project Accountant, and was appointed Manager Financial Services in 2000. He was appointed Manager People and Performance in late 2009, and took up the role of Manager Strategy and Performance in 2014. Lincoln holds a Bachelor of Business and has previous experience as an accountant in the education sector, as well as a period running his own manufacturing business.

## JANET GRANGER-WILCOX MANAGER PEOPLE AND CUSTOMER SERVICE

Janet spent 12 years in journalism before moving into public relations, working in the rural sector in Victoria as well as in the disability sector in Sydney and Melbourne. She joined SRW in 2006 as its Communications Manager and was appointed as Manager People and Customer Service in 2014. She holds a Master of Arts in Communication Management.

## Workforce data

As at 30 June 2015, there were 163 people employed at SRW. By comparison, at the same time last year SRW employed 166 people.

### Breakdown of staff by function as at 30 June 2015.

Category	2014-15		2013-14	
Executive officers	5	3%	5	3%
Senior management	8	5%	7	4%
Administration staff	29	18%	31	19%
Finance staff	9	6%	9	5%
Operational staff	112	69%	114	69%
<b>Total</b>	<b>163</b>		<b>166</b>	

### Comparative staffing numbers by gender and employment category, 2012 to 2015

Category	2014-15		2013-14		2012-13	
<b>Female</b>						
Permanent full-time	22	13%	22	13%	22	14%
Permanent part-time	14	9%	16	10%	16	9%
Temporary full-time	0	0%	0	0%	0	0%
Temporary part-time	1	1%	0	0%	0	0%
	<b>37</b>	<b>23%</b>	<b>38</b>	<b>23%</b>	<b>38</b>	<b>23%</b>
<b>Male</b>						
Permanent full-time	113	69%	121	73%	118	73%
Permanent part-time	7	4%	7	4%	5	3%
Temporary full-time	6	4%	0	0%	1	1%
Temporary part-time	0	0%	0	0%	0	0%
	<b>126</b>	<b>77%</b>	<b>128</b>	<b>77%</b>	<b>124</b>	<b>77%</b>
<b>Total</b>	<b>163</b>		<b>166</b>		<b>162</b>	

Staff service in excess of 10 years	Male no.	Female no.
10–15 years	26	7
15–20 years	14	3
20–25 years	7	1
25–30 years	1	0
More than 30 years	17	0

Reason for cessation of employment	2014-15
% turnover of total staff	6.7%
Resignation	2 staff members
Retirement	5 staff members
Dismissed	4 staff members

## Our people

SRW employs 163 staff across its 20 southern Victorian work sites. Employees work within irrigation, headworks, groundwater and rivers, engineering, technical and corporate functions.

The SRW Enterprise Agreement 2014 (EA) is the main industrial agreement that regulates staff pay and conditions. The EA was negotiated in 2014 and approved by the Fair Work Commission for a period of three years until the end of September 2017.

SRW also employs five executives including the Managing Director under contract conditions regulated by the State Government Executive Remuneration Panel.

An Employee Consultative Committee (ECC) provides a forum to discuss and resolve industrial issues. The ECC can also consider issues and redress claims of unfair or unreasonable treatment.

Position descriptions are in place for each role.

SRW selection process assesses candidates against advertised job prerequisites and selection criteria, based on the merit and equity employment principles established under the *Public Administration Act 2004*. All new employees receive a formal induction.

Pay and entitlements are administered in accordance with signed employment contracts and approved industrial agreements.

SRW is an equal opportunity employer and operate a smoke-free work environment.

There is a range of measures in place to ensure SRW provides equal employment opportunities, including policies and procedures, seven trained internal Equal Opportunity Contact Officers and regular reviews of our compliance with legal and

government obligations. Training to deal with bullying and harassment was provided to staff during the year.

The SRW Women's Network, Aurora, has been a self-managing team for over 10 years. Aurora's annual conference attracts women from all levels of SRW. This year, Aurora welcomed a small number of men to the conference to engage and expose them to opportunities and challenges faced by women.

Performance Development Planning (PDP) continues to be a major focus. The PDP program provides a forum for line managers and employees to discuss key job objectives, performance plans and development. Training and development needs are assessed and actions put in place for the year ahead.

SRW worked with VECCI and DDI to provide a range of business training for staff. Some employees are studying a higher level Certificate 3, 4, diploma and university degree level course. Four senior managers completed the 'Leader of the Future' course with JMW Consultants Inc, and a further four have begun this training.

SRW believes that to achieve a high performance culture, we need to embrace trademark behaviours considered critical to success. These are:

- United
- Customer obsessed
- Ambitious
- Results driven
- Energetic.

Internal 'trademark behaviours' facilitators are working across SRW to make the trademarks meaningful to every employee, and the new language is quickly spreading across the organisation.

## Employment and conduct principles

SRW is committed to applying merit and equity principles when appointing staff. The selection process ensures that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

## Diversity Action Plan (workforce inclusion)

SRW is working towards creating a balanced working environment where equal opportunity and diversity are valued.

A Diversity Action Plan has been in place since 2013 (see below for reporting against progress), which includes goals and/or actions relating to staff diversity in gender, age, disability, Aboriginal and Torres Strait Islander (ATSI) and non-English speaking backgrounds. This plan is being reviewed, and new targets and areas of focus will be set in the 2015-16 financial year.

## What have we done?

SRW has partnered with National Disability Recruitment Service (NDRS) and improved its recruitment processes to make our roles more attractive to people with disabilities.

When there are job vacancies, we want to attract applications from people with disabilities, so vacancies are shared with NDRS and its networks. SRW recruitment materials, state its commitment to making practical adjustments to our workplace to accommodate access and support needs.

The Aurora network is open to all women and focuses on supporting, developing and empowering women in their lives and careers. To attract women applicants SRW has updated its templates to include statements that encourage women to apply.

SRW talks about flexibility, use gender balanced photographs and highlight its commitment to equal opportunity.

To bring more young people into the organisation, SRW have re-established its traineeship program. SRW offers placement opportunities for university students and work with people nearing retirement to transfer their valuable knowledge to their colleagues at SRW.

SRW is providing placement opportunities to four Maffra College students. These Year 11 and 12 students are working in different areas of business while continuing to learn at school. SRW is proud to be supporting the joint initiative between Wellington school cluster and the Local Learning and Employment Network.

Diversity goal	Baseline 2013	Target 2018	June 2015
Increase the proportion of women at SRW	20%	30%	23%
Increase the proportion of women in executive roles	0%	20%	11%
Increase the proportion of women in supervisory/ management positions	15%	30%	18%
Increase the proportion of women in professional and field roles	5.5%	15%	7%
Maintain or increase proportion of under 25 staff	4.2%	Above 8%	4.2%
Maintain or increase proportion of staff who identify as of ATSI descent	1.8%	3%	3%



## Occupational health and safety

SRW continued to manage occupational health and safety (OH&S) responsibilities in accordance with legislation and its commitment for continuous OH&S improvement.

OH&S and the welfare of employees, contractors and visitors is a core value of the organisation, and are working towards the objective of a zero harm workplace.

There have been several actions taken to enhance safety performance over the past 12 months.

### Major OH&S achievements

#### OH&S POLICY AND STRATEGY

The OH&S policy (approved by the Board) and the new health and safety strategy were launched at the annual staff workshop. The strategy focuses on key areas to continue in assisting and enhancing the safety culture throughout the organisation. The primary objective is for an incident free and zero harm workplace and to ensure people work safely so that they can return home safely. This has been reflected in our tagline 'Start safe, work safe, finish safe'.

#### RISK MANAGEMENT

Operational staff have been trained in the Take 5 program – a risk assessment checklist designed to prepare for operational or maintenance tasks and consider potential health and safety hazards before they arise. The system's training is designed to instil the stop, look and think principles in people and highlights the improved safety outcomes when risk assessment is adequately completed.

#### HEARTRACK 2015

In April 2015, the voluntary annual Heartrack health assessments were carried out with a majority of staff taking part in the program. This preventive program is valued by staff.

This year's program once again consisted of:

- flu vaccinations
- skin cancer assessment (introduced on the recommendation of our Health, Safety and Environment Committee)
- health check and risk assessment – blood pressure, height-to-weight ratio, cholesterol and sugar levels.

Staff are referred to their own general practitioner for a further follow-up if health issues are identified.

#### HEALTH SAFETY AND ENVIRONMENT COMMITTEE (HSE)

The HSE Committee consists of nine work group representatives and nine management representatives. It regularly met during the year to review incidents, safety plans, the strategy progression, statistical performance indicators and to discuss intervention strategies when trends were identified.

#### HAZARD MANAGEMENT

SRW has introduced an asset management system (AMS) which has replaced our in-house built database. The new AMS system has workflow functionality and individual dashboards to identify assigned hazards.

Staff have continued to perform strongly in hazard reporting with over 300 hazard reports received. This allows hazards to be controlled or closed out before they become a major problem.

#### OH&S indicators for 2014-15

Indicator	2014-15	2013-14
Number of lost time injuries for the year	5	4
Lost time injury frequency rate (per million hours worked)	15.7	12.8
Number of days lost due to injuries incurred during the year	477 <sup>1</sup>	8
Number of medical treatment injuries for the year	1	3
Total number of incidents	18	20
Average cost per compensation claim	\$8,846.80	\$2,314
Medical treatment frequency rate (per million hours worked)	3	9
Number of reported hazards closed out	163 <sup>2</sup>	528
Number of workplace inspections completed	56	62

<sup>1</sup> The increase in the number of days lost for this year is the result of a single significant issue.

<sup>2</sup> The reduction in hazard closed out represents a lower number of hazards reported this year. The proportion of hazards outstanding is similar to previous years.

## POSITIVE PERFORMANCE INDICATORS

The hazard reporting and awareness program continues to be effective with hundreds of hazards reported and closed out in the past 12 months. Those not closed out have been considered for future budgeting.

Workplace inspections continue to maintain the focus on hazard identification, as do worksite toolbox meetings.

Staff continue to be trained in statutory OH&S and internal systems and procedures to enhance and promote safe work practices.

SRW continues to participate in the Victorian Water Industry OH&S Network to discuss and share industry related-issues and achievements and benchmark statistical performance.

## Compliance with the *Carers Recognition Act 2012*

SRW is not responsible for developing or providing policies, programs or services that affect people in care relationships. SRW does support staff with an entitlement for personal leave in line with the National Employment Standards and SRW Enterprise Agreement.

## Compliance with the *Protected Disclosure Act 2012*

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 to be taken.

SRW does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It 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.

SRW 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.

During 2014-15, no disclosures were made to SRW.

## How can I access SRW's procedures for protecting persons from detrimental action?

SRW has established procedures for protecting persons from detrimental action in reprisal for making a protected disclosure about SRW or its employees. You can access this procedure on our website at [www.srw.com.au](http://www.srw.com.au) (under procedures) or request a copy from any of our offices during business hours.

## Contacts

### Independent Broad-Based Anti-corruption Commission Victoria

Level 1, North Tower, 459 Collins Street, Melbourne, Victoria, 3001

Mail: IBAC, GPO Box 24234, Melbourne, Victoria, 3000

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

Phone: 1300 735 135

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



# 07

## Risk and compliance

### Managing risk

Risk management is recognised as a key Board responsibility and a continuous process at SRW.

The corporation's risk register identifies 11 corporate and nine operational risks. Appropriate controls and applicable treatments have been identified to manage each risk. Contingency plans are in place for significant risks. Individual corporate risks are subject to Board review on a regular basis, with a full risk review conducted by management and the Board on an annual basis.

The Executive Risk Committee meets quarterly, where contemporary issues are discussed and risk occurrences considered. Risk owners use internal and external measures and indicators to review their risks, evaluate trends and if necessary, recommend new or enhanced mitigations.

### Risk attestation

I, Terry Burgi, certify that Southern Rural Water has complied with the *Ministerial Standing Direction 4.5.5 – Risk Management Framework* and Processes. The SRW Audit Committee has verified this.



#### MR TERRY BURGI

Board Chairperson  
Gippsland and Southern Rural Water Corporation  
31 August 2015

### Legislative compliance

#### ***Building Act 1993***

SRW complies with the building maintenance provisions of the *Building Act 1993*. The buildings it owns or leases comply with these requirements.

#### **National Competition Policy**

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. SRW continues to implement and apply this principle in its business undertakings.

#### ***Victorian Industry Participation Policy Act 2003***

There were no contracts entered into during 2014-15 to which the *Victorian Industry Participation Policy Act 2003* applied.

#### **Government advertisement expenditure**

SRW's expenditure in the 2014-15 reporting period on government campaign expenditure did not exceed \$150,000.

#### **Major contracts**

No major contracts were entered into for the 2014-15 year.

#### **Availability of other information**

The following information is available on request, subject to the *Freedom of Information Act 1982*:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers

- details of shares held by a senior officer as nominee, or held beneficially in a statutory authority or subsidiary
- details of publications produced by SRW, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by SRW
- details of any major external reviews carried out on SRW
- details of major research and development activities undertaken by SRW
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by SRW to develop community awareness of SRW and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within SRW and details of time lost through industrial accidents and disputes
- a list of SRW's major committees, the purposes of each committee and the extent to which the purposes have been achieved
- details of consultancies and contractors including: consultants/contractors engaged; services provided and expenditure committed to each engagement.

Requests should be submitted to:

The Freedom of Information Officer,  
Southern Rural Water  
PO Box 153  
Maffra, VIC, 3860

## 08

## Financial report

## Financial report overview

### Economic regulation

Economic regulation of Southern Rural Water (SRW) is guided by a range of legislation, including the *Essential Services Commission Act 2001*, the *Water Industry Act 1994* as amended by the *Water Legislation (Essential Services Commission and other Amendments Act 2003)* and other water industry legislation (including the *Water Act 1989*, and the *Environment Protection Act 1970*). More information on the regulatory framework is set out within the Water Industry Regulatory Order (WIRO) made by the Governor-in-Council.

### Pricing principles

SRW operates on a full cost recovery basis, ensuring pricing is sufficient to cover annual costs and to provide for future investment needs. Pricing is founded upon the following principles:

- SRW prices shall accord with Government and COAG policies, with particular reference to National Competition Policy
- Pricing shall meet the full cost of operation
- SRW shall set separate prices for each specific service supplied
- SRW prices shall be equitable and avoid cross subsidy
- SRW will engage with customer committees on pricing and take into account their recommendations in making pricing decisions
- SRW prices shall be set so as to contribute to the investment needs of the business concerned.

SRW's prices are submitted to the Essential Services Commission (ESC) for determination on an annual basis. On completion of the ESC's determination,

SRW publishes prices in *The Weekly Times* and communicates directly to customers through newsletters and fact sheets.

### Financial management

Long-term financial viability is the key pillar of SRW's financial management. Finances are managed so that the organisation as a whole is economically sustainable and that each business unit fully recovers its own costs. The operations of SRW are separated into four discrete business units:

- Eastern Irrigation
- Western Irrigation
- Headworks
- Groundwater and Rivers.

Each business unit maintains its own financial records with an expectation that revenues are sufficient to cover direct costs and an equitable share of corporate and other shared costs. This information is provided in an open and transparent manner to our customer committees for consultation, along with being available to the broader customer base.

### Performance 2014-15

The operating loss before tax was \$4.66M compared to a budgeted loss of \$7.03M.

SRW prices are approved by the Essential Services Commission to recover the full cost of operation. While the full cost of operation includes funding for the future investment needs of the business, the pricing is designed to reimburse depreciation and capital charges associated with regulatory assets only.

Regulatory assets exclude acquisitions and construction prior to 1 July 2004, or assets funded directly by customer or government contribution. As reported by the Comprehensive Operating Statement, depreciation expense is largely associated

with non-regulatory assets. For the 2014-15 financial year, the corporation recorded \$8.25M of non-recoverable depreciation.

The table on page 38 describes the financial position once these non-regulatory charges are excluded, which reports a \$5.28M surplus for the year 2014-15 financial year compared with a Corporate Plan budget of \$1.83M

The improvement in the result compared with the Corporate Plan is reflected by:

- less depreciation expense resulting from reduced capital expenditure due to cost savings and project deferral
- lower net interest costs from
  - more cash on deposit
  - lower interest rates.
- more water share auction receipts than expected
- charging of a one-off delivery termination fee.

From the perspective of the main operating business units, the financial results were an improvement on our Corporate Plan, and prior year results, as discussed above. SRW expected this outcome given stable, predominantly entitlement-based revenue streams, and an expenditure base that was not subject to any significant unplanned cost pressures.



### Significant changes in financial position

Expenditure on capital projects reached \$13.1M for the financial year (2013-14 \$17.44M).

Usually, the cash operating surplus of the corporation is insufficient to fund its capital expenditure program, and it is necessary for SRW to utilise debt facilities to fund the capital expenditure program. However, the capital contribution from the State Government and the receipt of a delivery share termination fee in Werribee has meant that we did not need to increase debt facilities for the 2014-15 financial year.

Total interest bearing liabilities decreased by \$1.0M in the 2014-15 year and cash balances increased by \$2.7M. Together, our net debt position moved from \$12.8M to \$9.0M.

The net debt position is expected to increase to \$18.5M over the next three years (until the end of the 2017-18 financial year) as the capital works program intensifies.

### Major changes or factors affecting performance

There were no major factors affecting performance other than those discussed in this report.

### Subsequent events that will affect operations in future years

There were no subsequent events that will affect operations in future years, other than those already discussed in this report.

### Five year performance summary

Performance indicator	2014-15	2013-14	2012-13	2011-12	2010-11
Internal financing ratio	67.28%	42.28%	59.22%	85.72%	96.02%
Gearing ratio	1.34%	1.43%	1.70%	0.57%	0.32%
Interest cover (cash)	16.50	10.20	60.50	NA *	NA *
Return on assets	-0.34%	-0.34%	-0.30%	-0.75%	-0.34%
Return on equity	-0.32%	-0.33%	-0.25%	-0.63%	-0.88%

\* NA = no net interest expense, so unable to calculate.

### Capital expenditure

SRW has become an increasingly capital expenditure business.

The major capital projects are listed in the table below:

### Capital Plan expenditure 2014-15

Business		2014-15 Expenditure \$'000's
Eastern Irrigation	MID2030 Ph1A Southern-Cowwarr regulator retrofit	3,199
	MID2030 Eastern regulator retrofit	2,182
	MID2030 LW Ph1A – Southern-Tinamba modernisation design	572
	MID2030 Southern-Cowwarr balancing storage	337
	MID2030 rationalisation program	831
	General projects	146
Western Irrigation	WID 4/1 project	660
	General projects	1,461
Headworks	Blue Rock outlet/SCADA	410
	Glenmaggie spillway	1,115
	Pykes Creek access/SCADA	317
	Melton SCADA	202
	General projects	852
Groundwater and Rivers	General projects	436
Other	Asset management software	152
	General projects	180
<b>Total expenditure</b>		<b>13,052</b>

## Consultancies

Each year SRW engages consultants to provide expert analysis and advice, to facilitate decision-making, and provide skills not available within the organisation.

### GREATER THAN \$10,000

During 2014-15, 10 consulting firms were contracted for operating contracts greater than \$10,000 to provide advice, skills and services. The total cost of these consultancies was \$534,872. Please refer to the table below for greater detail.

For comparison, during 2013-14 13 consulting firms were engaged at a total cost of \$353,974.

### LESS THAN \$10,000

During 2014-15 nine consulting firms were contracted for operating contracts less than \$10,000 to provide advice, skills and services. The total cost of these consultancies was \$52,373.

For comparison, during 2013-14 five consulting firms were engaged at a total cost of \$33,628.

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee \$	Expenditure 2014-15 \$	Future expenditure \$
Aither	Sales of unregulated surface water and groundwater review *	Apr-14	Dec-14	40,000	36,140	Nil
Ethos NRM Pty Ltd	Lindenow Valley water security *	Jul-14	Sep-15	13,015	13,015	Nil
Five Consulting (VIC) Pty Ltd	Werribee Irrigation District - options analysis	Aug-15	Dec-15	25,000	17,400	7,600
Jacobs Group (Australia) Pty Ltd	Wyndham Harbour groundwater monitoring	Jul-14	Jun-15	15,651	15,651	Nil
Jacobs Group (Australia) Pty Ltd	Lindenow valley water security *	Jul-14	Oct-15	74,977	74,977	Nil
Jacobs Group (Australia) Pty Ltd	Saline water intrusion management framework *	May-14	Sep-15	73,000	39,818	Nil
JMW Consultants Australia Pty Ltd	Administration review	Oct-14	Apr-15	52,159	52,159	Nil
JMW Consultants Australia Pty Ltd	Business overlap review	May-15	Oct-15	75,000	75,689	Nil
JMW Consultants Australia Pty Ltd	Workshop facilitation - 2030 vision	Dec-14	Dec-14	11,000	10,277	Nil
Kellogg Brown and Root Pty Ltd	Bacchus Marsh Irrigation District - renewal study	Feb-15	Aug-15	34,800	24,560	10,240
Marchmont Hill Consulting	New revenue strategy	Dec-14	Mar-15	59,500	57,285	Nil
Marsden Jacob Associates	Lindenow Valley water security *	Jul-14	Sep-15	72,420	63,546	Nil
Northwood-Blyth and Associates Pty Ltd	Board performance review	Sep-14	Nov-14	17,000	17,266	Nil
Spacial Vision Innovations Pty Ltd	Production of irrigation districts channel/drain realignment plans	Jul-14	Jul-14	27,000	26,470	Nil
Spacial Vision Innovations Pty Ltd	Production of Groundwater Atlas	Jul-14	Aug-15	10,620	10,620	Nil

\* These projects were externally funded

**Five year financial summary, 2010-11 to 2014-15**

<b>Revenue</b>	<b>2014-15 \$'000s</b>	<b>2013-14 \$'000s</b>	<b>2012-13 \$'000s</b>	<b>2011-12 \$'000s</b>	<b>2010-11 \$'000s</b>
Fees and charges	25,474	25,123	24,301	21,985	21,322
Storage operator charges	3,678	3,427	3,514	3,541	3,642
Government grants	780	725	513	892	367
Other	4,819	2,009	2,133	2,404	2,197
<b>Total revenue</b>	<b>34,751</b>	<b>31,284</b>	<b>30,461</b>	<b>28,822</b>	<b>27,528</b>

**Expenditure**

Operations and maintenance	19,391	17,883	17,655	19,018	17,919
Other	7,748	6,145	5,578	5,352	4,886
<b>Earnings before interest, taxation and depreciation</b>	<b>7,612</b>	<b>7,256</b>	<b>7,228</b>	<b>4,452</b>	<b>4,723</b>
Depreciation	11,354	10,856	10,265	13,179	6,766
Finance cost	917	1,107	490	263	417
<b>Total expenditure</b>	<b>39,410</b>	<b>35,991</b>	<b>33,988</b>	<b>37,812</b>	<b>29,988</b>

**Equity**

Net operating statutory loss	(4,659)	(4,707)	(3,527)	(8,990)	(2,460)
<b>Movement in retained earnings</b>	<b>(4,659)</b>	<b>(4,707)</b>	<b>(3,527)</b>	<b>(8,990)</b>	<b>(2,460)</b>

**Balance sheet**

Current assets	13,085	10,330	20,091	9,335	7,071
Non-current assets	1,234,497	1,236,329	1,231,023	1,232,046	1,237,794
<b>Total assets</b>	<b>1,247,582</b>	<b>1,246,659</b>	<b>1,251,114</b>	<b>1,241,381</b>	<b>1,244,865</b>
Current liabilities	9,605	9,888	11,423	9,091	7,178
Non-current liabilities	239,176	242,298	244,878	235,005	233,854
<b>Total liabilities</b>	<b>248,781</b>	<b>252,186</b>	<b>256,301</b>	<b>244,096</b>	<b>241,032</b>
Net cash flows from operations	8,835	6,773	7,739	6,022	6,918
Payments for property, plant and equipment	13,131	16,018	13,068	7,025	7,206

**Financial result reconciliation**

Net operating statutory loss	(4,659)	(4,707)	(3,527)	(8,990)	(2,460)
Add back non-regulatory depreciation	8,895	8,696	8,375	10,859	4,505
Less renewals charge	(901)	(1,328)	(1,879)	(1,879)	(1,878)
Add non-regulatory asset transfers and write-offs	1,409	332	917	411	221
Add major projects expensed	1,175	791	376	527	790
<b>Operating result</b>	<b>5,919</b>	<b>3,784</b>	<b>4,262</b>	<b>928</b>	<b>1,178</b>

## Comprehensive Operating Statement for the financial year ended 30 June 2015

	Notes	2014-15 \$'000s	2013-14 \$'000s
<b>Revenue from operating activities</b>			
Service charges	2(a)	29,588	28,658
Chargeable works	1(d)	263	168
Government contributions	1(d),2(a)	686	725
Interest	1(d)	305	390
Other revenue	2(a)	278	301
<b>Revenue from non-operating activities</b>			
Government contribution for capital purposes	1(d), 2(a)	94	0
Sale of created water entitlement	2(a)	962	1,024
Delivery share-termination fee	2(a)	2,363	0
Net gain on disposal of assets	1(f), 2(b)	212	18
<b>Total revenue</b>		<b>34,751</b>	<b>31,284</b>
<b>Expenses from operating activities</b>			
Bulk water	2(c)	740	492
Environmental contribution	1(e)	423	423
Employee benefits	1(e), 2(c)	14,390	13,410
Interest	1(e)	722	905
Financial accommodation levy	2(c)	195	202
Insurance	1(e)	775	731
Motor vehicle operating costs	1(e)	838	859
Professional services	1(e)	1,401	1,011
Property and occupancy	1(e)	564	539
Telecommunications	1(e)	439	435
Suppliers and materials	1(e)	5,246	5,033
Chargeable works	1(d)	263	168
Depreciation of regulatory asset base	1(e), 2(c)	3,110	2,755
Depreciation of other assets	1(e), 2(c)	8,254	8,101
Amortisation	1(e), 2(c)	641	595
Written down value of transferred assets	2(c)	622	48
Written down value of assets written off	2(c)	787	284
<b>Total expenses</b>		<b>39,410</b>	<b>35,991</b>
<b>Net result before income tax expense</b>		<b>(4,659)</b>	<b>(4,707)</b>
Income tax revenue	1(i), 3	1,477	1,416
<b>Net result for the period</b>		<b>(3,182)</b>	<b>(3,291)</b>
Other comprehensive income for the period		0	0
<b>Total comprehensive income for the period</b>		<b>(3,182)</b>	<b>(3,291)</b>

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

## Balance Sheet as at 30 June 2015

	Notes	2014-15 \$'000s	2013-14 \$'000s
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	1(f), 4	7,708	5,005
Receivables	1(f), 5	4,771	4,914
Inventories	1(f), 6	159	157
Other current assets		257	254
Assets classified as held for sale	1(f), 7	190	0
<b>Total current assets</b>		<b>13,085</b>	<b>10,330</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	1(f), 8(a)	1,231,712	1,233,273
Intangible assets	9	2,785	3,056
<b>Total non-current assets</b>		<b>1,234,497</b>	<b>1,236,329</b>
<b>Total assets</b>		<b>1,247,582</b>	<b>1,246,659</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	1(g), 10	3,175	4,364
Interest bearing liabilities	11	1,530	1,030
Employee benefits	1(g), 12	4,900	4,494
<b>Total current liabilities</b>		<b>9,605</b>	<b>9,888</b>
<b>Non-current liabilities</b>			
Payables		11	12
Interest bearing liabilities	11	15,210	16,740
Employee benefits	1(g), 12	132	246
Deferred tax liabilities	1(i), 3	223,823	225,300
<b>Total non-current liabilities</b>		<b>239,176</b>	<b>242,298</b>
<b>Total liabilities</b>		<b>248,781</b>	<b>252,186</b>
<b>Net assets</b>		<b>998,801</b>	<b>994,473</b>
<b>Equity</b>			
Contributed capital	13	403,713	396,201
Asset revaluation reserve	14	558,342	558,344
Accumulated funds	15	36,746	39,928
<b>Total equity</b>		<b>998,801</b>	<b>994,473</b>

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

## Statement of Changes in Equity for the financial year ending 30 June 2015

	Notes	Contributed capital \$'000s	Asset revaluation reserve \$'000s	Accumulated funds \$'000's	Total \$'000's
<b>Balance as at 1 July 2013</b>		393,220	558,344	43,219	994,783
Net result for the year		0	0	(3,291)	(3,291)
Other comprehensive income		0	0	0	0
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>0</b>	<b>(3,291)</b>	<b>(3,291)</b>
Transactions with the State Government in its capacity as owner		2,981	0	0	2,981
<b>Balance as at 30 June 2014</b>		396,201	558,344	39,928	994,473
Net result for the year		0	(2)	(3,182)	(3,184)
Other comprehensive income		0	0	0	0
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>(2)</b>	<b>(3,182)</b>	<b>(3,184)</b>
Transactions with the State Government in its capacity as owner		7,512	0	0	7,512
<b>Balance as at 30 June 2015</b>		<b>403,713</b>	<b>558,342</b>	<b>36,746</b>	<b>998,801</b>

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 2015

	Notes	2014-15 \$'000s	2013-14 \$'000s
<b>Cash flows from operating activities</b>			
Receipts from customers		33,929	30,804
Receipts from State Government		780	725
Payments to suppliers and employees		(27,187)	(25,523)
Interest received		176	225
Interest paid		(746)	(963)
Net goods and services tax received from the ATO*		1,883	1,505
<b>Net cash inflow from operating activities</b>	<b>22</b>	<b>8,835</b>	<b>6,773</b>
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment		(13,127)	(16,018)
Payments for intangibles		(370)	(863)
Proceeds from sale of infrastructure, property, plant and equipment	2(b)	883	788
<b>Net cash used in investing activities</b>		<b>(12,614)</b>	<b>(16,093)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowing		(1,030)	(3,530)
Proceeds from contributions by State Government in its capacity as owner	13	7,512	2,981
<b>Net cash provided by financing activities</b>		<b>6,482</b>	<b>(549)</b>
<b>Net increase in cash held</b>		<b>2,703</b>	<b>(9,869)</b>
Cash and cash equivalents at the beginning of the financial year		5,005	14,874
<b>Cash and cash equivalents at the end of the financial year</b>	<b>4</b>	<b>7,708</b>	<b>5,005</b>

\*Goods and services tax received from the ATO is presented on a net basis.

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

## Note 1 Significant accounting policies

### (a) Establishment of the Corporation

Gippsland and Southern Rural Water Authority (SRW or the Corporation) was established on 1 July 1995 by a Ministerial Order under section 98 of the *Water Act 1989*, dated 30 June 1995. The Authority's name was changed on 1 July 2007 to Gippsland and Southern Rural Water Corporation under Section 85(1) of the *Water Act 1989*, inserted by Section 54 of the *Water Governance Act 2006*. The business name of the Corporation is Southern Rural Water (SRW).

The Corporation is a not-for-profit entity owned by the State Government of Victoria, reported and domiciled in Victoria.

### (b) Basis of Accounting

#### GENERAL

The financial report includes separate financial statements for SRW 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 2015. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. The Corporation is a not-for-profit entity for the purposes 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 of Directors on 31 August 2015.

The principal address is:

Gippsland and Southern Rural Water Corporation  
88 Johnson Street,  
Maffra, VIC, 3860

#### 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 SRW operates ('the functional currency'). The financial report is 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 12 months, being the Corporation's operational cycle – see 1(g) for a variation in relation to employee benefits.

#### ROUNDING

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars. Figures in the financial report may not equate due to rounding.

#### HISTORICAL COST CONVENTION

This financial report has been prepared under the historical cost convention, as modified by the revaluation of financial assets, and certain classes of property, plant and equipment.

#### ACCOUNTING ESTIMATES

The preparation of the financial report in conformity with AAS 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 judgement in the process of applying the Corporation's accounting policies.

The most significant accounting estimates undertaken in the preparation of this financial report relate to:

- estimation of useful lives
- the impairment of assets
- recognition of deferred tax assets and liabilities



- accrued income
- provisions
- contingent assets and liabilities
- the fair value of assets (i.e. infrastructure assets).

### 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.

### (c) Changes in accounting policies

Subsequent to the 2013-14 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

#### AASB 10 CONSOLIDATED FINANCIAL STATEMENTS

AASB 10 provides a new approach to determine whether an entity has control over an entity, and therefore must present consolidated financial statements. As the Corporation has no other entities in which it has control, there is no financial impact or change to disclosure within these financial statements.

#### AASB 11 JOINT ARRANGEMENTS

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. As the Corporation has no joint arrangements

in place, there is no financial impact or change to disclosure within these financial statements.

#### AASB 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

AASB 12 Disclosure of Interests in Other Entities prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to the entity's association with unconsolidated structured entities. As the Corporation has no interest in other entities, there is no financial impact or change to disclosure within these financial statements.

### (d) Revenue

#### WATER CHARGES

Fixed water and service charges are recognised as revenue when levied.

Variable water charges are recognised as revenue when the meters are read. Meter readings are undertaken progressively during the year and at the end of each respective season, which aligns with the end of the financial year.

#### SALE OF CREATED WATER ENTITLEMENT

Where the responsible Minister approves an amendment to a Bulk Entitlement Order, as well as the sale of resulting new water entitlements, the Corporation recognises this revenue at the time these entitlements are sold. Total proceeds are recorded in the Comprehensive Operating Statement as revenue from non-operating activities.

#### LICENCE APPLICATION FEE CHARGES

Licensing application revenue is recognised as the work is performed by the Corporation, rather than on receipt of the application fee.

#### CHARGEABLE WORKS

From time to time the Corporation undertakes capital works for its customers. The cost of these works is included as a separate line of expenditure and revenue in the Comprehensive Operating Statement.

#### GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants and contributions are recognised as operating revenue on receipt or when the Corporation obtains control of the contribution and meets certain other criteria as outlined by AASB 1004 *Contributions*, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as government grants and contributions. However, grants and contributions received from the State Government, which were originally appropriated by the Parliament as additions to net assets or where the responsible Ministers have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners in accordance with Financial Reporting Direction (FRD) 119A *Transfers through Contributed Capital*.

#### INTEREST

Interest income is recognised when earned 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.

## (e) Expenses

### INTEREST

Interest is recognised as an expense in the period in which it is incurred, and includes interest on overdrafts and short and long-term borrowings.

### DEPRECIATION AND AMORTISATION OF NON-CURRENT ASSETS

All non-current physical assets that have a finite 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.

Physical assets with indefinite useful lives are not depreciated, and this includes:

- earthen storage embankments
- tunnels and other excavations
- irrigation channel excavation and base material
- drain excavations.

Land is not depreciated.

Motor vehicles are depreciated on a diminishing balance basis over their estimated useful life, commencing from the time the asset is held ready for use.

Depreciation of other assets 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 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 annually for impairment as outlined in Note 1(f).

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

Class of Asset	Periods
Buildings	10 to 50 years*
Water infrastructure	
Storage embankments	350 years
Storage spillways	100 years
Storage discharge control structures	80 years
Storage civil works	50 years
Storage mechanical and electrical	25 years
Irrigation pipes	50 to 90 years
Irrigation structures, meters and pumps	25 to 75 years
Irrigation channels	100 years
Irrigation channel excavation and base material	Indefinite
Earthen storage embankments	Indefinite
Tunnel and other excavations	Indefinite
Drain excavations	Indefinite
Plant, equipment and other	
Machinery and tools	2 to 33 years
Computer equipment	4 to 10 years
Furniture and fittings	2 to 25 years
Motor vehicles	2 to 4 years
Plant	5 to 20 years

\* The range disclosed in previous financial statements of the corporation was incorrectly shown as 10-40 years. For these prior periods, Buildings were depreciated over a useful life of 10-50 years.

### EMPLOYEE BENEFITS

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

### SUPERANNUATION

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

### REPAIRS AND MAINTENANCE

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

### ENVIRONMENTAL CONTRIBUTIONS

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



each corporation. The contribution period has been extended to cover the period 1 July 2012 until 30 June 2016.

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

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

#### OTHER EXPENSES

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

### (f) 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.

- statutory receivables, such as amounts owing from the Victorian Government and goods and services tax (GST) input tax credits recoverable.

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

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

Contractual receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 30 days from the date of recognition for water utility debtors, and no more than 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 doubtful debts is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the provision are recognised as an expense in the Comprehensive Operating Statement.

#### INVENTORIES

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis.

#### PREPAYMENTS

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

#### INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

##### *Recognition of Non-Current Physical Assets*

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water 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 (2014: \$1,000) 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.

##### *Leasehold improvements*

Leasehold improvements are recognised at fair value and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 10-year period (2014: 10 years).

### **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 FRD 103F non-current 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%, a management revaluation is undertaken while a movement greater than 40% 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%, then no change is made to carrying amounts.

Land and buildings are measured at fair value, and a formal valuation was undertaken in 2010-11 with involvement from the Valuer-General of Victoria (VGV) and under the instructions of the Department of Treasury and Finance (DTF). Further details of the valuation exercise are provided in Note 8.

Plant, equipment and motor vehicles are measured at fair value. For the plant, equipment and vehicles asset class, where the Corporation is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exist for these assets,

depreciated replacement cost is used to determine a reasonable approximation of fair value.

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

The initial fair value assessment for water infrastructure in 2011 was undertaken with involvement from VGV and under the instructions of DTF. The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise are provided in Note 8.

### **Revaluation of non-current physical assets**

Revaluation increments are credited directly to equity in the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as 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 property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes. Asset 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
- financial instrument assets
- deferred tax 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 depreciated replacement cost. It is deemed that, in the event of the loss of an asset, 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 asset 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.

### **Gains and losses on disposal**

Gains and losses on disposal are determined by comparing proceeds with the carrying amounts. These are included 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. 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.

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

	<b>Software</b>
Useful lives	Finite
Amortisation method used	3 to 10 years straight line
Internally generated/acquired	Acquired
Impairment test/Recoverable amount testing	Annually and where an indicator of impairment exists

**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.

**FINANCIAL ASSETS****Recognition**

Financial instruments are initially measured at fair value. 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.

**FAIR VALUE**

Consistent with AASB 13 *Fair Value Measurement*, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, 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
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

The Corporation monitors changes in the fair value of each asset and liability through relevant data sources.

## (g) Liabilities

### PAYABLES

Payables consist of:

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

Contract 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 date.

### 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 rates 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 and annual leave*

Liabilities for wages and salaries, including non-monetary benefits for annual leave, are all recognised in the provision for employee

benefits as 'current liabilities', because the Corporation does not have an unconditional right to defer settlements of these liabilities.

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

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

#### *(ii) Long service leave*

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

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

The components of this current LSL liability are measured at:

- undiscounted value – if the Corporation expects to wholly settle within 12 months
- 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.

#### *(iii) Termination benefits*

Termination benefits are payable when employment is terminated by the Corporation before the normal retirement



date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Corporation recognises termination benefits at the earlier of the following dates:

- a. when the Corporation can no longer withdraw the offer of those benefits
- b. when the entity recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### **On-costs**

Provisions for on-costs, such as payroll tax, workers' compensation and superannuation, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

#### **Performance payments**

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

## **(h) 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.

### **ASSET REVALUATION RESERVE**

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

## **(i) Taxation**

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

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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.

The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the Balance Sheet.

## **(j) 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 17) 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.

### (k) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note (refer to Note 18) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

### (l) Dividend policy

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. At the date of this report, the Corporation does not expect to pay a dividend in respect of the 2014-15 financial year.

### (m) Goods and services tax

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the 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.

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

Certain new AASs have been published that are not mandatory for the 30 June 2015 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Please refer to the table on the next page for the detailed list of the AASs issued but are not yet effective for the 2014-15 reporting period.

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on the Corporation's financial statements
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (AASB 116 and AASB 138)	Amends AASB 116 and AASB 138 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 January 2018	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (AASB 10, AASB 124 and AASB 1049)	The amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> 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 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018.	The amending standard will result in extended disclosures on the entity's responsible persons and executive officers and related party transactions.
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018.	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.  While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 14 Regulatory deferral accounts	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 Jan 2016	The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 15 Revenue from contracts with customers	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 2017 (Exposure draft 263 – potential deferral to 1 Jan 2018)	The assessment has indicated that there is no expected impact.

No significant impact is expected from the following new standards, amendments and interpretations:

**Standard/interpretation**

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

AASB 2014-1 Amendments to Australian Accounting Standards (Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only)

AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments)

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (AASB 7, AASB 101, AASB 134 and AASB 1049) 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality 2014-1 Amendments to Australian Accounting Standards – Part A Annual Improvements; Part B Defined Benefit Plans; and Part C Materiality.

	2014-15 \$'000s	2013-14 \$'000s
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**2 Operating statement – disclosures****2(a) Revenues****Service charges****Fixed charges****Water service charges**

Irrigation, diversion and groundwater	22,220	21,458
Recycled water	626	619
Storage operator charges	3,678	3,427

**Other charges**

Bore construction, application fees, transfer fees and information statements	1,261	1,549
	<b>27,785</b>	<b>27,053</b>

**Variable usage charges**

Irrigation, diversion and groundwater	1,367	1,497
Recycled water	436	108
	<b>1,803</b>	<b>1,605</b>
	<b>29,588</b>	<b>28,658</b>

**Government contributions****Operating****State Government**

National framework for compliance and enforcement	225	225
Unregulated water allocation methods	0	40
Saline water intrusion management framework	0	80
Licensing local government dams	150	300
Land parcel data cleansing	0	50
Youth employment scheme	9	0
Lindenow Valley water security	172	0
Rural water corporation KPI benchmarking	50	0
Boneo Groundwater Management Unit hydrogeological investigation	20	0
Online portal for potentially hazardous dams	60	0

**Commonwealth Government**

Australian Apprenticeships Incentive Scheme	0	30
	<b>686</b>	<b>725</b>

	2014-15 \$'000s	2013-14 \$'000s
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## 2 Operating statement – disclosures *continued*

### 2(a) Revenues *continued*

#### Non-operating

##### State Government

Boating safety (Glenmaggie)	94	0
	94	0
	780	725

##### Other revenue

Royalties	53	50
Building rentals	20	2
Occupational licences	71	75
Other rentals, leases or agistments	59	71
Contributions	69	99
Other	6	4
	278	301

Sale of created water entitlement	962	1,024
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In 2013, the Corporation completed water saving projects from the MID2030 leading works and MID2030 Phase 1A projects in the Macalister Irrigation District. Water saving studies confirmed that the project had saved 2,881ML of water each year. In October 2014 the former Minister for Water approved the amendment of the Thomson/Macalister bulk water entitlement and the creation, then sale by auction, of these new water entitlements. The first tranche of these entitlements, 523ML of high reliability shares and 262ML of low reliability shares, was sold by auction on 25 February 2015. The proceeds raised of \$0.962M have been recorded in the Comprehensive Operating Statement as revenue.

Delivery share-termination fee	2,363	0
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Delivery shares in the Werribee Irrigation District were relinquished by the Department of Environment, Land, Water and Planning, which incurs an infrastructure termination fee to finalise their exit from the irrigation district. The proceeds raised of \$2.363M have been recorded in the Comprehensive Operating Statement as revenue.

### 2(b) Net gain on disposal of assets

The surplus from ordinary activities includes the following specific net gains and expenses

Proceeds from sale of assets	883	788
Written down value of disposed assets	(671)	(770)
Net gain on disposal	212	18

## 2 Operating statement – disclosures *continued*

### 2(c) Expenses

#### Depreciation

– Buildings	161	171
– Water infrastructure	9,942	9,585
– Machinery, fittings and equipment	332	299
– Motor vehicles	844	734
– Plant	85	67
	11,364	10,856

	2014-15 \$'000s	2013-14 \$'000s
<b>2 Operating statement – disclosures</b> <i>continued</i>		
<b>2(c) Expenses</b>		
<b>Depreciation</b>		
– Depreciation of regulatory asset base	3,110	2,755
– Depreciation of other assets	8,254	8,101
	<b>11,364</b>	<b>10,856</b>
<b>Depreciation is distinguished by:</b>		
<ul style="list-style-type: none"> <li>regulated asset base: expenditure that is recoverable from customers within prices authorised by the Water Industry Regulatory Order; and</li> <li>other assets: depreciation of assets acquired or constructed prior to 1 July 2004, or assets funded directly by customer or government contribution.</li> </ul>		
<b>Amortisation</b>		
– Software	641	595
<b>Assets transferred/written off</b>		
<b>Written down value of transferred assets</b>	<b>622</b>	<b>48</b>
Written down value of transferred assets represents the transfer of ownership of irrigation drains to landholders as part of the Corporation's nutrient reduction activities.		
Drains were transferred to landholders at no cost under this program.		
<b>Written down value of assets written off</b>	<b>787</b>	<b>284</b>
As asset, or components of assets are replaced, the Corporation charges the written down value of the replaced or scrapped asset to the operating statement within this category.		
<b>Bulk water</b>		
– Recycled water	740	492
Recycled water is supplied by Melbourne Water to the Corporation for distribution to customers in the Werribee Irrigation District.		
– Financial accommodation levy (FAL)	195	202
The FAL is the interest rate surcharge paid to the State Government as part of competitive neutrality arrangements agreed at COAG.		
– Rental expenses	223	209
<b>Employee benefits</b>		
Aggregate amount paid and accrued	15,649	14,828
Less capitalised employee benefit costs	(1,551)	(1,552)
Movement to:		
– Annual leave provision	41	56
– Long service leave provision	251	78
	<b>14,390</b>	<b>13,410</b>
<b>Auditor's remuneration</b>		
– Victorian Auditor-General for audit of financial statements	42	41
Bad and doubtful debts	53	0

	2014-15 \$'000s	2013-14 \$'000s
<b>3 Income tax expense (revenue)</b>		
<b>3(a) Income tax revenue</b>		
Current tax	0	0
Movement in deferred tax	(1,477)	(1,416)
	(1,477)	(1,416)
<b>3(b) Reconciliation of income tax revenue to prima facie tax payable</b>		
Net result before income tax	(4,659)	(4,707)
Tax at the Australian tax rate of 30% (2014: 30%)	(1,398)	(1,412)
Tax effect of amounts which are not deductible in calculating taxable income		
Sponsorships and entertainment	5	5
Adjustment in respect of income tax of previous year	(84)	0
<b>Income tax revenue</b>	<b>(1,477)</b>	<b>(1,407)</b>
<b>3(c) Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Employee entitlement provision	1,509	1,389
Benefit of carry forward tax losses	114,773	107,050
	116,282	108,439
Offset against deferred tax liabilities	(116,282)	(108,439)
	0	0
<b>3(d) Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Cumulative depreciation and amortisation	100,862	93,898
Revenue in advance	(47)	42
Accrued revenue	0	509
Net gain on revaluation of property, plant and equipment	239,290	239,290
Offset from deferred tax assets	(116,282)	(108,439)
	223,823	225,300
<b>Movement in deferred tax liabilities</b>		
Carrying amount 1 July	225,300	226,716
Credited to operating statement	(1,477)	(1,416)
	223,823	225,300

	2014-15 \$'000s	2013-14 \$'000s
<b>4 Cash and deposits</b>		
Cash on hand	3	3
Cash at bank	559	891
Deposits at call	7,146	4,111
	<b>7,708</b>	<b>5,005</b>
<b>4(a) Cash on hand</b>		
These are non-interest bearing	3	3
<b>4(b) Cash at bank</b>		
The account is subject to floating interest rates which in 2014-15 varied between 1.50% and 2.00% (2014: 2.00% and 2.25%)	559	891
<b>4(c) Deposits at call</b>		
The deposits at call are subject to a floating interest rate of 1.95% at 30 June 2015 (30 June 2014: 2.45%)	7,146	4,111
<b>5 Receivables</b>		
<b>Contractual</b>		
Trade receivables	2,466	2,717
Provision for impaired receivables	(83)	(30)
Accrued income	1,938	1,695
	<b>4,321</b>	<b>4,382</b>
<b>Statutory</b>		
GST input tax credit receivables	450	532
	<b>4,771</b>	<b>4,914</b>



	2014-15 \$'000s	2013-14 \$'000s
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## 5 Receivables

### 5(a) Provision for doubtful debts

As at 30 June 2015, current receivables of the Corporation with a nominal value of \$52,666 were impaired.

The ageing analysis of these past due but not impaired receivables is as follows:

0 to 60 days	0	0
Over 60 days	53	0
	53	0

The total value of the provision for doubtful debts is \$82,716, which includes a \$30,050 general provision for the non-recovery of unspecified customer debt.

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

At 1 July	30	30
Provision for doubtful debts recognised during the year	53	0
	83	30

The creation and release of the provision for doubtful debts has been included as an expense in the Comprehensive Operating Statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

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

As of 30 June 2015, trade receivables of \$2.185M (2014: \$2.268M) were past due but not impaired. These relate to a number of independent water customers. Excluding a small number of recycled water charges, the Corporation's credit risk for water customers is mitigated by the *Water Act (1989)*, where outstanding trade receivables are secured by a charge against the associated land or water share. The Corporation considers that underlying land and water share assets within each irrigation district provide adequate market value to support our trade receivable balance. The ageing analysis of these past due but not impaired receivables is as follows:

0 to 60 days	457	477
Over 60 days	1,728	1,791
	2,185	2,268

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.

### 5(c) Foreign exchange and interest rate risk for trade and other receivables

All the Corporation's current and non-current receivables are denominated in Australian dollars and accordingly, the Corporation does not have any foreign exchange rate risk against these balances.

A summarised analysis of the sensitivity of receivables to interest rate risk can be found in Note 20(b).

### 5(d) 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. As these receivables share the security described by Note 5(a), for the 2014-15 financial year the Corporation considered that this provided adequate collateral and the receivable value was not impaired.

Refer to Note 21 for more information on the financial risk management policies of the Corporation.

## 6 Inventories

<i>Current</i>		
Stores and consumables – at cost	159	157

	2014-15 \$'000s	2013-14 \$'000s
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## 7 Assets classified as held for sale

Freehold land held for sale	190	0
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Freehold land held for sale is valued at carrying value, and represents surplus land currently on the market for sale. Refer to Note 8(c) for the valuation technique applied to specialised land.

## 7(a) Fair value measurement of non-financial physical assets held for sale as at 30 June 2015

	Carrying amount as at 30 June 2015 \$'000's	Fair value measurement at end of reporting period using:		
		Level 1' \$'000s	Level 2' \$'000s	Level 3' \$'000s
Freehold land for sale	190	0	0	190
Total of freehold land held for sale	190	0	0	190

## 8(a) Infrastructure, property, plant and equipment Note 1(f)

Classes of infrastructure, property, plant and equipment	2014-15 \$'000s	2013-14 \$'000s
<b>Land</b>		
At fair value	19,467	19,618
<b>Buildings</b>		
At fair value	3,401	3,442
Less: accumulated depreciation	(578)	(435)
	2,823	3,007
<b>Water infrastructure</b>		
At fair value	1,235,367	1,224,886
Less: accumulated depreciation and impairment	(39,766)	(29,986)
	1,195,601	1,194,900
<b>Machinery, fittings and equipment</b>		
At fair value	3,987	3,602
Less: accumulated depreciation	(2,640)	(2,417)
	1,347	1,185
<b>Motor vehicles</b>		
At fair value	4,673	4,581
Less: accumulated depreciation	(1,579)	(1,505)
	3,094	3,076
<b>Plant</b>		
At fair value	1,122	1,117
Less: accumulated depreciation	(734)	(698)
	388	419
	1,222,720	1,222,205
<b>Capital works in progress (at cost)</b>		
	8,992	11,068
	8,992	11,068
<b>Total infrastructure, property, plant and equipment</b>	<b>1,231,712</b>	<b>1,233,273</b>



**8(b) Movements in infrastructure, property, plant and equipment**

<i>Year ended 30 June 2015</i>	Land	Water infrastructure	Machinery, fittings and equipment	Plant	Motor vehicles	Buildings	Capital works in progress	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
At 1 July 2014	19,618	1,194,900	1,185	419	3,076	3,007	11,068	1,233,273
Additions	0	0	0	0	1,518	0	10,553	12,071
Transfers	0	12,049	495	54	0	31	(12,629)	0
Disposals	(151)	(1,406)	(1)	0	(656)	(54)	0	(2,268)
Depreciation expense	0	(9,942)	(332)	(85)	(844)	(161)	0	(11,364)
At 30 June 2015	19,467	1,195,601	1,347	388	3,094	2,823	8,992	1,231,712

**At 1 July 2014**

Gross carrying amount	19,618	1,224,886	3,602	1,117	4,581	3,442	11,068	1,268,314
Accumulated depreciation	0	(29,986)	(2,417)	(698)	(1,505)	(435)	0	(35,041)
Net carrying amount	19,618	1,194,900	1,185	419	3,076	3,007	11,068	1,233,273

**At 30 June 2015**

Gross carrying amount	19,467	1,235,367	3,987	1,122	4,673	3,401	8,992	1,277,009
Accumulated depreciation	0	(39,766)	(2,640)	(734)	(1,579)	(578)	0	(45,297)
Net carrying amount	19,467	1,195,601	1,347	388	3,094	2,823	8,992	1,231,712

**Year ended 30 June 2014**

At 1 July 2013	19,618	1,194,601	1,003	156	2,766	2,931	7,159	1,228,234
Additions	0	0	0	0	1,769	0	15,227	16,996
Transfers	0	10,216	519	337	0	247	(11,318)	0
Disposals	0	(332)	(38)	(7)	(725)	0	0	(1,101)
Depreciation expense	0	(9,585)	(299)	(67)	(734)	(171)	0	(10,856)
At 30 June 2014	19,618	1,194,900	1,185	419	3,076	3,007	11,068	1,233,273

**At 1 July 2013**

Gross carrying amount	19,618	1,215,029	3,939	916	4,217	3,195	7,159	1,254,073
Accumulated depreciation	0	(20,428)	(2,936)	(760)	(1,451)	(264)	0	(25,839)
Net carrying amount	19,618	1,194,601	1,003	156	2,766	2,931	7,159	1,228,234

**At 30 June 2014**

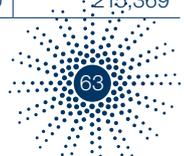
Gross carrying amount	19,618	1,224,886	3,602	1,117	4,581	3,442	11,068	1,268,314
Accumulated depreciation	0	(29,986)	(2,417)	(698)	(1,505)	(435)	0	(35,041)
Net carrying amount	19,618	1,194,900	1,185	419	3,076	3,007	11,068	1,233,273

### 8(c) Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying amount as at 30 June 2015 \$'000s	Fair value measurement at end of reporting period using:		
		Level 1 <sup>1</sup> \$'000s	Level 2 <sup>1</sup> \$'000s	Level 3 <sup>1</sup> \$'000s
<b>Land at fair value</b>				
Non-specialised land	3,352	0	3,352	0
Specialised land	16,115	0	0	16,115
<b>Total of land at fair value</b>	<b>19,467</b>	<b>0</b>	<b>3,352</b>	<b>16,115</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	2,823	0	0	2,823
<b>Total of buildings at fair value</b>	<b>2,823</b>	<b>0</b>	<b>0</b>	<b>2,823</b>
<b>Water infrastructure at fair value</b>				
Reservoirs and weirs	710,331	0	0	710,331
Tunnels	215,058	0	0	215,058
Irrigation channels and pipes	159,404	0	0	159,404
Irrigation drains	79,792	0	0	79,792
Irrigation structures, meters and pumps	31,016	0	0	31,016
<b>Total of water infrastructure at fair value</b>	<b>1,195,601</b>	<b>0</b>	<b>0</b>	<b>1,195,601</b>
<b>Machinery, fittings and equipment at fair value</b>				
Machinery and tools	606	0	0	606
Computer equipment	459	0	0	459
Furniture and fittings	282	0	0	282
<b>Total of machinery, fittings and equipment at fair value</b>	<b>1,347</b>	<b>0</b>	<b>0</b>	<b>1,347</b>
<b>Motor vehicles and plant at fair value</b>				
Motor vehicles	3,094	0	0	3,094
Plant	388	0	0	388
<b>Total of motor vehicles and plant at fair value</b>	<b>3,482</b>	<b>0</b>	<b>0</b>	<b>3,482</b>

### Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount as at 30 June 2015 \$'000s	Fair value measurement at end of reporting period using:		
		Level 1 <sup>1</sup> \$'000s	Level 2 <sup>1</sup> \$'000s	Level 3 <sup>1</sup> \$'000s
<b>Land at fair value</b>				
Non-specialised land	3,352	0	3,352	0
Specialised land	16,267	0	0	16,267
<b>Total of land at fair value</b>	<b>19,619</b>	<b>0</b>	<b>3,352</b>	<b>16,267</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	3,007	0	0	3,007
<b>Total of buildings at fair value</b>	<b>3,007</b>	<b>0</b>	<b>0</b>	<b>3,007</b>
<b>Water infrastructure at fair value</b>				
Reservoirs and weirs	712,518	0	0	712,518
Tunnels	215,369	0	0	215,369



**Fair value measurement hierarchy for assets as at 30 June 2014** *continued*

	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1 <sup>1</sup>	Level 2 <sup>1</sup>	Level 3 <sup>1</sup>
Irrigation channels and pipes	153,194	0	0	153,194
Irrigation drains	80,903	0	0	80,903
Irrigation structures, meters and pumps	32,916	0	0	32,916
<b>Total of water infrastructure at fair value</b>	<b>1,194,900</b>	<b>0</b>	<b>0</b>	<b>1,194,900</b>
<b>Machinery, fittings and equipment at fair value</b>				
Machinery and tools	538	0	0	538
Computer equipment	341	0	0	341
Furniture and fittings	305	0	0	305
<b>Total of machinery, fittings and equipment at fair value</b>	<b>1,184</b>	<b>0</b>	<b>0</b>	<b>1,184</b>
<b>Motor vehicles and plant at fair value</b>				
Motor vehicles	3,075	0	0	3,075
Plant	419	0	0	419
<b>Total of motor vehicles and plant at fair value</b>	<b>3,494</b>	<b>0</b>	<b>0</b>	<b>3,494</b>

**Notes**

<sup>1</sup> Classified in accordance with the fair value hierarchy, see Note 1(f).

**Non-specialised land**

For non-specialised land, an independent valuation was performed by Valuer-General Victoria (VGV) to determine the fair value using the market 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 or per hectare has been applied to the subject asset. The effective date of the valuation is 30 June 2011.

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

The Corporation conducted an assessment at 30 June 2015 with no material movement identified since the 2011 valuation.

**Non-specialised buildings**

An independent valuation of non-specialised buildings was performed by VGV and used depreciated replacement cost to estimate fair value. The effective date of the valuation is 30 June 2011.

As depreciation adjustments are considered as significant, unobservable inputs in nature, the buildings are classified as Level 3 fair value measurements.

The Corporation conducted an assessment at 30 June 2015 with no material movement identified since the 2011 valuation.

**Specialised land**

The market approach is also used for specialised land, although it 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 is classified as Level 3.

CSO adjustments to land values have taken into account the planning restrictions applying to their use, as well as the restrictions and impacts of the existence of water infrastructure assets (drains, channels and reservoirs), but not the value of those assets (which are separately recorded as infrastructure assets). In the case of land used for reservoirs, the valuation performed by VGV recognises an associated CSO by valuing land above the full supply level at 80% of surrounding land values, and below the full supply level at 10% of adjacent land value.

An independent valuation of the Corporation's specialised land and specialised buildings was performed by VGV. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2011.

The Corporation conducted an assessment at 30 June 2015 with no material movement identified since the 2011 valuation.

### **Water infrastructure**

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

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

An independent valuation of the Corporation's water infrastructure was performed by VGV. Water infrastructure assets are valued by VGV at fair value. As the Corporation is categorised as not-for-profit, fair value is assessed as depreciated replacement cost. The effective date of the valuation is 30 June 2011. Important aspects to this valuation approach are:

- replacement cost is determined on an 'Optimum Modern Equivalent' basis. This assessment calculates replacement cost by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained. In this way, value is not attributed to excess capacity, over design or redundancy
- depreciation is calculated using a straight line methodology, and in order to determine the depreciated value, condition assessments are used to calculate the remaining useful life.

As depreciation adjustments are considered as significant, unobservable inputs in nature, water infrastructure is classified as Level 3.

The Corporation conducted an assessment at 30 June 2015 with no material movement identified since the 2011 valuation.

### **Machinery, fittings and equipment**

Machinery, fittings and equipment are held at fair value. When machinery, fittings and equipment are specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

As depreciation adjustments are considered as significant, unobservable inputs in nature, machinery, fittings and equipment are classified as Level 3.

### **Motor vehicles and plant**

Vehicles are valued using the depreciated replacement cost method. The Corporation acquires new vehicles and usually disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Corporation who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Plant is held at fair value. When plant 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 depreciation adjustments are considered as significant, unobservable inputs in nature, motor vehicles and plant are classified as Level 3.

There were no changes in valuation techniques throughout the period to 30 June 2015.

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



**8(d) Reconciliation of Level 3 fair value (\$'000s) at 30 June 2015**

Asset type	Opening balance	Additions	Transfers	Disposals	Depreciation	Impairment	Revaluation	Closing balance
Specialised land	16,267	0	0	(152)	0	0	0	16,115
Non-specialised buildings	3,007	0	31	(54)	(161)	0	0	2,823
Reservoirs and weirs	712,518	0	2,235	(3)	(4,419)	0	0	710,331
Tunnels	215,368	0	0	0	(310)	0	0	215,058
Irrigation channels and pipes	153,194	0	8,120	(307)	(1,603)	0	0	159,404
Irrigation drains	80,904	0	30	(628)	(514)	0	0	79,792
Irrigation structures, meters and pumps	31,916	0	1,664	(467)	(3,097)	0	0	31,016
Machinery and tools	539	0	200	0	(133)	0	0	606
Computer equipment	340	0	258	0	(139)	0	0	459
Furniture and fittings	305	0	37	(1)	(59)	0	0	282
Motor vehicles	3,076	1,518	0	(656)	(844)	0	0	3,094
Plant	419	0	54	0	(85)	0	0	388

**Reconciliation of Level 3 fair value (\$'000s) at 30 June 2014**

Asset type	Opening balance	Additions	Transfers	Disposals	Depreciation	Impairment	Revaluation	Closing balance
Specialised land	16,267	0	0	0	0	0	0	16,267
Non-specialised buildings	2,930	0	248	0	(171)	0	0	3,007
Reservoirs and weirs	709,661	0	6,874	(168)	(3,849)	0	0	712,518
Tunnels	216,009	0	0	0	(641)	0	0	215,368
Irrigation channels and pipes	155,745	0	809	(35)	(3,325)	0	0	153,194
Irrigation drains	81,405	0	44	(32)	(513)	0	0	80,904
Irrigation structures, meters and pumps	31,781	0	2,489	(96)	(1,258)	0	0	32,916
Machinery and tools	420	0	233	0	(114)	0	0	539
Computer equipment	260	0	244	(39)	(125)	0	0	340
Furniture and fittings	323	0	41	(0)	(59)	0	0	305
Motor vehicles	2,765	1,769	0	(725)	(733)	0	0	3,076
Plant	156	0	337	(7)	(67)	0	0	419

### 8(e) Description of significant unobservable inputs to Level 3 valuations <sup>2</sup>

Asset class	Fair value at 30 June 2015 (\$'000s)	Valuation technique <sup>1</sup>	Significant unobservable inputs <sup>1</sup>	Average cost \$ or years useful life	Relationship of unobservable inputs to fair value
Specialised land	\$16,115	Market approach	Community Service Obligation (CSO) adjustment	20%–90% (63%)	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value.
Non-specialised buildings (52)	\$2,823	Depreciated replacement cost	Cost per building	\$1,000 –\$720,000 (\$40,872)	A significant increase or decrease in the direct cost per building adjustment would result in a significantly higher or lower fair value.
			Useful life of buildings	10–50 years (29.7 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Reservoirs (7)	\$661,316	Depreciated replacement cost	Cost per reservoir	\$1M –\$23M (\$9M)	A significant increase or decrease in the direct cost per reservoir adjustment would result in a significantly higher or lower fair value.
			Useful life of reservoirs: Perpetual components Depreciable components	Indefinite life 25–350 years (184 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Weirs (6)	\$49,013	Depreciated replacement cost	Cost per weir	\$57M–\$306M (\$124M)	A significant increase or decrease in the direct cost per weir adjustment would result in a significantly higher or lower fair value.
			Useful life of weirs: Perpetual components Depreciable components	Indefinite life 25–350 years (207 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Tunnels (3)	\$215,057	Depreciated replacement cost	Cost per tunnel	\$90M–\$461M (\$223M)	A significant increase or decrease in the direct cost per tunnel adjustment would result in a significantly higher or lower fair value.
			Useful life of tunnels: Perpetual components Depreciable components	Indefinite life 50–80 years (80 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Irrigation channels	\$147,131	Depreciated replacement cost	Cost per metre of channel	\$71–\$1,430 (\$163)	A significant increase or decrease in the direct cost per metre of channel adjustment would result in a significantly higher or lower fair value.
			Useful life of irrigation channels: Perpetual components Depreciable components	Indefinite life 100 years (100 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Irrigation pipes	\$12,272	Depreciated replacement cost	Cost per metre of pipeline	\$100–\$1,823 (\$670)	A significant increase or decrease in the direct cost per metre of pipeline adjustment would result in a significantly higher or lower fair value.
			Useful life of irrigation pipes	70–110 years (79 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Irrigation drains	\$79,792	Depreciated replacement cost	Cost per metre	\$14–\$985 (\$122)	A significant increase or decrease in the direct cost per metre adjustment would result in a significantly higher or lower fair value.
			Useful life of irrigation drains	Indefinite life	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.



**8(e) Description of significant unobservable inputs to Level 3 valuations** <sup>2</sup>continued

Asset class	Fair value at 30 June 2015 (\$'000s)	Valuation technique <sup>1</sup>	Significant unobservable inputs <sup>1</sup>	Average cost \$ or years useful life	Relationship of unobservable inputs to fair value
Irrigation structures, meters and pumps	\$31,016	Depreciated replacement cost	Due to the large number of different assets in this category, it is not possible to disclose a meaningful unit cost.		A significant increase or decrease in the direct cost per unit adjustment would result in a significantly higher or lower fair value.
			Useful life of irrigation structures	25–75 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.
Machinery and tools	\$605	Depreciated replacement cost	Due to the large number of different assets in this category, it is not possible to disclose a meaningful unit cost.		A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
			Useful life of machinery and tools	2–33 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.
Computer equipment	\$459	Depreciated replacement cost	Cost per unit	\$118–\$16,228/per unit (\$2,133)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
			Useful life of computer equipment	4–10 years (5.1 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Furniture and fittings	\$283	Depreciated replacement cost	Cost per unit	\$248–\$48,010/per unit (\$3,980)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
			Useful life of the furniture and fittings	2–25 years (11 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Motor vehicles	\$3,094	Depreciated replacement cost	Cost per unit	\$19,945–\$52,626/per unit (\$36,221)	A significant increase or decrease in the direct cost per unit would result in a significantly higher or lower fair value.
			Useful life of the motor vehicles	2–4 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.
Plant	\$388	Depreciated replacement cost	Cost per unit	\$891–\$148,080/per unit (\$22,890)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
			Useful life of plant	5–20 years (8 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

**Notes**

<sup>1</sup> Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with VGV.

<sup>2</sup> These significant unobservable inputs remain unchanged from 30 June 2014.

## 9 Intangible assets

Software	Software \$'000s	Implementation in progress \$'000s	Total \$'000s
<b>Year ended 30 June 2015</b>			
At 1 July 2014	2,858	198	3,056
Additions	0	370	370
Transfer	471	(471)	0
Amortisation	(641)	0	(641)
<b>At 30 June 2015</b>	<b>2,688</b>	<b>97</b>	<b>2,785</b>
<b>At 1 July 2014</b>			
Cost (gross carrying amount)	7,821	198	8,019
Accumulated amortisation	(4,963)	0	(4,963)
<b>Net carrying amount</b>	<b>2,858</b>	<b>198</b>	<b>3,056</b>
<b>At 30 June 2015</b>			
Cost (gross carrying amount)	8,291	97	8,388
Accumulated amortisation	(5,603)	0	(5,603)
<b>Net carrying amount</b>	<b>2,688</b>	<b>97</b>	<b>2,785</b>
<b>Year ended 30 June 2014</b>			
At 1 July 2013	2,680	109	2,789
Additions	0	863	863
Transfer	774	(774)	(0)
Amortisation	(595)	0	(595)
<b>At 30 June 2014</b>	<b>2,858</b>	<b>198</b>	<b>3,056</b>
<b>At 1 July 2013</b>			
Cost (gross carrying amount)	7,089	109	7,198
Accumulated amortisation	(4,409)	0	(4,409)
<b>Net carrying amount</b>	<b>2,680</b>	<b>109</b>	<b>2,789</b>
<b>At 30 June 2014</b>			
Cost (gross carrying amount)	7,821	198	8,019
Accumulated amortisation	(4,963)	0	(4,963)
<b>Net carrying amount</b>	<b>2,858</b>	<b>198</b>	<b>3,056</b>



	2014-15 \$'000s	2013-14 \$'000s
<b>10 Payables</b>		
<b>Current</b>		
Trade creditors	1,431	2,325
Accrued expenses	1,092	1,429
Deferred revenue <sup>1</sup>	158	140
Advances for capital and other works	398	388
	<b>3,079</b>	<b>4,282</b>
<b>Statutory</b>		
FBT payable	96	82
	<b>3,175</b>	<b>4,364</b>

<sup>1</sup> Deferred revenue balance represents our estimate of unearned income from our Licensing Applications business, which will be recognised as income as applications complete.

**Fair value**

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

**Foreign exchange and interest rate risk for trade and other payables**

All the Corporation's current payables are denominated in Australian dollars and accordingly the Corporation does not face a foreign exchange rate risk against these balances.

A summarised analysis of the sensitivity of payables to interest rate risk can be found in Note 21.

	2014-15 \$'000s	2013-14 \$'000s
<b>11 Interest bearing liabilities</b>		
<b>Current</b>		
<b>Unsecured</b>		
Treasury Corporation of Victoria (TCV)	1,530	1,030
<b>Non-current</b>		
<b>Unsecured</b>		
Treasury Corporation of Victoria (TCV)	15,210	16,740
<b>Total interest bearing liabilities</b>	<b>16,740</b>	<b>17,700</b>

Current interest bearing liabilities are held with TCV either as:

- An "11am" at call debt facility which has no fixed term to maturity
- Fixed – Semi Annual Credit Foncier facilities with repayments of interest and principal twice annually
- Fixed – Semi Annual Rate facilities of which \$0.5M matures June 2016.

Non-current interest bearing liabilities are all held with TCV, either as:

- Fixed – Semi Annual Credit Foncier facilities with repayments of interest and principal (\$100K) twice annually and a final \$3.0M maturity in June 2017
- Fixed – Semi Annual Credit Foncier facilities with repayments of interest and principal (\$130K) twice annually and a final \$3.18M maturity in June 2020
- Fixed – Semi Annual Credit Foncier facilities with repayments of interest and principal (\$210K) twice annually and a final \$2.14M maturity in June 2021
- Fixed – Semi Annual Credit Foncier facilities with repayments of interest and principal (\$75K) twice annually and a final \$2.5M maturity in June 2023.

These debt facilities are provided by TCV consistent with the Financial Accommodation issued by the Treasurer of Victoria to Gippsland and Southern Rural Water, in accordance with section 8 of the *Borrowing and Investment Powers Act 1987*.

The borrowings are not directly secured by assets of the Corporation but have the benefit of the Treasurer's guarantee to TCV dated 25 April 2002.

The borrowings are in Australian dollars and accordingly the Corporation does not face a foreign exchange risk in relation to these balances.

#### Loan facilities

Total facilities	36,900	28,800
Used at balance date	16,740	17,770
Unused at balance date	20,160	11,030

#### Fair value

##### Non-traded financial liabilities

Treasury Corporation of Victoria (TCV)	17,836	17,770
	<b>17,836</b>	<b>17,770</b>

None of the facilities are readily traded on organised markets in standardised form.

The Corporation's financial liability maturities are as follows:

Within one year	1,530	1,030
One to five years	9,700	7,220
Over five years	5,510	9,520
<b>Total interest bearing liabilities</b>	<b>16,740</b>	<b>17,770</b>

The carrying amounts of the Corporation's borrowings are denominated in the following currencies:

Australian dollar	16,740	17,770
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For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 21(b).



	2014-15 \$'000s	2013-14 \$'000s
<b>12 Current and non-current liabilities – employee benefits</b>		
<b>Current</b>		
All annual leave and long service leave entitlements that are, or will be, unconditional upon seven years of continuous service		
Long service leave		
Unconditional and expected to settle within 12 months	1,476	1,426
Unconditional and expected to settle after 12 months measured at present value	1,308	993
Annual leave		
Unconditional and expected to settle within 12 months	1,069	1,023
Unconditional and expected to settle after 12 months measured at present value	1,047	1,052
	4,900	4,494
<b>Non-current</b>		
Conditional long service leave measured at present value	132	246
<b>Aggregate carrying amounts</b>		
Current	4,900	4,494
Non-current	132	246
<b>Total employee benefits</b>	<b>5,032</b>	<b>4,740</b>
Number of employees at year end	163	166
<b>13 Contributed capital</b>		
Balance at beginning of reporting period	396,201	393,220
Capital transactions with the State Government in its capacity as owner arising from:		
Contribution – Macalister irrigation system (MID2030 Phase 1a project)	7,512	2,981
<b>Closing balance</b>	<b>403,713</b>	<b>396,201</b>

#### 14 Asset revaluation reserve

	2014-15				2013-14			
	Land \$'000s	Buildings \$'000s	Water infrastructure \$'000s	Total \$'000s	Land \$'000s	Buildings \$'000s	Water infrastructure \$'000s	Total \$'000s
Asset revaluation reserve	10,609	1,662	546,073	558,344	10,609	1,662	546,073	558,344
Asset disposal	(2)	0	0	(2)	0	0	0	0
Closing balance	10,607	1,662	546,073	558,342	10,609	1,662	546,073	558,344

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

	2014-15 \$'000s	2013-14 \$'000s

#### 15 Accumulated funds

	2014-15 \$'000s	2013-14 \$'000s
Accumulated surplus at beginning of reporting period	39,928	43,219
Net result for the period	(3,182)	(3,291)
Accumulated surplus at end of reporting period	36,746	39,928

#### 16 Lease commitments

The following commitments are inclusive of GST.

The Corporation leases a number of premises using operating leases under various terms and conditions, ranging from one to five years. Monthly rental payments are made, with these building lease commitments due for payment as follows:

	2014-15 \$'000s	2013-14 \$'000s
– within one year	214	212
– one to five years	494	552
– over five years	46	0
	754	764

#### 17 Commitments for expenditure

The following commitments are inclusive of GST

##### Capital

At 30 June 2015, the Corporation had the following other significant capital commitments

Capital commitments are likely to be exercised as follows:

	2014-15 \$'000s	2013-14 \$'000s
– within one year	3,422	4,421
– one to five years	1,498	225
	4,920	4,646

##### Environmental

Environmental contribution commitments are likely to be exercised as follows:

	2014-15 \$'000s	2013-14 \$'000s
– within one year	423	423
– one to five years	0	423
	423	846



	2014-15 \$'000s	2013-14 \$'000s
<b>17 Commitments for expenditure</b> <i>continued</i>		
<b>Operating</b>		
At the 30 June 2015, the Corporation had the following other significant operating commitments		
Operating commitments are likely to be exercised as follows:		
– within one year	1,349	1,314
– one to five years	1,110	1,033
	<b>2,459</b>	<b>2,347</b>

## 18 Contingent liabilities

### Werribee delivery share fees

During 2013, the Corporation instigated proceedings to recover outstanding delivery share fees from a Werribee irrigation customer. Our claim was defended, and then ruled in the Corporation's favour by the Magistrates Court of Victoria. The customer has since appealed this decision, with a further hearing scheduled in the Supreme Court. Should the defendant be successful, financial loss to the Corporation will include the outstanding delivery share fees as well as legal costs. While the Corporation is unable to reliably estimate the financial effect, if any, which may arise from this matter, an adverse judgement could result in a financial loss in the range of \$100k to \$150k.

## 19 Superannuation

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

The Corporation makes the majority of its employer superannuation contributions in respect of its employees to Vision Super (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the Corporation and the Corporation's legal or constructive obligation is limited to these contributions, except for the Vision Super defined benefit fund, which the Corporation's obligations are listed below in Note 19(a).

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

The Corporation contributes in respect of its employees to the following superannuation schemes.

Contributions are shown in the following table.

		2014-15 \$'000s	Contribution rate	2013-14 \$'000s	Contribution rate
<b>Defined benefit schemes:</b>					
(a) Government Superannuation Office – New Scheme	Employer contribution	118	9.5% - 10.3%	126	9.5% - 10.3%
(b) Government Superannuation Office – Revised Scheme	Employer contribution	12	17.30%	12	17.30%
(c) SAFE – State Employees Retirement Benefits Fund	Employer contribution	29	13.30%	28	13.30%
(d) Vision Super	Employer contribution	0	9.50%	0	9.25%

## 19(a) Unfunded superannuation liabilities – defined benefit schemes

Unfunded liabilities are defined as the difference between the present value of members' accrued benefits and the net market value of a superannuation scheme's assets at the reporting date. The Corporation is responsible for any unfunded liabilities arising from 1 July 1992 on defined benefits superannuation schemes which it sponsors in respect of its employees.

### - State Superannuation Funds (items a, b and c)

The Corporation has no unfunded liability in respect of its employees who are members of schemes in this fund. This liability has been assumed by the State Government and is disclosed in its financial statements.

### - Vision Super - defined benefits scheme past services liability (item d)

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

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

### Funding arrangements

The Corporation makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's actuary.

The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the Vested Benefit Index (VBI) of the defined benefit category of which the Corporation is a contributing employer was 103.4%.

The Australian Prudential Regulation Authority (APRA) has introduced a prudential standard (SPS160 - Defined Benefit Matters) to determine the funding requirements of a defined benefit (DB) arrangement. Under this standard:

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

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

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

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

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

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



## 19(a) Unfunded superannuation liabilities – defined benefit schemes *continued*

### *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 (completed by Russell Investments 12 November 2014), the Corporation 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 2015, this rate was 9.5% of members' salaries. This rate increased from 9.25% for the year ended 30 June 2014 and will increase in line with the required Superannuation Guarantee contribution rate.

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

#### *Funding calls*

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

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

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

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

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

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

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

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

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

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

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

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

#### *Differences between calculations*

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in the Corporation's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

## 19(a) Unfunded superannuation liabilities – defined benefit schemes *continued*

### **Retrenchment increments**

During 2014-15, the Corporation was not required to make payments to the Fund in respect of retrenchment increments.

### **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 the Corporation is a contributing employer:

- a VBI surplus of \$77.1M
- a total service liability surplus of \$236M.

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.

The Corporation was notified of the results of the actuarial investigation during January 2015.

### **Prior actuarial investigation shortfall amounts**

The Fund's prior actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406M (excluding contributions tax) in the defined benefit category. The Corporation was informed of its share of the shortfall on 2 August 2012 and the Corporation's share of the shortfall amounted to \$78,890 (excluding contributions tax) which has been accounted for in the 2011-12 and 2012-13 comprehensive operating statements with Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

### **Accrued benefits**

The Fund's liability for accrued benefits was determined in the 30 June 2014 actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS 25 – *Financial Reporting by Superannuation Funds* follows:

	<b>30 Jun 14 \$'000s</b>
Net market value of assets	2,354,900
Accrued benefits (per accounting standards)	2,061,900
Difference between assets and accrued benefits	293,000
Vested benefits (minimum sum which must be paid to members when they leave the Fund)	2,277,800
The financial assumptions used to calculate the accrued benefits for the defined benefit category of the Fund were:	
Net investment return	7.50% p.a.
Salary inflation	4.25% p.a.
Price inflation	2.75% p.a.

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2017.

## 19(b) Accumulation schemes (items e and f)

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2015, this was 9.50% required under Superannuation Guarantee legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to the employees are represented by their share of the net assets of the Fund.

The Superannuation Guarantee contribution rate is legislated to progressively increase to 12% by 2025. The Superannuation Guarantee rate will remain at 9.5% for seven years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.



## 20 Responsible persons and executive officer disclosures

### 20(a) Responsible persons

The names of the responsible persons of Gippsland and Southern Rural Water Corporation during the financial year were:

The Hon Peter Walsh MP, Minister for Water (1/7/2013–3/12/2014)

The Hon Lisa Neville MP, Minister for Environment, Climate Change and Water (4/12/2014 - 30/6/2015)

#### Members of Corporation Board:

Mr. T Burgi (Chairperson) (1/7/2014 to 30/6/2015)

Ms. A Killeen (Deputy Chairperson) (1/7/2014 to 30/6/2015)

Ms. G Bell (Director) (1/7/2014 to 30/6/2015)

Mr. M Coleman (Director) (1/7/2014 to 30/6/2015)

Mr. T Swingle (Director) (1/10/2014 to 30/6/2015)

Mr. R Napper (Director) (1/7/2014 to 30/6/2015)

Ms. N Pye (Director) (1/7/2014 to 30/6/2015)

Mr. C Rodda (Managing Director) (Accountable Officer) (1/7/2014 to 30/6/2015)

Mr C Parker (General Manager Groundwater and Rivers) acted in the position of Chief Executive Officer and Accountable Officer from 1 July 2014 to 3 July 2014, and also 7 April 2015 to 10 April 2015.

Mr S Wrigglesworth (Chief Financial Officer) acted in the position of Chief Executive Officer and Accountable Officer from 19 September 2014 to 8 October 2014, and also 29 December 2014 to 5 January 2015.

Mr P Byrnes (General Manager Technical Services) acted in the position of Chief Executive Officer and Accountable Officer from 1 December 2014 to 4 December 2014, and also 2 February 2015 to 5 February 2015.

#### 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.

	2014–15	2013–14
Remuneration received or due and receivable from the Corporation in connection with the management of the Corporation.	520,204	509,271
The number of responsible persons whose remuneration from the Corporation was within the specified bands was as follows:		
	Number	Number
\$0–\$9,999	0	1
\$10,000–\$19,999	0	0
\$20,000–\$29,999	6	6
\$30,000–\$39,999	0	0
\$40,000–\$49,999	0	0
\$50,000–\$59,999	1	1
\$260,000–\$269,999	0	0
\$270,000–\$279,999	0	0
\$280,000–\$289,999	1	1
	8	9

## 20(b) Executive officers' remuneration

The numbers of executive officers, other than responsible persons, 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 represents the equivalent to all executive officers working 38 ordinary hours per week for the reporting period.

Several factors have affected total remuneration payable to executives over the year. Some executives received a bonus payment. These bonus payments depend on the terms of individual employment contracts.

An executive resigned at the end of last financial year. This has an impact on the comparative remuneration between financial years.

	Total remuneration		Base remuneration	
	2015	2014	2015	2014
\$140,000–\$149,999	0	0	0	1
\$150,000–\$159,999	1	3	2	2
\$160,000–\$169,999	3	1	2	1
\$170,000–\$179,999	0	1	0	1
\$180,000–\$189,999	0	0	0	0
\$190,000–\$199,999	0	0	0	0
\$210,000–\$219,999	0	0	0	0
Total number of executives	4	5	4	5
Total annualised employee equivalent*	4	5	4	5
Total amount	664,425	804,169	639,845	790,987

\*Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

## 20(c) Payments to other personnel

There were no payments to other personnel, other than responsible persons and executive officers.

## 20(d) Other related party transactions

There were no retirement benefits paid in conjunction with the retirement of responsible persons, nor were there any transactions between the Corporation and any responsible person other than those which occurred within the normal arms length transaction between the Corporation and its customers.

## 21 Financial instruments

### 21(a) Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing 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 focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and other price risks and ageing analysis for credit risk.

Risk management is monitored by the Audit and Risk Policy Committee under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk, use of financial instruments, and investment of excess liquidity.

Specifically, the Corporation manages financial risk by adoption of a Treasury Management Policy that is consistent with State Government Treasury Management Guidelines. The Treasury Management Guidelines conform with the *Borrowing and Investment Powers Act 1987* (BIP Act), which provides statutory corporations their authority to borrow and invest.

DTF requirements dictate that all new borrowings must be approved by the Treasurer of Victoria. Annually, a Financial Accommodation approval is provided by the Treasurer which is consistent with the Corporation's budget planning and cash requirements. At 1 July 2014, the Corporation held a Financial Accommodation approval for \$36.9M of borrowings (1 July 2013 \$28.8M of borrowings).

In accordance with DTF guidance, in order to minimise credit risk exposure to the Corporation, the Treasury Management Policy limits investment of surplus funds to financial institutions approved by DTF. During the 2015 financial year, surplus funds were invested with the National Australia Bank and the Treasury Corporation of Victoria only.



## 21(b) Risk exposures

The main risks the Corporation is exposed to through its financial instruments are market, credit and liquidity risks, as described below.

### 21(b)(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 level of 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 funds invested, and borrowed, with the Treasury Corporation of Victoria. Both investment of funds and short-term borrowings are held at variable market rates. The Corporation's non-current borrowings are at fixed interest rates.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. The Corporation manages this risk by maintaining a conservative investment portfolio whereby investment of surplus funds is restricted to DTF approved financial instruments that offer fixed or floating interest rates tied to prevailing market rates.

Interest rate risk on borrowed funds is managed by entering into debt facilities with a balanced term profile to avoid a concentration of maturities. In this way, the Corporation's aggregate interest rate is an average of recent market rates, which limits exposure to interest repricing in any one period.

#### Foreign exchange risk

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

#### Other price risk

The Corporation has no significant exposure to other price risk.

#### Market risk sensitivity analysis

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

	Carrying amount			Interest rate risk			
	Floating interest rate \$'000s	Fixed interest rate \$'000s	Non-interest bearing \$'000s	+1% Result \$'000s	+1% Equity \$'000s	-1% Result \$'000s	-1% Equity \$'000s
<b>30 June 2015</b>							
<b>Financial assets</b>							
Cash assets and deposits at call	7,705	0	3	77	77	(77)	(77)
Receivables	0	0	4,321	0	0	0	0
	7,705	0	4,324	77	77	(77)	(77)
<b>Financial liabilities</b>							
Payables and accruals	0	0	3,079	0	0	0	0
Interest bearing liabilities	500	16,240	0	5	5	(5)	(5)
Advances for capital and other works	0	0	398	0	0	0	0
	500	16,240	3,477	5	5	(5)	(5)
<b>Total</b>	<b>7,205</b>	<b>(16,240)</b>	<b>847</b>	<b>72</b>	<b>72</b>	<b>(72)</b>	<b>(72)</b>

**21(b) Risk exposures** *continued***21(b)(i) Market risk** *continued*

30 June 2014	Carrying amount			Interest rate risk			
	Floating interest rate \$'000s	Fixed interest rate \$'000s	Non-interest bearing \$'000s	+1% Result \$'000s	+1% Equity \$'000s	-1% Result \$'000s	-1% Equity \$'000s
<b>Financial assets</b>							
Cash assets and deposits at call	5,002	0	3	50	50	(50)	(50)
Receivables	0	0	4,382	0	0	0	0
	5,002	0	4,385	50	50	(50)	(50)
<b>Financial liabilities</b>							
Payables and accruals	0	0	3,836	0	0	0	0
Interest bearing liabilities	0	17,770	0	0	0	0	0
Advances for capital and other works	0	0	388	0	0	0	0
	0	17,770	4,224	0	0	0	0
<b>Total</b>	<b>5,002</b>	<b>(17,770)</b>	<b>161</b>	<b>50</b>	<b>50</b>	<b>(50)</b>	<b>(50)</b>



**21(b) Risk exposures** *continued***21(b)(i) Market risk** *continued*

	Balance sheet notes	Nature of balance	Terms and conditions
<b>Financial assets</b>			
Cash assets and deposits at call	4(a), 4(b) and 4(c)	Cash is stated at its nominal amount. Surplus funds are held in the bank account with excess requirements placed on term deposit.	The bank account attracted an average 1.75% (2014: 2.13% ) interest rate for the year and funds retained in cash management accounts an average 2.20% (2014:2.58%).
Receivables	5	Receivables are stated at amortised cost due less any provision for doubtful debts.	Normal terms are 30 days from date of invoice. The interest rate applied against overdue accounts is 7.60% for 2014-15 (2013-14 6.90%), and from time to time, this rate is reviewed for consistency with market interest rates. As interest is derived from overdue accounts only, price sensitivity for interest rate risk is considered insignificant and not separately calculated.
<b>Financial liabilities</b>			
Payables and accruals	10	Creditors and accruals are recognised for future amounts to be paid in respect of goods and services received, whether or not billed to the Corporation.	Terms for the payment of creditors are negotiated with the supplier and as the Corporation makes payment within these terms, interest charges are not incurred by the Corporation.
Interest bearing liabilities	11	Short and long-term interest bearing liabilities must be borrowed from Treasury Corporation of Victoria.	Short-term borrowings at a fixed rate of 2.165% at 30 June 2015 (2014: 2.665%). Term borrowings: \$0.5M at 5.255% maturing June 2016 \$3.4M at 3.656% maturing June 2017 \$4.48M at 4.10% maturing June 2020 \$4.66M at 4.125% maturing June 2021 \$3.7M at 4.50% maturing June 2023
Advances for capital and other works	10	Advances for capital and other works are recognised for amounts received in advance for recoverable works, as well as security deposits held in respect of works programs.	Advances and security deposits are refunded upon successful completion of works, or otherwise brought to account as revenue where required to undertake completion or remediation of works. Interest is not payable by the Corporation on these balances.

The exposure of the Corporation's borrowings to interest rate changes and the contractual repricing dates are disclosed at Note 21(b)(iii)

## 21(b)(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 principally of irrigation customers, large commercial and public sector enterprises supplied under a bulk entitlement order, as well as State Government departments. Notwithstanding the ongoing monitoring of these debts, the Corporation considers recoverability as virtually certain given covenants established by the *Water Act 1989* and the creditworthiness of the State Government.

An analysis of the ageing of the Corporation's receivables at the reporting date has been provided in Note 5.

## 21(b)(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 and by continuously monitoring forecasts and actual cash flows, and matching the maturity profiles of financial assets and financial liabilities. Annually, the Corporation completes a Corporate Plan which includes financial estimates for a five-year period. This plan incorporates a cash flow forecast that then facilitates application to DTF for any necessary Financial Accommodation. Financial Accommodation establishes the Corporation's approval to establish borrowing facilities. At 30 June 2015, the Corporation had not accessed \$20.16M (2014: \$11.03M) of this Financial Accommodation.

In light of the Corporation's planned capital expenditure program, and our ongoing need for debt funding to support this program, the Corporation's ability to meet liabilities as they fall due is reliant upon the issue of a suitable annual borrowing approval by the Treasurer.

The Corporation's financial liability maturities have been disclosed in Note 11.

## 21(c) Fair value measurements

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

As of 1 July 2009, the Corporation has adopted the amendment to AASB 7 *Financial Instruments: Disclosures*. This requires disclosure of fair value measurements by level, using the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All Corporation financial assets and liabilities, other than interest bearing liabilities, are categorised as Level 1.

The following table presents the Corporation's financial assets and liabilities measured and recognised at fair value.

	2015		2014	
	Carrying amount \$'000s	Fair value \$'000s	Carrying amount \$'000s	Fair value \$'000s
<b>Financial Assets</b>				
Cash assets and deposits at call	7,708	7,708	5,005	5,005
Receivables	4,321	4,321	4,382	4,382
	12,029	12,029	9,387	9,387
<b>Financial Liabilities</b>				
Payables and accruals	3,079	3,079	3,836	3,836
Interest bearing liabilities	16,740	17,836	17,770	18,509
Advances for capital and other works	398	398	388	388
	20,217	21,313	21,994	22,733

Cash, cash equivalents and non-interest bearing financial assets and financial liabilities are carried at cost which approximates their fair value. The fair value of other financial liabilities is based upon market prices, where a market exists or by discounting the expected future cash flows at current interest rates.

	2014-15 \$'000s	2013-14 \$'000s
<b>22 Reconciliation of the net result for the period to net cash flows from operating activities</b>		
Net loss for the period before income tax	(4,659)	(4,707)
<b>Add/(less) non-cash flows in the net result for the period</b>		
Depreciation and amortisation	12,005	11,451
Gain on sale of fixed assets	(212)	(18)
Written down value of transferred assets	622	48
Written down value of destroyed, lost or decommissioned assets	787	284
<b>Change in assets and liabilities</b>		
Decrease in inventories	(2)	(20)
Increase in current receivables	93	317
Decrease/(Increase) in other current assets	111	(402)
Increase in provision for employee benefits	322	103
Increase in payables	(232)	(283)
<b>Net cash flows from operating activities</b>	<b>8,835</b>	<b>6,773</b>

### 23 Ex-gratia expenses

There were no ex-gratia expenses in 2014-15 (2013-14: Nil)

### 24 Events occurring after the balance date

On the 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015. Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence.

### 25 Change in accounting estimate

In 2015, based on ATO Interpretative Decision 2012/15, the corporation has prepared the financial accounts on the basis that unbilled revenue is treated as assessable income for the purposes of tax effect accounting. In previous years, only billed revenue had been included as assessable income. Management has agreed to adopt the principles of Interpretative Decision ATO ID 2012/15 and accordingly this is a change in accounting estimate. The Corporation has accounted for the change in the current period. Notwithstanding that the change results in a reduction in the deferred tax asset of \$581,507, the deferred tax liability is unaffected, as the Corporation has significant carried forward losses.

# Independent auditor's report

## Financial report

# VAGO

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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Gippsland and Southern Rural Water Corporation

#### *The Performance Report*

The accompanying performance report for the year ended 30 June 2015 of the Gippsland and Southern Rural Water Corporation which comprises the performance report, the related notes and the corporation certification has been audited.

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

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

#### *Auditor's Responsibility*

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

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

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



**Independent Auditor's Report (continued)***Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates 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 Gippsland and Southern Rural Water Corporation as at 30 June 2015 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  
2 September 2015

  
John Doyle  
Auditor-General

# Compliance certificate

## Financial report

### Gippsland and Southern Rural Water Corporation Statutory Certification

We certify the attached financial statements for Gippsland and Southern Rural Water Corporation have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interoperations 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 Statements and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2015 and the financial position of the Corporation as at 30 June 2015.

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

We authorise the attached financial statements for issue on 31 August 2015.



**TERRY BURGI**

Chairperson

Gippsland and Southern Rural Water Corporation

Dated on 31 August 2015



**CLINTON RODDA**

Managing Director

Gippsland and Southern Rural Water Corporation

Dated on 31 August 2015



**STUART WRIGGLESWORTH**

Chief Financial Officer

Gippsland and Southern Rural Water Corporation

Dated on 31 August 2015



## Financial performance indicators

KPI number	Key performance indicator		2013-14 result	2014-15 result	2014-15 target	% Variance to prior year	Notes	% Variance to target	Notes
<b>Cash interest cover</b>									
F1	Net operating cash flows before net interest and tax	times	10.2	16.5	5.8	62.1%	4	184.5%	8
	Net interest payments								
<b>Gearing ratio</b>									
F2	Total debt including finance leases	x 100	1.43%	1.34%	2.10%	-5.9%	3	-36.1%	7
	Total assets								
<b>Internal financing ratio</b>									
F3	Net operating cash flow	x 100	42.28%	67.28%	20.70%	59.2%	1	225.1%	6
	Net capital expenditure								
<b>Current ratio</b>									
F4	Current assets	times	1.04	1.36	0.77	30.4%	2	77.2%	6
	Current liabilities (excluding long-term employee provisions and revenue in advance)								
<b>Return on assets</b>									
F5	Earnings before net interest and tax	x 100	-0.34%	-0.34%	-0.49%	-1.3%		30.6%	9
	Average assets								
<b>Return on equity</b>									
F6	Net profit after tax	x 100	-0.33%	-0.32%	-0.50%	3.4%	5	36.1%	9
	Average total equity								
F7	Earnings before interest, tax, depreciation and amortisation	x 100	24.45%	23.22%	19.20%	-5.0%		20.9%	9
	Total revenue								

## Notes

**Significant variances to prior year**

Since the 2013-14 year, the following changes to our financial results have occurred:

- An improvement to operating result by \$0.05M, resulting from:
  - greater depreciation expense resulting from increased capital expenditure (\$0.5M)
  - lower net interest costs from less cash on deposit and larger loan accommodation portfolio (\$0.1M)
  - charging of a one-off delivery termination fee (\$2.36M)
  - greater purchases of recycled water (\$0.25M)
  - greater write-offs of transferred/scrapped assets (\$1.08M)
- less capital expenditure than previous year (\$4.3M), due to project cost savings and deferral.

An improved operating result and reduced capital expenditure have resulted in:

1. More of our capital expenditure program funded from operating cashflows.
2. Increased cash and deposits.
3. Marginally decreased our gearing, as debt is lower than previous year.
4. Increased our cash interest cover, as net interest costs are lower.
5. Slightly reduced our return on equity as government equity levels (MID2030 Phase 1a project) were increased.

#### **Significant variances to target**

The 2014-15 target is derived from the 2014-15 Corporate Plan of the Corporation. Since the 2014-15 Corporate Plan was finalised, the following changes to our projection have occurred:

- A better-than-forecast operating result by \$2.37M, resulting from:
  - less depreciation expense resulting from reduced capital expenditure due to cost savings and project deferral (\$0.47M)
  - lower net interest costs from more cash on deposit and lower interest rates (\$0.62M)
  - more water share auction receipts than expected (\$0.96M)
  - charging of a one-off delivery termination fee (\$2.36M)
- Significantly less capital expenditure than projected (\$9.5M), through project cost savings.

An improved operating result and reduced capital expenditure have resulted in:

6. More of our capital expenditure program funded from operating cashflows, with forecast additional loan funding not required due to greater cash and deposits on hand. Higher current assets improves the ratio.
7. A decrease to our gearing, as debt is lower than forecast.
8. Improved cash interest cover, as net interest costs are lower and operating cash flows are better than expected.
9. Improved our return on assets, return on equity and EBITA margin as operating loss is less than expected.

### **Water services performance indicators**

KPI number	Key performance indicator		2013-14 result	2014-15 result	2014-15 target	% Variance to prior year	Notes	% Variance to target	Notes
<b>Rural water supply deliveries</b>									
WSR1	Number of orders delivered								
	Total number of orders	x 100	95.44%	93.07%	82.00%	-2.5%		13.5%	3
<b>Unavailability of domestic and stock supply</b>									
WSR2	Duration that domestic and stock service is unavailable in excess of on-property storage		0.00%	0.0		0.0%	1	0.0%	4
<b>Groundwater supply</b>									
WSR3	Number of transfers processed within target period								
	Total number of transfers processed	x 100	100.00%	96%	99.60%	-4.2%	2	-3.8%	



**Notes****Significant variances to prior year**

1. This indicator only relates to where a specific or direct domestic and stock supply exists (e.g. pipeline). As the Corporation does not supply in this fashion, the indicator is not applicable.
2. The indicator relates to permanent trades.

**Significant variances to target**

3. The target is derived from the Water Plan 3 submission (in October 2012). Since then, the Corporation has recorded a significantly better result as customers in Werribee and Bacchus Marsh have been encouraged to use our automated water ordering system.
4. This indicator only relates to where a specific or direct domestic and stock supply exists (e.g. pipeline). As the Corporation does not supply in this fashion, the indicator is not applicable.

**Customer responsive performance indicators**

KPI number	Key performance indicator		2013-14 result	2014-15 result	2014-15 target	% Variance to prior year	Notes	% Variance to target	Notes
<b>Billing complaints</b>									
CR4	Number of complaints per 100 customers	number	0.006	0.007	0.005	16.7%	1	40.0%	1

**Notes:**

1. The target presented is a five year average of immediate past performance. While the percentage increase from 2013-14 and target appears significant, as this represents five and two new complaints only, this remains a very low number of complaints to the Corporation and no further action is proposed..

**Environmental performance indicators**

KPI number	Key performance indicator		2013-14 result	2014-15 result	2014-15 target	% Variance to prior year	Notes	% Variance to target	Notes
<b>Total net CO<sub>2</sub> emissions</b>									
E2	Net tonnes CO <sub>2</sub> equivalent	tonnes	59.0	53.0	47.0	-10.2%	1	12.8%	2

**Notes:**

1. The decrease in net CO<sub>2</sub> emissions since 2013-14 is a result of purchasing more offsets in 2014-15. The increase in gross offsets since 2013-14 is a small increase (Pre-offset CO<sub>2</sub> emissions: 2013-14 - 1325 tonnes; 2014-15 - 1342 tonnes).
2. Our purchase of offsets for 2014-15 was based on gross emissions in 2013-14. As gross emissions for 2014-15 increased, while our purchase was fixed, our net CO<sub>2</sub> emissions for 2014-15 ended up marginally higher than target.

# Compliance certificate

## Performance report

### Gippsland and Southern Rural Water Corporation Certification

We certify that the accompanying Performance Report of Gippsland and Southern Rural Water Corporation, in respect of 2014-15 financial year, is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2014-15 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets for these indicators, and an explanation of any significant variances between the actual result and the performance target and/or between the actual results in the current year and the previous year.

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



**TERRY BURGI**

Chairperson

Gippsland and Southern Rural Water Corporation

Dated on 31 August 2015



**CLINTON RODDA**

Managing Director

Gippsland and Southern Rural Water Corporation

Dated on 31 August 2015



**STUART WRIGGLESWORTH**

Chief Financial Officer

Gippsland and Southern Rural Water Corporation

Dated on 31 August 2015



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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Gippsland and Southern Rural Water Corporation

#### *The Performance Report*

The accompanying performance report for the year ended 30 June 2015 of the Gippsland and Southern Rural Water Corporation which comprises the performance report, the related notes and the corporation certification has been audited.

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

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

#### *Auditor's Responsibility*

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

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

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

## Independent Auditor's Report (continued)

### *Independence*

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

### *Opinion*

In my opinion, the performance report of the Gippsland and Southern Rural Water Corporation in respect of the 30 June 2015 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE  
2 September 2015

  
John Doyle  
Auditor-General



**Bulk Entitlement (Thomson/Macalister - Southern Rural Water) Conversion Order 2001**

The following information is provided in accordance with Section 20.3 of the Thomson/Macalister Bulk Entitlement Order.

		Volume (ML)
<b>At 30 June 2014</b>	Volume of water held at Lake Glenmaggie	103,857
	Share of Thompson Reservoir storage capacity (under clause 9)	33,818
	Releases from the Thomson Reservoir to supply primary entitlements	5,147
	Inflows attributed (under clause 10.1 and 10.2)	9,879
	Transferred to Bacchus Marsh Irrigation District for emergency supplies	0
<b>At 1 July 2015</b>	Volume of water held at Lake Glenmaggie	107,797
	Share of Thompson Reservoir storage capacity (under Clause 9)	33,813
<b>Annual 2014-15</b>	Taken from waterway:	
	• Southern Channel	94,513
	• Northern Channel	34,594
	• Eastern Channel	24,055
	• Cowwarr Channel	11,109
	Water taken by the primary entitlement holders	135,489
	Environmental allocation	13,706.8
	Environmental release (inc Carryover from 2012-13 season)	13,327
<b>Bulk Entitlement Order</b>		
<b>Annual 2013-14</b>	Credits granted (under clause 17)	Nil
	Temporary or permanent transfers of a bulk entitlement or any other entitlement to SRW	Nil
	Alteration made to Schedules 1 or 2 under sub-clause 8.1	Nil
	Amendments	Nil
	New bulk entitlements granted	Nil
	Programs approved to date under sub-clause 18.2	Nil
	Programs approved to date under sub-clause 19.3	Nil

**Compliance**

SRW is not aware of any failure to comply with the provision of the bulk entitlement. To minimise the potential for breaching compliance with environmental flows, we have developed a Risk Management Strategy and Action Plans.

**Diversion Limits**

SRW has applied to the responsible Minister to amend the requirement to determine and assess compliance with the diversion limits. The proposed amendment will extend the assessment period to five years. Should the amendment be approved, the next assessment will be due in 2018 and the results will be reported in the 2018-19 Annual Report. As SRW has accrued a significant cap credit the risk of breaching the diversion limit is low.

**Actions**

SRW has not experienced any difficulty in complying with the bulk entitlement; therefore, no remedial action has been taken. Daily volumes have been recorded at Lake Glenmaggie, Cowwarr Weir, Wandocka (environmental flow), Maffra Weir (environmental flow), Main Northern Channel, Main Eastern Channel, Main Southern Channel and Cowwarr Channel and can be provided upon request.

### Bulk Entitlement (Latrobe - Southern Rural Water) Conversion Order 1996

The following information is provided in accordance with Section 16.3 of the Bulk Entitlement Order 1996.

		Capacity (%)	Volume (ML)
<b>At 30 June 2014</b>	Blue Rock Reservoir	100.0	208,595
	Lake Narracan	51.0	3,736
<b>At 1 July 2015</b>	Blue Rock Reservoir	99.9	208,098
	Lake Narracan	84.9	6,138
	Share of Blue Rock Reservoir	2.0	4,162
<b>Annual 2014-15</b>	Taken by licence holders from waterway:		
	• upstream of Yallourn Weir		0
	• downstream of Yallourn Weir		4,685.1
	Losses from share of Blue Rock Reservoir		139
	Internal spills into share of Blue Rock Reservoir		131.9
<b>Bulk Entitlement Order</b>			
<b>Annual 2014-15</b>	Periods of rationing or restrictions imposed on licence holders		Nil
	Temporary or permanent transfers of a bulk entitlement		Nil
	Temporary or permanent transfers of a bulk entitlement or licence to SRW		Nil
	Amendments—there were no amendments to this bulk entitlement		Nil

#### Compliance

- SRW has provided for passing flow requirements as specified in the Bulk Entitlement Order for the complete year, with no breaches
- SRW has not experienced any difficulty in complying with the Bulk Entitlement; therefore no remedial action has been taken
- SRW has not submitted an environmental effects program under (14.2) , but has submitted a metering program in accordance with DEWLP requirements (15.1).



**Bulk Entitlement (Werribee River - Southern Rural Water)**

The following information is provided in accordance with Section 18.1 of the Werribee Bulk Entitlement Order.

		Volume (ML)		
<b>Annual 2014-15</b>	Volume of water taken by primary entitlement holders including outfalls:			
	• Bacchus Marsh	2,535		
	• River diverters	501.8		
	• Myrning	44.96		
	• Werribee	5,002		
	Releases necessary to supply transfers of primary entitlements	0		
	Water taken from:			
	• Bacchus Marsh Diversion Weir	3,907		
	• Werribee Diversion Weir	11,085		
	• Maddingley pumps	0		
	Water taken by SRW from the system waterway at each of the diversion weirs:			
	• Lerderberg Weir to Goodmans Creek	476 (SRW's share 47.6)		
	• Goodmans Creek to Merrimu Reservoir	471 (SRW's share 47.1)		
	• Werribee Upper Diversion Weir to Pykes Creek	2,055.6		
	Volume of water taken by primary entitlement holders:			
	• High and low reliability water shares	8,030.8		
	• Myrning	44.96		
<b>Bulk Entitlement Order</b>				
<b>Annual 2014-15</b>	Credits granted (under clause 15)	Nil		
	Temporary or permanent transfer of the bulk entitlement	Nil		
	Bulk entitlement or licence transferred to the Authority	Nil		
	SRW applied the following restrictions to primary entitlement holders in the Werribee and Bacchus Marsh irrigation districts and licensed diverters on the Werribee River:			
	<b>Month</b>	<b>HRWS</b>	<b>LRWS</b>	<b>Date Confirmed</b>
	July 2014	45%	0%	3 July 2014
	July 2014	50%	0%	27 July 2014
	August 2014	55%	0%	12 August 2014
	August 2014	60%	0%	26 August 2014
	September 2014	65%	0%	10 September 2014
	December 2014	70%	0%	16 December 2014
	Changes to this bulk entitlement			Nil
	New bulk entitlements granted			Nil

## Compliance

- SRW has previously submitted an Environmental Management Plan to the Department of Environment and Primary Industries. SRW has submitted a metering plan for the Werribee system in line with the bulk entitlement guidelines.
- SRW complied with all provisions of this bulk entitlement.
- SRW did not experience any difficulties in complying with this bulk entitlement.
- SRW has recorded daily volumes and can provide this on request. These include the daily flow passing each of the storages including Pykes Creek Reservoir, Melton Reservoir and Lake Merrimu. If required, SRW will also report on the daily passing flow on each of the following diversion structures: Upper Werribee Diversion Weir, Bacchus Marsh Diversion Weir, Lerderberg Diversion Weir, Goodmans Creek Diversion Weir and Werribee Diversion Weir.

### Bulk Entitlement (Maribyrnong - Southern Rural Water) Conversion Order 2000

The following information is provided in accordance with Section 19.1 of the Maribyrnong Bulk Entitlement Order.

	Volume (ML)
<b>Annual 2014-15</b>	
Water released to supply licence entitlements	28.9
SRW's share of Rosslynne Reservoir at the 30 June 2015	874
Inflows, taking into account evaporation and measurement discrepancies	55.8
Allowances for transfer and operating losses	0 (no irrigation water supplied)
Water deducted for passing flow requirements	88.2
Water taken from the waterway by primary entitlement holders	22.3

### Bulk Entitlement Order

<b>Annual 2014-15</b>	Temporary or permanent transfers from this bulk entitlement	Nil
	Temporary or permanent transfer to SRW	Nil
	Alterations to Schedule 1 or 2	Nil
	Temporary transfers within the system	Nil
	Amendments	Nil
	New bulk entitlements granted	Nil

## Compliance

- SRW has previously submitted an Environmental Management Plan to Department of Environment, Land, Water and Planning. SRW has submitted a metering plan for the Werribee system in line with the Bulk Entitlement guidelines
- SRW failed to comply with the passing flow requirement at the Sunbury gauging site on 14 November 2014 when the passing flow at Jacksons Creek dropped below the 0.6ML/d instantaneous passing flow requirement and stayed below until 15 November when flows recovered. The minimum flow rate for the period was 0.5ML/d. The daily flow volume did not fall below 0.6ML/d and considering the quick recovery of flows, we do not believe that there were any adverse environmental consequences of the breach. At no time did the stream cease to flow. A number of measures have been implemented to ensure a repeat of this does not occur
- SRW again experienced difficulties in complying with the bulk entitlement passing flow requirement at the Sunbury gauging station due to the distance between the release point and the gauging site and the varying system losses during summer. SRW is currently exploring its passing flow requirements at Sunbury with Melbourne Water (as waterway manager) and Western Water with the view to establishing how much flexibility could be added to this requirement.



**Bulk Entitlement (Tarago River - Southern Rural Water) Conversion Order 2009**

The following information is provided in accordance with Section 15.3 of the Tarago Bulk Entitlement Order 2009.

		Volume (ML)
<b>Annual 2014-15</b>	Releases were made from the Tarago Reservoir to supply primary entitlements	40
<b>Bulk Entitlement Order</b>		
<b>Annual 2014-15</b>	Amendments	Nil

**Compliance**

- SRW has complied with the bulk entitlement.
- SRW is not aware of any failure to comply with the provisions of the bulk entitlement.
- SRW's Bulk Entitlement Metering Program was approved by the responsible Minister in April 2012. No amendments were made in 2014-15.

**Bulk Entitlement (Loy Yang B (Yallourn River) Southern Rural Water) Conversion Order 1996**

The following information is provided in accordance with Section 12.1 of the Bulk Entitlement Order 1996.

		Volume (ML)
<b>Annual 2014-15</b>	Water taken by SRW at its pumping station	15,374
<b>Bulk Entitlement Order</b>		
<b>Annual 2014-15</b>	Temporary or permanent transfers of all or part of the bulk entitlement	Nil
	Temporary or permanent transfers of licences to this bulk entitlement	Nil
	Amendments	Nil

**Compliance**

- In accordance with Clause 11.4, the Entitlement Holder has a network of meters installed within its low quality water system that enables it to determine the low quality water usage by both the Loy Yang A and Loy Yang B power stations. This equipment is checked monthly for validity and annually for signal integrity.
- There have been no failures in complying with this bulk entitlement.
- There are no existing or anticipated difficulties by the Entitlement Holder in complying with the Bulk Entitlement.
- SRW has recorded daily volumes and can provide these on request:
  - a) daily amount of water taken by the Entitlement Holder from the waterway at the pumping station
  - b) daily amount of water returned to the system waterway or tributary streams from the works of the Entitlement Holder.

## Appendix 2: Annual reporting of major non-residential water users

### Number of customers

SRW mostly supplies water to customers for purposes that are farming or domestic, which are excluded from this report. The only water supply is through irrigation districts; across the rest of the coverage area, SRW issue licences to take and use water, but does not directly supply water.

The below table shows where SRW supplies water to commercial, tourism and recreational businesses in Werribee and Bacchus Marsh.

#### Customers by volume range

Volumetric range – ML per year	No. 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	1
Equal to or greater than 500ML and less than 750ML	2
Equal to or greater than 750ML and less than 1,000ML	0
Greater than 1,000ML	0
<b>Total no. customers</b>	<b>4</b>

### Names of major customers and their participation in water conservation programs

SRW is not aware of any major customers participating in water conservation programs.



The Annual Report of Southern Rural Water is prepared in accordance with all relevant Victorian legislation. This index helps to identify our compliance with statutory disclosure requirements.

Legislation	Disclosure required	Page number
<b>Ministerial Directions</b>		
<b>REPORT OF OPERATIONS – FRD Guidance</b>		
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## Financial Report

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\* nothing to report





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## About this report

This Annual Report has been prepared for the financial year 1 July 2014 to 30 June 2015.

This report is printed on Revive Laser paper. This paper is:

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- FSC Recycled Certified
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