

Southern Rural Water  
Annual Report

# 2016-17



**Southern  
Rural Water**

Managing Water. Serving Communities.

## About this report

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# Annual Report 2016-17

Southern Rural Water



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### Responsible body's declaration

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 2017.

**TERRY BURGI OAM**

Chairman  
Gippsland and Southern Rural Water Corporation  
Dated on 5 September 2017



# About us

## Message from the Chairman and the Managing Director

This year, Southern Rural Water (SRW) has continued to focus on implementing our long-term strategic plan, delivering value to our customers and the State of Victoria. The strategy has been reviewed and refined, creating strong alignment with the government's "Water for Victoria" policy. Consistent with this, we have made excellent progress on:

### Great service

- We measure service in each part of our business, and each business either met its service improvement targets or demonstrated significant improvement from last year's performance.
- SRW again participated in the Customer Service Benchmarking Australia mystery shopper survey and was ranked third out of 24 participating Australian water authorities.
- We made water delivery efficiency improvements in each irrigation district during 2016-17. In the Macalister Irrigation District (MID) we achieved a record 80%, easily exceeding the previous record of 75%. This is a great achievement recognising that, 15 years ago, efficiency was likely to be less than 60%.
- As part of our pricing submission preparation, we have gained further insight into the aspects of our service that are important to customers and the areas they want us to focus on for the next five years.

### Affordability

- We kept to, or dropped below, our planned price path from Water Plan 3. Based on our pricing submission work, we are confident that we can better our commitment to customers of modernising their irrigation districts with no more than a 10% real price increase over 20 years.

### Financial sustainability

- We achieved an excellent operating profit before statutory adjustments this year of \$3.1M. Our statutory result was adjusted to reflect the write-off of assets due to be decommissioned or abandoned following the modernisation of our irrigation districts. This adjustment reduced our statutory profit by \$2.8m.
- Our continued strong performance and projections in operating performance and cash position provides us with confidence in the ongoing financial viability of the corporation.
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### Modernisation

- Our \$32M MID2030 Phase 1A project reached practical completion in June 2017 – on time, below budget and delivering increased scope. This has delivered a major improvement in both customer service and efficiency.
- Partnering with Moorabool Shire, we completed Stage 1 of the modernisation of Bacchus Marsh Irrigation District (BMID), with the installation of a new pump station and diversion point on the Werribee River providing better service and enabling the future stages of work to progress.
- Completion of the \$4M 4/1 pipeline upgrades in Werribee Irrigation District (WID) delivered a further 10% of piping in the district.
- We have made further progress on implementing Automated Meter Reading for our unregulated surface and groundwater areas. Over the course of the year, we installed 380 readers across 10 surface and groundwater systems.
- We have also commenced further projects in each of the irrigation areas:

1. The \$60M MID2030 Phase 1B, with state, federal and irrigator funding, will transform supply in the Southern Tinamba supply zone and deliver almost 10GL of water savings. On-ground works commenced in May 2017.
2. Modernisation of WID continued with state and irrigator funding. Phase 1 modernisation works commenced with the piping of the top end of the channel system with on-ground works starting in May 2017.
3. Planning commenced for Phase 2 of the modernisation for Bacchus Marsh Irrigation District (BMID), with on-ground works planned for later in 2017. The project is jointly funded by state government and BMID irrigators.

### Cost reduction

- We continued to focus on the reduction of operating costs to free up funds for modernisation works across the business. Operating costs are now approximately 11.6% below the 2013-14 financial year benchmark, which has contributed significantly to affordability of price paths.

### New revenue

We are always seeking opportunities to generate new revenue, to mitigate costs, to fund modernisation works and to keep prices low for customers.

- A highlight was winning work to undertake assessments of local government dams across the south of the state by our dam engineering staff.
- We also identified opportunities for the generation of renewable energy, which we will progress in the coming years.
- We secured funding and have commenced four projects under the National Water Infrastructure

Development feasibility and pre-feasibility fund, which are now either complete or in progress:

1. Dilwyn Aquifer development ownership models (now complete)
2. Lindenow Valley Water Security feasibility and business case
3. Southern Victorian Irrigation Development
4. MID2030 Phase 2.

## Enabling our business

- We continued to engage with staff on our trademark behaviours, making a refinement to our customer trademark, which is now “Customer first”.
- We had two significant achievements in the diversity area:
  - being recognised as the “Pride Supporter of the Year” in the Victorian Public Sector Pride awards
  - improving our gender diversity, with the overall proportion of women steadily increasing since 2013, our female workforce has risen from 20% to 26%, with women in the executive team rising from 0% to 25%.
- We also developed and have begun to implement a new People and Culture strategy to work toward achieving a high performance culture.
- We received positive feedback from stakeholders in our recent Pulse Check, with most of our performance parameters being maintained or improved.

## Our season

The 2016-17 season proved an excellent one for water supply to most of our customers, coming off a very dry start to the year.

The Werribee basin received 100% high reliability water share (HRWS) and 65% low reliability water share (LRWS).

The MID had an excellent season with 100% HRWS and 20% LRWS and 42,264ML delivered as spill entitlement up to 15 December. Deliveries were 10% over budget.

Conditions in our unregulated areas were relatively normal over spring, however, the last six months were very dry.

The water availability for Western Water in Rosslynne and Merrimu Reservoirs has improved compared with last year, while Gippsland Water and the power generators' shares of Blue Rock remained at good levels.

## Thank you

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 our directors for their work over the course of the year in delivering these outcomes.



**TERRY BURGI OAM**

Chairman



**CLINTON RODDA**

Managing Director



# About us

## 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.

Our customers are principally the farmers, graziers, and growers of southern Victoria. Southern Rural Water also manages bulk entitlements on behalf of those entitlement holders.

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 minister during 2016-17 was:

- the Hon Lisa Neville MP, Minister for Water for the period from 1 July 2016 to 30 June 2017.

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.

### Our goals

#### For customers

- Control and convenience
- Affordable prices
- More water in production
- Adaptive, efficient and sustainable irrigation districts.

#### For us

- Safe and healthy workplace
- High-performing staff
- Financially sustainable.

#### For all

- Environmentally responsible
- Strong relationships
- Safe dams
- Sustainable water resources.

### Trademark behaviours

- United
- Customer first
- 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 Southern Rural Water, the trading name of the Gippsland and Southern Rural Water Corporation.

SRW manages rural water through close engagement with its customers and stakeholders.

### Our services

Our main business centres are located in Maffra, Werribee, Ringwood and Warrnambool, with smaller offices scattered across our region of responsibility. SRW employs 171 people, and its area covers 37% of the state. Refer to SRW's area coverage map on page 5.

### Irrigation

SRW manages the delivery of water to the Werribee, Bacchus Marsh and Macalister irrigation districts and maintains 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 the government.

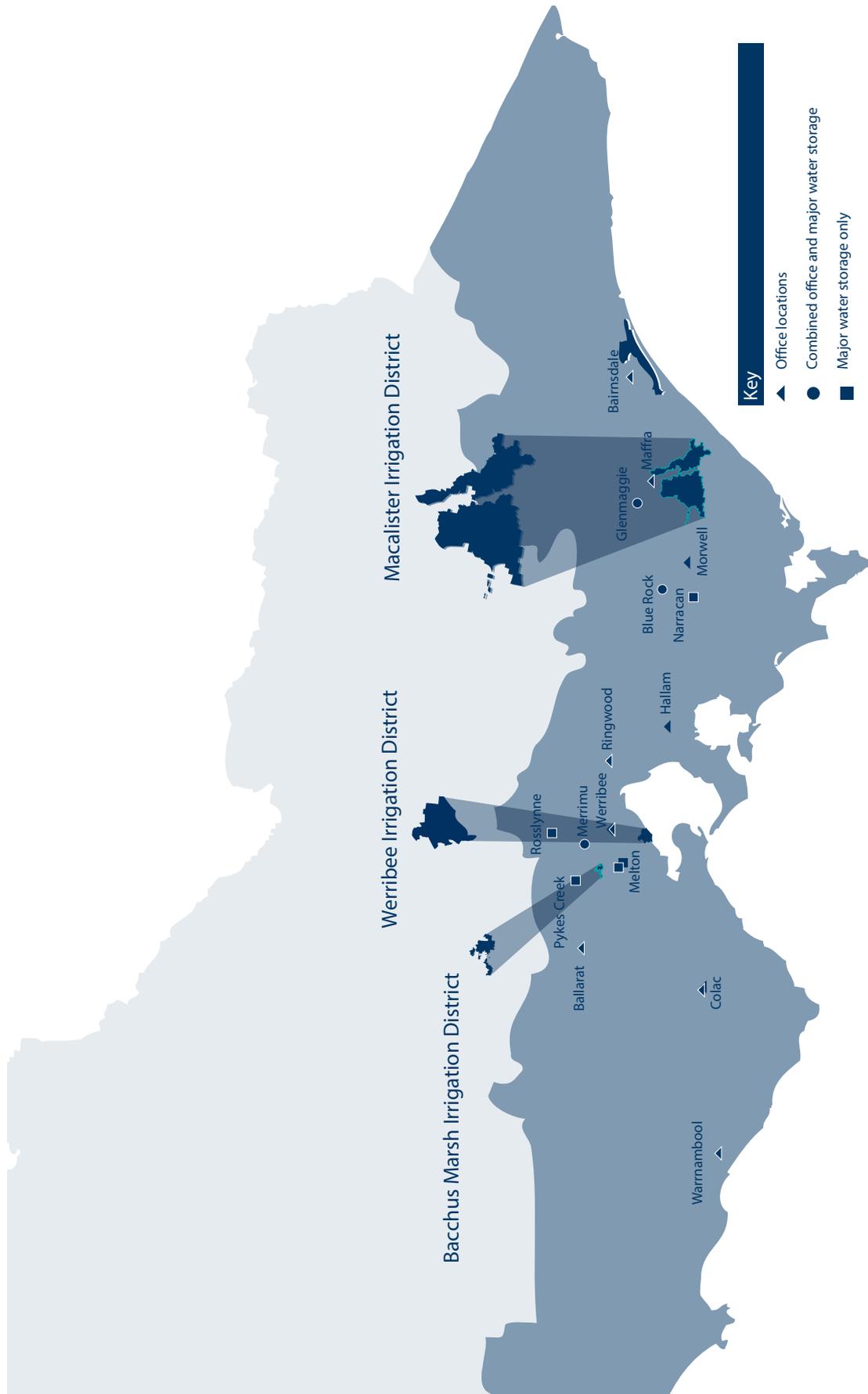
SRW also manages recreational facilities at some water storages and weirs.

### Groundwater and rivers

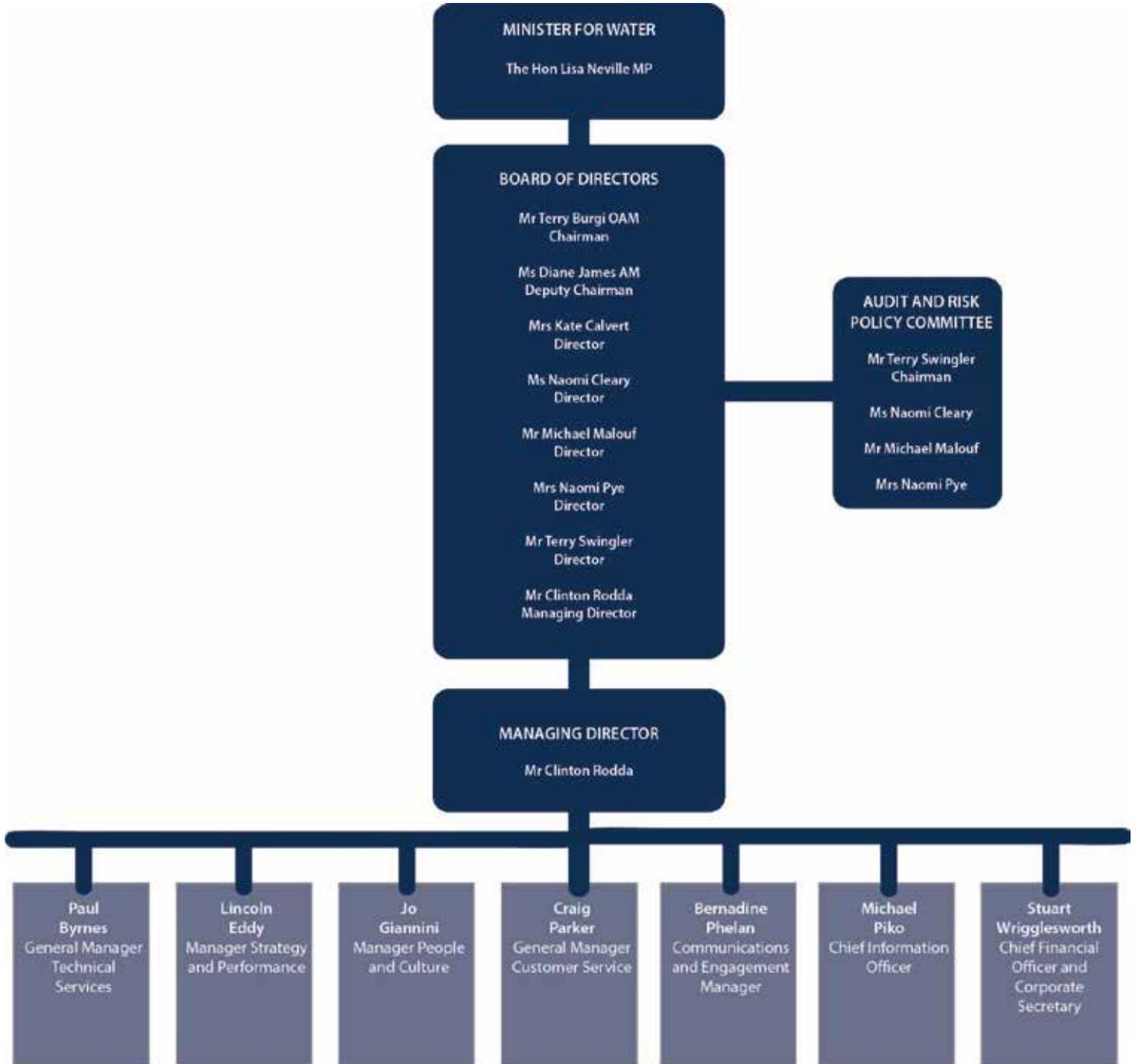
SRW implements government regulations and policy for groundwater and surface water management in accordance with delegated powers from the *Water Act 1989*. We assess licence applications, issue licences to construct new farm dams and bores (if approved) and manage new and existing groundwater and surface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

# Our operational area



### Organisational Structure



## Director profiles

### Mr Terry Burgi OAM Chairman

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 degree in Engineering (Agricultural) from the University of Melbourne and has 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. In June 2016, Mr Burgi was awarded an Order of Australia Medal for services to agriculture and the community. Mr Burgi was appointed to the board on 1 July 2004. Mr Burgi was appointed Deputy Chairman in August 2010 and Chairman in October 2011.

### Ms Diane James AM Deputy Chairman

Ms James has a background in business ownership and development and works as a mentor and coach in leadership development. She is the Chair of Bellarine Bayside Committee of Management and a former Chair of the Victorian Coastal Council. She is a director of St Laurence Community Services and a former director of Barwon Water. Ms James is an accredited Executive Coach, a Fellow of the Australian Institute of Company Directors, and has a Graduate Certificate in Innovation and Entrepreneurship. In 2011, she was awarded a Member of the Order of Australia. Ms James was appointed to the board on 1 October 2015.

### Mrs Kate Calvert Director

Mrs Calvert brings to the Board a strong background in commercial agribusiness, environmental management and natural resource management. As a primary producer in Western Victoria, Mrs Calvert has a keen interest in balancing

production efficiencies and environmental sustainability. Mrs Calvert holds a Master of Science (Environmental Management) and a Graduate Diploma of Education. She is a graduate of the Australian Institute of Company Directors. Mrs Calvert was appointed to the board on 1 October 2015.

### Ms Naomi Cleary Director

Ms Cleary has extensive experience in the property sector. She is the former Chief Financial Officer of the Elmstone Property Group, and a current director of SANB Valhalla, a property investment vehicle. Ms Cleary is a director of Sport Climbing Australia. She holds a Bachelor of Business Studies and is a Graduate of the Australian Institute of Company Directors. Ms Cleary was appointed to the board on 1 October 2015.

### Mr Michael Malouf Director

Mr Malouf is the director of Malouf Management Services Pty Ltd and is a Sessional Member at Planning Panels Victoria. During his career, he has held CEO positions at Melbourne, Geelong, and Wyndham City Councils, was the CEO of the Carlton Football Club, held executive roles for Pratt Holdings and more recently was the Managing Director at Barwon Water. Mr Malouf is a director at Western Victoria Primary Health Network. He has a Master of Business Administration, Bachelor of Civil Engineering and is a Fellow of the Australian Institute of Company Directors, the Institution of Engineers and the IPAA. Mr Malouf was appointed to the board on 1 October 2015.

### Mrs Naomi Pye Director

Mrs Pye is a director of a multi-generational dairy farm at Bessiebelle. She is a director of the Gardiner Dairy Foundation (appointed 2016) and was a director of the Glenelg Hopkins Catchment Management Authority (2006-11). Mrs Pye 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). Before her appointment to the board of Southern Rural Water, she was a member of the Southern Groundwater & Rivers Forum, a customer consultative committee of SRW. Mrs Pye has a Diploma of Teaching and an Advanced Diploma of Agriculture; she is a Graduate of the Australian Institute of Company Directors. Mrs Pye was appointed to the board on 1 October 2011.

### Mr Terry Swingler Director

Mr Swingler has vast experience in the water industry, having held senior roles as Yarra Valley Water's General Manager Finance and Company Secretary (1995-2012) and Corporate Secretary with Melbourne Water (1986-1995). He has also been a Director of Equipsuper Pty Ltd (2012-16) and the Victorian Government's nominated Director on the Joint Government Enterprise Ltd (trading as Water for Rivers) (2012-15). 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 Southern Rural Water in 2005 after 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 was reappointed in March 2014 for a further five years, effective from July 2014.

## Role of the board

In accordance with the *Water Act 1989* the 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 Chairman is appointed by the responsible minister in accordance with the *Water Act 1989*.
- Directors are similarly appointed by the responsible minister.
- The Deputy Chairman, being one of the appointed directors, is appointed 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 the detailed examination of matters and to make recommendations to the board.

### Audit and Risk Policy Committee

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 was reappointed as Chairman of the committee, and Naomi Pye was reappointed as a member of the committee on 12 November 2015. Naomi Cleary and Michael Malouf were appointed to the committee on 12 November 2015.

### Asset Governance Committee

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

Michael Malouf (Chairman) and Kate Calvert were appointed, and Terry Burgi OAM was reappointed to the committee on 12 November 2015.

### Remuneration and Corporate Governance Committee

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 OAM was reappointed as Chairman of the committee, and Terry Swingler was reappointed as a committee

member on 12 November 2015. Diane James AM and Naomi Pye were appointed to the committee on 12 November 2015.

### Organisational Culture Committee

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

Diane James AM (Chairman). All members of the board are members of the Organisational Culture committee, and were appointed on 12 November 2015.

### Werribee Office Site Redevelopment Committee

The Werribee Office Site Redevelopment Committee oversees the Werribee Office Redevelopment Project.

### Committee members

Naomi Cleary (Chairman), Michael Malouf, Clinton Rodda.

## Board activities for the year

Development opportunities in the past year included:

- participation by directors at the VicWater annual conference held on 8-9 September 2016
- participation by all non-executive directors at the VicWater Director development program
- participation by two directors at the VicWater Finance Conference, held on 11-12 May 2017
- participation by non-executive directors at the Water Industry Director Information Sessions on Dam Safety and Risk Management, held in March 2017.

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

## Board stakeholder engagement

Date	Location - description
October 2016	Warrnambool: inspection tour of local area, along with a tour of a customer property where significant on-farm investment has been made. Subsequent meeting with customers and stakeholders, which addressed increased trade within the newly operational Local Management Plan in South West Victoria.
March 2017	Ballarat: inspection tour of the local area, including visiting an extensive potato-growing operation, significant stock feed and seasonal food producers and the Cottonwood Springs spring water bottling enterprise.
May 2017	Maffra: joint inspection tour and meeting with the Macalister Customer Consultative Committee (MCCC). The tour viewed works underway at the Maffra weir as part of MID2030 modernisation.

## Board meetings

Directors attended the following scheduled meetings.

### Board and board committee meetings attendances 2016-17 summary

	Board meetings	Audit and Risk Policy Committee	Asset Governance Committee	Remuneration and Corporate Governance Committee	Organisational Culture Committee	Werribee Office Site Redevelopment
Terry Burgi OAM	8 of 8		5 of 5	4 of 4	3 of 3	
Diane James AM <sup>1</sup>	7 of 8			4 of 4	3 of 3	
Naomi Pye	8 of 8	5 of 5		4 of 4	3 of 3	
Terry Swingler	8 of 8	5 of 5		4 of 4	3 of 3	
Naomi Cleary <sup>1</sup>	7 of 8	4 of 5			3 of 3	3 of 3
Michael Malouf	8 of 8	4 of 5	4 of 5		3 of 3	3 of 3
Kate Calvert	8 of 8		5 of 5		3 of 3	
Clinton Rodda	8 of 8				3 of 3	3 of 3

<sup>1</sup>On board approved leave.



# Governance

## Leadership team

The SRW leadership team includes the Managing Director and the following members:

### **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.

### **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.

### **Joanna Giannini** Manager People and Culture

Jo joined SRW in 2017, having held senior human resources positions in the community services and disability sectors. She brings a strong background in organisational development and employee relations. She holds a Bachelor of Business (Human Resources).

### **Craig Parker** General Manager Customer Service

Since joining the water industry in 2000, Craig has worked from field officer to executive levels across the SRW region. Craig has also acted as CEO at the East Gippsland Catchment Management Authority, adding a new perspective to his management of water resources. As General Manager Customer Service, Craig is committed to better customer outcomes in all parts of the business. This includes making water trade more accessible, making transactions such as renewals cheaper and easier and facilitating customers' ability to access their own data to help run their business. In addition, Craig is accountable for ensuring our modernised assets lead to increased service opportunities for customers. He is a member of the AICD and has business qualifications from Mt Eliza Business School and UQ.

### **Bernadine Phelan** Communications and Engagement Manager

Bernadine joined SRW in January 2017, bringing more than 30 years' experience in journalism, communications, engagement and corporate development. She started her career in Australia and held senior management roles for a global media group in the UK for 19 years. Since returning to Gippsland in 2007, Bernadine has worked across Australia as an integrated media consultant for clients in the private and public sector, including in the water, natural resources and education sectors and a Traditional Owners/State Government joint project.

### **Michael Piko** Chief Information Officer

Michael started with SRW in March 2017. He comes from Murray Irrigation and has many years of experience as a CIO within the water industry. Prior to that, he worked in the health industry and at Latrobe University. Michael has a strong background in IT strategies and understands the needs of rural customers.

### **Stuart Wrigglesworth** Chief Financial Officer and Corporate Secretary

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 March 2011. He has six years' experience working in professional practice for Price Waterhouse Coopers in Melbourne and South Africa, as well as having more than five years' experience in the UK working in Finance and Accounting roles for commercial and public sector businesses. Stuart holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants.

# Engaging with customers and stakeholders

## Customer communications and engagement

Our key strategic aim is that customers remain informed about the services we offer, our modernisation programs and new revenue projects, and the factors involved in the cost of water delivery. We also want them to understand how their needs guide our priorities, and to find it easy to raise issues or suggestions with us.

To meet our trademark behaviour of “Customer first”, we need to engage with customers at every opportunity and listen to their needs. SRW has several customer advisory and reference groups, and also promotes a variety of ways customers and stakeholders can engage with us to discuss issues that concern them.

At SRW, we use the International Association for Public Participation Australasia (IAP2) spectrum for engagement levels, which is widely used in the public sector. The spectrum outlines the approach and outcomes expected at the different types of engagement: Inform, Consult, Involve, Collaborate and Empower.

In addition to regular meetings with our core Customer Consultative Groups, we maintain regular contact with various irrigator and farmer groups. SRW staff are also frequently involved in individual on-farm communications.

Over the course of 2016-17, we have used drop-in community sessions, workshops, project update meetings for specific customer groups, field days and industry events, tours and group forums.

We have also further developed our digital engagement tools, particularly in the use of online surveys and encouraging opt-in self-selection to receive regular e-newsletters on the subjects that interest them.

## Customer committees

SRW has a formal consultation process to ensure customer input into its operational and long-term planning.

SRW’s core committees are the:

- Macalister Customer Consultative Committee

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

Those who serve on our customer committees are representing their peers to raise issues and advocate for solutions. They fulfil their duties responsibly, and are often called upon to help represent SRW’s customers at events.

These committees are responsible for:

- providing customers’ views 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 help to develop plans and responses for both immediate and longer-term issues.

These committees are sometimes supplemented with working groups and other committees as required. For instance, we have co-opted representatives from customer committees onto the Project Control Groups for major capital works, which demonstrates the key role they play in the decision-making process.

## 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 (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.

## Pricing submission

Since 2016, we have been engaging with customers and stakeholders at all levels to prepare our Pricing Submission for 2018-2023 to the Essential Services Commission (ESC). We gathered broad feedback through the use of surveys (postal and online) and asked customers to volunteer to participate in more detailed discussions. From these responses, we were able to survey further and establish deliberative workshops across all of our service region. We presented a series of proposals and their potential impact on pricing to each of the groups and to our customer committees. Their involvement is helping to formulate the final draft of the ESC submission.

During the period to 30 June 2017, we continue to work with customers and stakeholders to complete our submission.



# Engaging with customers and stakeholders

## Customer service improvements

One of SRW's trademark behaviours is "Customer first", and several strategic objectives focus on customers, for example:

- customer control and convenience
- more water in production
- modernising irrigation assets.

SRW has several cross-business customer service improvement projects underway, as part of our customer experience program including:

- the customer portal
- a customer relationship management system
- further automation of transactions, supported by a data synchronisation project to improved data integrity for customer related information.

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

## Feedback

SRW encourages feedback from its customers and stakeholders in several 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
- social media pages - including specific closed groups for irrigator districts
- email and enews interest groups

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

## Traditional Owners

SRW seeks to advance its understanding and recognition of indigenous cultural connection to Country. We are also seeking opportunities to implement the *Water for Victoria* Plan goals of recognising Aboriginal values of water, and building capacity to support Aboriginal participation in water planning and management.

Throughout 2016-17, our activities and engagement included:

- continuing to work towards a partnership agreement with the Gunaikurnai Land and Water Aboriginal Corporation (GLaWAC), including a collaborative approach with other water agencies
- Traditional Owners accepting our offer to name the new Denison balancing storage Willang Yarn, which means "rain water" in Gunaikurnai language. Traditional Owner representatives attended the February launch to provide a Welcome to Country and Smoking Ceremony
- participating in Victorian Aboriginal Heritage Council stakeholder meetings
- providing an opportunity for Traditional Owners to jointly name the new Maffra office river meeting rooms with their Gunaikurnai equivalent name. The proposal was agreed by the new GLaWAC Board and Elders Council. An Acknowledgment of Country is also carried across the boardroom wall image. The launch took place during NAIDOC Week in July 2017.

- undertaking Cultural Awareness Training sessions
- exploring further opportunities to develop our relationships with Registered Aboriginal Parties across our region.

SRW continued to meet its commitment to consult with indigenous groups when planning any major project works and to support NAIDOC Week activities.

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

- identify, and liaise with, the relevant group of Traditional Owners
- contact Traditional Owners well in advance of planned ceremonial events and invite participation
- invite an appropriate representative of the Traditional Owners to make a Welcome to Country statement
- formally acknowledge Traditional Owners.

## 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 its customers' businesses.

SRW has a Customer Charter, which includes a section on customer hardship.

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.

Solutions will be tailored that assist the customer and do not negatively affect SRW's financial performance (such as waivers or rebates) or require a cross-subsidy from other customers.

## 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 of community events and group activities.

Our sponsorship priorities target not-for-profit activities that:

- 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.

## Community involvement

SRW staff are involved in local communities in many ways.

They attend numerous community events to promote rural water awareness. During 2016-17, staff attended events such as Farm World at Lardner Park, Sheepvention Field Days, East Gippsland Field Days, the biannual Gippsland Irrigation Expo, the inaugural East Gippsland Vegetable Innovation Expo and agricultural shows.

In addition, SRW hosts numerous tours for local schools, community groups and international aid groups, particularly in our irrigation districts and at our large dams.

During Water Week activities, we host children from local primary schools on specifically designed tours in our irrigation districts.

Our staff have taken a lead role in developing the Broadening Horizons program in secondary schools. The pilot projects involve SRW staff mentoring groups of students who are undertaking

scientific, data or environmental research to present at a science expo for school and the community.

## Engaging with stakeholders

SRW aims to not only meet defined stakeholder obligations on deadline, but also to work with stakeholders at a deeper level to help them meet their objectives within relevant policy constraints.

In early 2017, we commissioned an independent Stakeholder Survey Pulse Check of our major stakeholders' experience of working with us. In delivering the summary of findings, we learned that our stakeholders rate that we have improved across nine of our 12 key performance indicators since the last full survey in 2014. The majority view us as financially sustainable, with very competent staff, a strong customer focus and a willingness to participate and advocate for rural water needs in policy discussions.

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 State Government, chiefly 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 stakeholders we work with include:

- the Minister for Water 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 cooperation with these organisations.

We have developed an engagement plan to suit the preferences of each stakeholder. These include regular senior management meetings with:

- Wellington Shire Council for the MID and Lake Glenmaggie; Wyndham City Council for the WID; Moorabool Shire Council for the 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.
- the bulk entitlement holders for the Latrobe and Werribee/Maribyrnong systems.

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



# Engaging with customers and stakeholders

## Emergency preparedness

SRW prepares for emergency management by training staff, maintaining and testing emergency plans and by establishing and maintaining relationships with emergency services and interdependent stakeholders.

SRW's most recent emergency exercise was held in the West region in May 2017. The exercise involved several emergency agencies as well as participants from organisations that rely on SRW such as SES, Victoria Police, EPA, local government and other water corporations. The scenarios tested: SRW's response to a large earthquake, construction works failure affecting a major highway and concerns raised via social media about potential pollution issues on a waterway.

SRW received positive feedback from participants and from the minister's representative observing the exercise. The test improves staff skill and awareness, creates and maintains networks with other emergency agencies and allows us to identify where we can improve our plans.

SRW joined the municipal and regional emergency management planning forums, as well as state and national security and business continuity networks, to remain abreast of issues and good practice.

## 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, SRW Freedom of Information Officer.

During 2016-17, SRW received 11 requests for information under the Act. During this period four outstanding requests from the 2015-16 year were finalised.

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### Reviewing

Internal review	0
Appeal hearing	0
Review by FOI Commissioner	0

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### Result

Information released in full	2
Information released in part	7
Information denied in full	0
Information not released	0
No documents/cancelled request	6
Response still required	0

## How to make an application

An application fee of \$28.40 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  
P.O. Box 153  
Maffra 3860

## Our people

SRW employs 171 staff across its 20 southern Victorian work sites. Employees work within irrigation, headworks, groundwater and rivers, engineering, technical and corporate functions.

We believe that to achieve a high performance culture, our people need to embrace the SRW trademark behaviours considered critical to success. These are:

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

A key focus through 2016-17 has been commitment, with a clear shift to specific and accountable language, towards achieving even greater results and outcomes for our customers.

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 seven executives including the Managing Director under contract conditions regulated by the State Government Executive Remuneration Panel.

An Employee Consultative Committee (ECC) acts as the primary consultative body in relation to workplace issues that have significant consequences upon the operation of our business; including human resources policies and change management, and the future directions of SRW.

Position descriptions are in place for each role. SRW's 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. Many of our people work flexibly and balance work and family commitments.

We have introduced additional leave and confidential support to assist employees experiencing family and partner violence.

## Equal opportunity employer

The SRW Women's Network, Aurora is led by the People and Culture team. Aurora's annual conference attracts people from all levels of SRW. The 2017 Aurora event was held in May. Thirty-four people attended the forum, with representatives from other sector agencies.

The program included presentations and discussion on strategy, diversity and inclusion. Guest presenters included Kat John, Transformational Coach and Meditation Facilitator, Katherine Smith, AFLW Melbourne Football Club and Vanessa Medling, Inspiring Success.

The sessions were interactive and the content was pitched to build the capacity of participants to thrive at work and in life. As in previous years, the men in attendance were all appreciative of the opportunity to participate in the forum and be exposed to the insight and talent of the presenters and participants.

The Aurora network is promoted through VicWater as a leading program for women in water, and welcomes attendance from the broader industry.

## Performance Development Planning

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, collaboration, behaviours and development. Training and development needs are assessed, and actions put in place for the year ahead.

SRW has partnered with JMW to develop leadership capacity among all staff who lead people. Programs delivered are Leader of the Future® and Foundations for Transformational Leadership®.

Some employees are studying higher level Certificate 3, 4, diploma and university degree courses.

## Compliance with the Carers Recognition Act 2012

The *Carers Recognition Act 2012* formally recognises and values the role of carers and the importance of care relationships in the Victorian community. SRW supports staff with caring responsibilities through flexible work arrangements and access to carers and other leave.

## Compliance with the Protected Disclosure Act 2012

The *Protected Disclosure Act 2012* enables people to make disclosures about improper conduct by public officers and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

### What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

SRW is a "public body" for the purposes of the Act.

### What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources
- risk to public health or safety or the environment
- corruption.

# 04

## People and culture

### How do I make a 'protected disclosure'?

You can make a protected disclosure about SRW or its board members, officers or employees by contacting IBAC on the contact details provided below.

Please note that SRW is not able to receive protected disclosures.

### How can I access SRW's procedures for the protection of persons from detrimental action?

SRW has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about SRW or its employees. You can access SRW's procedures on its website at: [www.srw.com.au](http://www.srw.com.au)

### Contacts

Independent Broad-based  
Anti-corruption Commission Victoria

Level 1, North Tower, 459 Collins Street,  
Melbourne, Victoria, 3000

Mail: IBAC, GPO Box 24234, Melbourne,  
Victoria, 3001

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.

### Employment and conduct principles

All SRW employees are required to meet the standards of the Victorian Public Sector Code of Conduct, SRW's trademark behaviours and other workplace legislation. Respect and collaboration are key drivers in the success of delivering SRW's services and people are acknowledged for high performance.

### Diversity Action Plan (workforce inclusion)

We are committed to providing an inclusive workplace culture where all our staff are valued and recognised for their unique qualities, ideas and perspectives.

We acknowledge the skills and perspectives that people may bring to the workplace by gender, race, ethnicity, disability, age, sexual orientation, gender identity, intersex status or other difference.

We are committed to providing a working environment that values diversity and inclusion which supports all employees to reach their full potential. Our commitment is demonstrated through workplace diversity and inclusion strategies, policies and initiatives. These include:

- access to flexible working arrangements such as part time work and flexible hours
- training and awareness programs and support for managers, staff and teams
- celebrating diversity days and events to promote awareness and inclusion
- networking and membership with organisations committed to supporting a diverse and inclusive workplace.

We encourage applications from Indigenous Australians, people with a disability, people from diverse cultural and linguistic backgrounds, mature age workers and lesbian, gay, bisexual, transgender and intersex (LGBTI) people.

We support people with a disability when they make requests for modifications or adjustments to the workplace.

It is essential to have an inclusive workplace in all our locations, offices, crews and teams.

SRW encourages everyone to call out non-inclusive behaviours when they see them.

### What have we done?

SRW's commitment to diversity and inclusion is evident with a range of measures in place to ensure SRW provides equal employment opportunities, including policies and procedures, seven trained internal Contact Officers, two LGBTI Contact Officers and regular reviews of our compliance with legal and government obligations.

- SRW won the Victorian Public Sector Pride Network "Pride Supporter of the Year" category for its development of transgender inclusive people policies and leadership of LGBTI inclusion within the Victorian water sector. SRW is an active member of Pride in Diversity and promotes LGBTI inclusion.
- To encourage young people to consider a career in water, we have continued our partnership with the Broadening Horizons Gippsland Program to support Year 8 students through an inquiry-based project and mentoring program in order to improve student educational aspirations and to increase their awareness of the diverse career opportunities in the Gippsland region. SRW also hosts work experience students from local secondary schools.
- The Aurora network is open to all women and focuses on supporting, developing and empowering women in their lives and careers. To attract more female applicants, SRW has updated the recruitment templates to include statements that encourage women to apply and highlight our commitment to workplace flexibility.
- SRW offers placement opportunities for university students and works with people nearing retirement to transfer their valuable knowledge to their colleagues at SRW.

## Comparative staffing numbers by gender and employment category, 2015 to 2017

Category	2016-17			2015-16	
	Headcount	FTE	Percentage	Headcount	Percentage
<b>Female</b>					
Permanent full-time	28	28.00	16%	19	11%
Permanent part-time	12	7.36	7%	18	11%
Temporary full-time	4	4.00	2%	5	3%
Temporary part-time	1	0.80	1%	0	0%
	<b>45</b>	<b>40.16</b>	<b>26%</b>	<b>42</b>	<b>25%</b>
<b>Male</b>					
Permanent full-time	111	111.00	65%	114	69%
Permanent part-time	4	3.34	2%	5	3%
Temporary full-time	11	11.00	6%	5	3%
Temporary part-time	0	-	0%	0	0%
	<b>126</b>	<b>125.34</b>	<b>74%</b>	<b>124</b>	<b>75%</b>
<b>Total</b>	<b>171</b>	<b>165.50</b>		<b>166</b>	

## Breakdown of staff by function as at 30 June 2017

Category	2016-17			2015-16	
	Headcount	FTE	Percentage	Headcount	Percentage
Executive officers	7	7	4%	5	3%
Senior management	4	4	2%	3	2%
Administration staff	28	25.54	16%	29	17%
Finance staff	7	7	4%	8	5%
Operational staff	125	121.96	73%	121	73%
<b>Total</b>	<b>171</b>	<b>165.5</b>		<b>166</b>	

Staff service in excess of 10 years	Male no.	Female no.
10-15 years	24	10
15-20 years	15	0
20-25 years	11	4
25-30 years	1	0
More than 30 years	11	0

Reason for cessation of employment	2016-17
% turnover of total staff	11.70%
Resignation (number of staff)	13
Retirement (number of staff)	3
Dismissed (number of staff)	4

Diversity goals	Baseline 2013	Target 2020	June 2017
Increase the % of women at SRW	20%	31%	26%
Increase the % of women in executive roles	0%	50%	25%
Increase the % of women in the supervisory/management positions	15%	35%	16%
Increase the % of women in professional and field roles	5.5%	n/a	15%
Increase the % of women in degree-required roles (other than engineering)	n/a	40%	36%
Increase the % of women in engineering roles	n/a	40%	19%
Increase the % of women in field roles (non supervisor/manager)	0%	15%	4%
Maintain or increase proportion of under 25 year old staff (all gender)	4.2%	8%	4%
Maintain or increase proportion of staff who identify as of ATSI descent	1.8%	3%	3%

Category Age Cohort	2016-17	
	Headcount	FTE
15-24	6	5.80
25-34	28	28.00
35-44	49	45.55
45-54	51	49.87
55-64	29	28.44
65+	8	7.84
<b>Total</b>	<b>171</b>	<b>165.50</b>

Category Classification	2016-17	
	Headcount	FTE
Band A	36	34.23
Band B	46	45.37
Band C	16	14.16
Band D	12	11.47
Band E	4	4.00
Band F	1	1.00
Total Remuneration Package	56	55.27
<b>Total</b>	<b>171</b>	<b>165.50</b>

## Occupational Health and Safety

SRW continued to manage our Occupational Health and Safety (OH&S) responsibilities in accordance with legislation and our continuous commitment to providing a safe workplace environment for the welfare of our employees.

We continued to work through our OH&S management compliance audit action recommendations over the past 12 months.

We implemented a successful health and wellbeing program conducted by Health at Work with voluntary flu vaccination and health and skin checks completed in the past 12 months.

Consultation remains strong with staff through the Health, Safety and Environment Committee and we completed six meetings as per our schedule requirement.

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

The overall number of injury incidents reduced considerably in the past 12 months and we had a slight drop in our more significant injuries.

### OH&S indicators for 2016-17

Indicator	2016-17	2015-16	2014-15
Number of lost time injuries for the year	2	3	5
Lost time injury frequency rate (per million hours worked)	6.4	9.5	15.7
Number of days lost due to injuries incurred during the year	86	788 <sup>1</sup>	477
Number of medical treatment injuries for the year	3	3	1
Total number of incidents	9.6	9.5	18
Total number of incidents (excluding near miss reporting)	12	23	18
Standard lost Claims exceeding employer liability (>10days)	2	1	2
Average cost per compensation claim	\$20,371	\$15,048 <sup>1</sup>	\$8,846.80
Number of reported hazards closed out	319	297	163
Number of workplace inspections completed	52	51	56

<sup>1</sup> The total days lost for the financial year increased due to the carryover of three incidents from the previous year.

## Irrigation districts

Water supply to irrigation districts is the largest component of 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

Water Supply East manages the delivery of water to customers in the 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. River customers who pump direct from waterways can order water 365 days a year.

The 2016-17 irrigation season opened with an allocation on 1 July 2016 of 70% HRWS. The seasonal allocation was increased to 100% of HRWS on 20 July.

Lake Glenmaggie reached full capacity and commenced spilling on 14 July 2016.

Spill entitlement ended on 8 November, however Lake Glenmaggie recommenced spilling on 27 November. Spill was available for customers until 5 December 2016, with 42,264ML delivered.

SRW was able to allocate 5% LRWS on 29 March. There were another two increases of 5% and 10% to LRWS, which occurred during mid and late April. The final allocation for the season was 100% of HRWS and 20% of LRWS.

The Thomson Dam entitlement opened the season with a volume of 37,888ML. Usage for the season totalled 14,024ML.

Irrigation deliveries to customers this season totalled 169,163ML, which is 27,752ML above our five-year average.

Lake Glenmaggie closed the season with a volume of 44,745ML or 25.2% storage capacity, of which 24,036ML was unused allocation.

### Water Supply West

Water Supply West manages the delivery of river water to customers in the Werribee Irrigation District, the Bacchus Marsh Irrigation District, river diverters along the southern stretches of the Werribee River and recycled water to customers in the WID.

The 2016-17 season saw some good winter and spring rainfall, resulting in Pykes Creek and Melton reservoirs filling for the first time in four years. We were able to increase the allocation throughout the year, ending up with 100% of high reliability water shares and 75% of low reliability water shares

The summer was dry but relatively cool with the volume of water delivered being fairly average:

Source	ML
Werribee Irrigation District (river water)	5,892
Werribee Irrigation District (recycled water)	3,605
Bacchus Marsh Irrigation District	2,100
River diverters	1,117

Customers ended the season in a good position with the storages being 60% full and with approximately 11GL of water carried over into the 2017-18 season.

Water delivery efficiency in the Werribee Irrigation District improved over the year from a low 53% over the 2015-16 season to 59% for the 2016-17 season. This was due to the completion of the 4/1 pipeline project as well as increased maintenance activity targeting channel repairs.

### Headworks

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

These dams supply water to Victoria's power generators, the Macalister Irrigation District, Gippsland Water and the environment.

Water Supply West manages four large dams and four diversion weirs in the Werribee Basin and one in the Maribyrnong basin.

## Irrigation district performance against target 2016-17

	Macalister	
	Target %	Actual %
Flow rate consistency (automated outlets)	87.0	71.6
Orders delivered within one day of request	97.0	97.0
Orders delivered at right time of day (am or pm)	75.0	84.0
Delivery reliability	99.0	100.0
Delivery efficiency	74.0	80.5
Customer satisfaction (survey result)	80.0	82.0

## Irrigation districts performance against target 2016-17

	Werribee		Bacchus Marsh	
	Target %	Actual %	Target %	Actual %
Volume accuracy	94.0	97.4	95.0	96.2
Orders delivered within one day of requested	80.0	95.5	70.0	94.6
Delivery reliability	97.7	100.0	99.7	100.0
Delivery efficiency	56.0	58.8	66.0	73.3
Customer satisfaction (survey result)	65.0	78.0	80.0	78.0
Drought resilience	64.0	64.0	20.0	20.0
Water quality (recycled water)	100.0	100.0	NA <sup>1</sup>	NA <sup>1</sup>

<sup>1</sup> Recycled water is not available in Bacchus Marsh.

## Storage operation performance against target 2016-17

	Blue Rock Lake	
	Target %	Actual %
Orders released on time	98.0	100.0
Release availability	99.6	100.0
Release accuracy	87.0	98.0
Customer satisfaction	83.0	75.0

## Storage operation performance against target 2016-17

	Merrimu Reservoir		Rosslynne Reservoir	
	Target %	Actual %	Target %	Actual %
Orders released on time	99.0	100.0	95.0	100.0
Release availability	99.6	100.0	99.6	100.0
Release accuracy	95.0	97.7	93.0	99.4
Customer satisfaction	78.0	73.0	78.0	73.0

## Groundwater and Rivers

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

There were many highlights and challenges in 2016-17, especially the considerable improvements on targets both in the field and in administration functions (see tables below).

We are continuing to investigate opportunities to provide more customer control and convenience, including:

- automating our rosters and restrictions - including improving notifications and displaying the information online
- developing an online trade assessment process
- automating how we produce information statements

- creating an online portal for our customers to access their information at a time that suits them.

### More water for production

SRW is working with customers and stakeholders to find ways to have more water available for production without compromising environmental health. This includes being more active in promoting opportunities for water trading and developing more flexible rules.

In 2016-17, our field staff continued to spend more time with customers to encourage more water trading, which assisted those who required more water during the dry summer period. SRW also continued to develop local management plans that introduce more adaptable and flexible rules for customers.

In line with government policy, SRW has developed a process for selling unallocated water in unregulated systems. This provides new revenue that can be used for future resource appraisals or strategic projects with agreement from the state government.

A key outcome for SRW is more water for production. It establishes a water market, which assists in moving water to its highest value to encourage economic benefits and employment.

### 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 systems.

The next step is to capture this information in the most cost-effective way while providing information that can make a real difference to how customers run their business.

In 2015-16 we piloted Automated Meter Reading technology in the Warrion Water Supply Protection Area.

The pilot was successful, and we have commenced a four-year rollout of the technology across our region through to 2019-2020.

## Groundwater and Rivers administration performance against target 2016-17

Measure	Target	Actual
Applications (processed within standard timeframes)	99.7%	89.0%
Applications (processed within target timeframes)	70.0%	89.3%
Customer satisfaction (applicant feedback)	95.8%	99.3%
Information statement errors	0	0

## Groundwater and Rivers field performance against target 2016-17

Measure	Target	Actual
Compliance (enforcement actions completed within defined timeframes)	99.7%	89.0%
Inspections (10% of new D&S bores, all other new bores, dams and extraction licences)	97.5%	100%
Engagement (actions completed)	18	23
Customer satisfaction (survey result)	80.0%	87.0%
Stakeholder satisfaction (survey result)	80.0%	82.0%
Metering program (meters compliant with metering plan)	78.0%	96.0%

## Macalister modernisation

### Phase 1A completed

The Macalister Irrigation District has undergone a transformation since the beginning of the MID2030 Program. The \$32M Phase 1A infrastructure program is complete as of 30 June 2017.

Jointly funded by the Victorian State Government and MID customers, it included five sub-projects, which brought efficiency improvements and prepared for Phase 1B.

Its main objectives were to increase production capacity in the MID, by improving the efficiency of the system, saving water, reducing outfall and giving a better level of service to irrigators.

The record 80% efficiency performance for the 2016-17 season shows those objectives are being met. The combined projects are forecast to bring in water savings of 12,000-14,000ML.

Currently, around 9,000ML has been audited and the remainder will be validated in future planned audits.

The five sub-projects were:

#### 1 and 2. The Eastern and Southern Cowwarr regulator retrofit projects

A total of 286 regulating structures were scheduled for retrofitting to automated FlumeGates™ and SlipMeters™ to provide greater (remote) control and accuracy. Of those 286 regulators, 187 were upgraded and automated. The remainder were removed through reconfiguration programs, which brought additional benefits and increased water savings.

#### 3. Outlet rationalisation project

The outlet rationalisation program targeted automated parts of the system in the Sale, Bundalaguah and Nambrok-Denison areas, where irrigators were able to

consolidate and modernise their outlets through reconfiguration of their on-farm infrastructure. The benefits included a better delivery service, increased on-farm productivity and more accurate water measurement. This work achieved the upgrade of 24 outlets and removal of 61 outlets: in excess of targets, and well under budget.

#### 4. Southern Cowwarr balancing storage

The \$5.4M balancing storage near Denison was completed in August 2016 and commissioned for the start of the 2016-17 season. This offline storage helps us to better manage high demand periods, and makes the irrigation system more responsive.

#### 5. Investigation and design for the Phase 1B modernisation

The concept design for Phase 1B, the Southern-Tinamba pipeline and channel automation project supported the Phase 1B business case. This is now funded and construction began in the winter works period.

#### Additional project benefits included:

- improvements to the communications network to integrate the new assets and to improve control and reliability of the irrigation system
- major works to upgrade the control and measurement at Maffra Weir
- reduction in our asset base, which helps reduce costs
- significantly more assets modernised than anticipated in the business case.

#### Phase 1 B begins

Winter works on the \$60M Phase 1B of the MID2030 strategy were already underway before the close of the financial year and the first 1.6km section was on schedule to be completed before the start of the irrigation season in August.

Phase 1B is being delivered across four stages, converting the northern half of the MID's Southern Tinamba supply zone from channels to gravity pipelines, and upgrading and automating the channels in the southern half.

Over the life of the project, we will build approximately 38km of new pipeline and automate approximately 33km of channel. The project is expected to gain water savings of at least 9,700ML, which, added to the Phase 1A program, will further boost the MID's production capacity.

The project is jointly funded by the Victorian State Government, Commonwealth Government and SRW MID customers. The next stages planned are:

- **Stage 2:** approximately 20km of pipeline to replace the Tinamba Loop section (winter 2018)
- **Stage 3:** upgrading and automating approximately 32km of channel in the Riverslea area (winter 2019)
- **Stage 4:** approximately 15km of pipeline to replace the Mewburn Park channel system (winter 2020).

We are holding quarterly group meetings and individual on-farm consultations to keep everyone involved and informed about progress.

The project team has held initial info-gathering consultations with all those involved in the Stage 2 pipeline construction next year, and with those involved in the later Stage 4 pipeline works – which is essential to getting the final design stage completed. Environmental, planning and cultural heritage approval investigations and planning are also underway.

The initial customer consultations have identified a lot of interest and preparedness for the project, in terms of private, on-farm infrastructure planning and development.

## Werribee Modernisation

### WID 4/1 Pipeline Project

The \$4.5M WID 4/1 pipeline project in Werribee was completed in September 2016. The project replaced 6km of ageing and inefficient channels with a new pipeline.

Key project benefits include:

- saving approximately 600ML of water per annum by eliminating seepage from the channels
- improved service to our customers
- improved community safety by removing open channels, and
- reduced maintenance costs.

### Werribee Irrigation District Modernisation

In April 2016, the Victorian Government committed \$10.44M towards the \$31.3M project to pipe the WID. The funding matched by the same contribution from irrigators, ensured SRW secured two-thirds of the funding for the project. SRW is continuing to engage with the Australian Government to seek matching funding.

This project will help to secure the future of the Werribee Irrigation district by installing 39km of new pipeline to replace the old channels over five years.

Once completed, the project will save around 5,000ML of water a year, which is typically half of the annual river water use by our customers.

Stage 1 of the plan is in progress. As of 30 June 2017, almost 2km of new pipeline has already been laid. Stage 2 will commence in 2018.

## Bacchus Marsh Irrigation District (BMID) Modernisation

In April 2016, the Victorian Government announced it would contribute \$4.12M towards the \$12.4M project. The funding is matched by the same contribution from irrigators, ensuring two-thirds of the funding for the project. SRW is continuing to engage with the Australian Government to seek matching funding.

Our plan includes a staged change of the supply system to remove the ageing Main Channel, which loses around 1,000ML of water a year.

The first stage of the plan included a joint project with Moorabool Shire Council to construct a new pump station on the Werribee River. The pump station is fully operational, both improving service and reducing water losses since December 2016.

Construction of the next stage will commence in 2017 including a new tank and around 2.3km of new pipelines.

### Reservoir upgrade works

The most significant projects in our \$4.0M capital program were:

- A \$1.4M project to install a bypass channel at Maffra Weir is currently being constructed for more accurate passing of downstream flows. The bulk of the work is complete and the new channel will be used in the coming irrigation season.
- Design reviews for Blue Rock, Glenmaggie, Narracan and Rosslynne dams were awarded and are due to be completed by December 2017. The total cost of the reviews is about \$0.8M.
- A \$0.7M project to refurbish the spillway gates at Narracan Dam included the repair of the gate rollers and patch painting of the gates to treat corrosion.

- The \$0.45M outlet tower bridge painting project at Rosslynne was completed in February 2017.
- The \$0.26M portfolio risk assessment project was completed in early 2017.
- A \$0.25M project to provide safe access to the piers and spillway gates at Lerderderg Weir was completed in April 2017.
- A \$0.25M project to address frequent rock falls along an access track to the downstream end of the Lerderderg tunnel is currently in progress and should be complete by August 2017.
- \$0.45M installation of a new access bridge at Upper Werribee River Diversion Weir near Ballan, was completed and is now in use.

The Portfolio Risk Assessment Project that was completed earlier this year helped set the scope of the design reviews currently underway at Blue Rock, Glenmaggie, Narracan and Rosslynne. The process ensures consistent processes are used to assess the risk for all structures and allows identified risks to be compared and prioritised across different dam sites. The study found that all SRW dams comply with the ANCOLD Guidelines on Risk Assessment for Dams, but that some areas will require further investigation for the scope of upcoming design reviews for Blue Rock, Glenmaggie, Narracan and Rosslynne dams.

A review of our dam safety surveillance procedures was undertaken and has resulted in several changes in the frequency of surveillance and monitoring practices.

In general, the frequencies have been reduced, resulting in the operators having additional time to focus on tasks such as reducing the maintenance backlog. The program remains compliant with ANCOLD Guidelines.

# Environmental and social sustainability

## 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 support each regional catchment strategy through:

- continued strengthening of the licensing of surface and groundwater
- production of local management rules for groundwater and rivers
- continuing our program to meter all significant water users
- contributing to river monitoring through partnerships, such as the Gippsland Regional Monitoring Partnership
- contributing to local catchment plans such as the Macalister Land and Water Management Plan
- supporting Victoria's Water Recycling Action Plan through the WID Recycled Water Scheme
- managing irrigation-induced salinity in the MID through the local Salinity Management Plan and the installation and operation of groundwater control pumps.

## 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's 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.

SRW supports the Victorian Waterway Management Strategy through:

- complying with environmental obligations in bulk entitlements
- operating the MID Nutrient Monitoring Program

## Regional Waterway Strategies

Regional Waterway Strategies are required under the Water Act 1989, and identify high value waterways and priority management activities over an eight-year period.

SRW's management area falls across five catchment management regions, which have the following Regional Waterway Strategies:

- East Gippsland Waterway Strategy 2014 – 2022
- West Gippsland Waterway Strategy 2014-2022
- Port Phillip & Westernport Waterway Strategy 2014-2022
- Corangamite Waterway Strategy 2014-2022
- Glenelg Hopkins Waterway Strategy 2014-2022.

## State Environmental Protection Policy (Waters of Victoria) SEPP

Under the State Environmental 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 a more comprehensive plan, the Macalister Land and Water Management Plan.

Administered by the West Gippsland CMA with strong support from SRW, the plan has a particular focus on reducing the impact of the land and water assets on

the Gippsland Lakes. It 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.

The SEPP is currently being reviewed by the EPA and DELWP. SRW has been an active participant in the review.

## Greenhouse Gas Emissions and Net Energy Consumption

Water is a key area of vulnerability as a result of climate change leading to changes in rainfall, temperature, evaporation and humidity patterns.

In 2016-17, 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. For example:

- We do not treat water or wastewater and therefore have a much lower energy demand than other water corporations.
- We operate gravity-fed distribution systems, which minimise our use of pumps and need for electricity. However, the recently commissioned Maddingley Pump Station at Bacchus Marsh has resulted in a noticeable increase in energy consumption.
- We have more than 900 solar powered sites, which further reduces our energy needs and greenhouse gas emissions.
- The electricity we purchase for our offices, depots and water supply sites is 'green energy' derived from renewable sources.

- We are focusing on using more fuel-efficient vehicles and have entered into a partnership with Green Fleet to offset residual carbon emissions from our vehicle fleet.
- We have commercial contracts with energy suppliers to operate hydro-electric schemes at Blue Rock and Glenmaggie and are looking at other opportunities in our network to generate renewable energy.

In 2016, the State Government announced a long-term target of zero net emissions by 2050 with a plan, among other things, to reduce greenhouse gas emissions and build resilience.

The water sector is expected to source 25% of its power needs from renewables by 2020 and 40% by 2025. SRW is already well on the way to achieving these targets and is now in the process of preparing a plan to ensure that it meets these targets, including opportunities to reduce energy

consumption, generate our own renewables (e.g. solar, hydro and wind) and offset residual emissions.

### Community Service Obligations

During 2016-17, SRW granted \$15,406.15 in pensioner concessions. This compares with \$14,289.54 the previous year.

#### Community Service Obligations

	2015-16 \$000s	2016-17 \$000s
Provision of concessions to pensioners	14.3	15.4

### Greenhouse Gas Emissions (tonnes of CO<sub>2</sub> equivalent)

Performance Indicator	2012-13	2013-14	2014-15	2015-16	2016-17	Variance (%)	Commentary
Energy Consumption: Water Supply	*	232	257	147	364	149% <sup>1</sup>	Green energy is purchased
Energy Consumption: Office Use	*	259	261	242	249	3%	Green energy is purchased
Energy Consumption: Groundwater Pumps	*	165	197	507	181	-64%	
Transport: Fleet	1,274	1,265	1,289	1,267	1,158	-9%	
Transport: Air Travel	6	7	6	6	7	17%	
Waste Disposal	43	47	43	33	32	-4%	
Offsets	-1,274	-1,265	-1,289	-1,267	-1,158	-9%	Greenfleet offsets are purchased to offset fleet emissions
<b>TOTAL</b>	<b>NA</b>	<b>710</b>	<b>764</b>	<b>935</b>	<b>833</b>	<b>-11%</b>	

\* Data not available <sup>1</sup> New pump station at Maddingley became fully operational and significantly increased emissions.

### Energy Consumption (KWh)

Performance Indicator	2012-13	2013-14	2014-15	2015-16	2016-17	Variance (%)	Commentary
Water Supply	*	198,122	219,616	125,217	311,443	149% <sup>2</sup>	
Office Use	*	221,146	223,185	206,798	213,142	3%	
Groundwater Pumps	*	141,339	168,591	433,708	154,616	-64%	Have not been in use as much as previous year (usage fluctuates)
<b>TOTAL</b>	<b>N/A</b>	<b>560,608</b>	<b>611,392</b>	<b>765,723</b>	<b>679,201</b>	<b>-11%</b>	

\* Data not available <sup>2</sup> New pump station at Maddingley became fully operational and significantly increased energy consumed.

### Water Consumption (KI)

Performance Indicator	2012-13	2013-14	2014-15	2015-16	2016-17	Variance (%)	Commentary
Total corporate water consumption	1677	2,424	1,955	2,017	5,718	184%	Major leak at the Maffra office early 2017
Volume of water consumed per FTE (offices only)	11	4	5	5	56	1071%	

\* Data not available

## Managing risk

Risk management is recognised as a 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 Reporting Directions 3.7.1 - Risk Management Framework and Processes*. The Southern Rural Water Audit Committee has verified this.



### TERRY BURGI OAM

Board Chairman  
Gippsland and Southern Rural Water Corporation  
5 September 2017

## 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.

### Local Jobs First - *Victorian Industry Participation Policy Act 2003*

The Victorian Government's responsibilities in relation to Local Jobs First are outlined in the *Victorian Industry Participation Policy Act 2003 (VIPP)*. In 2016-17 Southern Rural Water had one strategic project that was subject to VIPP reporting, the Macalister Irrigation District MID2030 Phase 1B - Southern Tinamba Modernisation. The ICN strategic framework recommended the minimum local content for this strategic project was 70% for the supply of pipeline and 97% for installation of the pipeline.

This recommendation was accepted by SRW and approved by the Minister for Water, Lisa Neville. Tenderers for the two contracts within stage 1 works complied with the framework requirements and submitted local industry development plans, which achieved the local content commitment of 93% and 99% respectively.

### Government advertisement expenditure

SRW's expenditure in the 2016-17 reporting period on government campaign expenditure did not exceed \$100,000.

## Major contracts

No major contracts (greater than \$10 million in value) were entered into for the 2016-17 year.

## Additional Information

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

- details of publications produced by SRW about itself, and how these can be obtained
- details of any major external reviews carried out on SRW
- details of major research and development activities undertaken by SRW
- details of major promotional, public relations and marketing activities undertaken by SRW to develop community awareness of the entity and its services
- details of changes in prices, fees, charges, rates and levies charged.

Requests should be submitted to:

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

## Corporate water consumption

SRW's corporate water consumption for 2016-17 was 5,718 kilolitres. Total consumption of 56 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.

## 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 2016</b>	Volume of water held at Lake Glenmaggie <sup>1</sup>	81,017
	Share of Thomson Reservoir storage capacity (under Clause 9) <sup>1</sup>	37,888
	Releases from the Thomson Reservoir to supply primary entitlements	14,024
	Inflows attributed (under clause 10.1 and 10.2)	11,761
	Transferred to Bacchus Marsh Irrigation District for emergency supplies	0
<b>At 1 July 2017</b>	Volume of water held at Lake Glenmaggie <sup>1</sup>	46,234
	Share of Thomson Reservoir storage capacity (under Clause 9) <sup>1</sup>	33,703
<b>Annual 2016-17</b>	Taken from waterway:	
	• Northern Channel <sup>1</sup>	42,715
	• Southern Channel <sup>1</sup>	99,834
	• Eastern Channel <sup>1</sup>	28,576
	• Cowwarr Channel <sup>1</sup>	14,783
	Water taken by the primary entitlement holders	169,163
	Environmental allocation (2016-17 season)	13,706.8
	Environmental carryover (2015-16 season)	3,391
	Total available to environment (2016-17 season)	17,097.5
	Environmental release (including carryover)	6,598.6
	Write off unused carryover (due to storage spilling)	548.9
	Environmental carryover available (2016-17 season)	9,950
<b>Bulk Entitlement Order</b>		
<b>Annual 2016-17</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 (minor)	1*
	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 applied to the responsible Minister to amend the requirement to determine and assess compliance with the diversion limits. The minor amendment extends the assessment period to five years. As a result of this amendment, 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 necessary.

**Note 1.** 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.

Information under Section 20.1 g 1-5 will be provided to the department once the method of reporting has been finalised.

**Bulk Entitlement (Latrobe - Southern Rural Water) Conversion Order 1996**

The following information is provided in accordance with Section 12.1 of the Bulk Entitlement Order 1996.

Annual 2016-17		Volume (ML)
(a)	The daily amount of water returned to the system waterway or tributary streams from the works of the Entitlement Holder	Note 2
(b)	The daily amount of water taken by the Entitlement Holder from the waterway at the pumping station	Note 2
(c)	The annual amount of water taken by the Entitlement Holder Upstream of Yallourn Weir Downstream of Yallourn Weir	9.9 6,716.7
(d)	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.	
(e)	Temporary or permanent transfers of a bulk entitlement of all or part of the Bulk Entitlement	Nil
(f)	Temporary or permanent transfer of licences to this bulk entitlement	Nil
(g)	Amendments to this bulk entitlement	Nil
(h)	Failures in complying with this bulk entitlement	Nil
(i)	Existing or anticipated difficulties by the Entitlement Holder in complying with the Bulk Entitlement	Nil

**Note 2.** SRW has recorded daily volumes and can provide them on request.

**Latrobe Reserve Order 2013**

The following information is provided in accordance with Section 11.1 of the Bulk Entitlement (Latrobe Reserve) Order 2013:

Annual 2016-17		Volume (ML)
(b)	Volume of water taken by Reserve Holder from Blue Rock Reservoir under this entitlement	Nil
(c)	The amount of water in the Reserve Holder's share of Blue Rock Reservoir under this entitlement July 1 2016 June 30 2017	37,397 37,286
(d)	The amount of annual losses debited to the Reserve Holder's share of Blue Rock	1,491
(e)	The annual amount of any internal spill of water from or to the Reserve Holder's share of storage in Blue Rock	224 to Nil from
(f)	The implementation of a metering program: The metering program used for the Reserve Holder is that used by SRW for its bulk entitlement metering requirements.	Note 3.
(g)	Any assignment of all or part of a water allocation available under this entitlement	Nil
(h)	Any transfer of all or part of this bulk entitlement to any person	Nil
(i)	Any amendment to this bulk entitlement. This bulk entitlement was amended to reflect the change in the drought Reserve's inflow and capacity share change to 18.87%	Note 3
(j)	Any failure by the Reserve Holder to comply with any provision of this bulk entitlement	Nil
(k)	Any existing or anticipated difficulties experienced by the Reserve Holder in complying with this bulk entitlement	Nil

**Note 3:** SRW has recorded daily volumes taken by the Reserve Holder and can provide this data on request.

## 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 2016-17</b>	
Volume of water taken by primary entitlement holders including outfalls:	
• Bacchus Marsh	2,166.8
• River diverters	1,117.4
• Myrning	51.05
• Werribee	6,376.5
Releases necessary to supply transfers of primary entitlements	0
Water taken from:	
• Bacchus Marsh Diversion Weir	896.7
• Werribee Diversion Weir	10679.1
• Maddingley pumps	1,975
Water taken by SRW from the system waterway at each of the diversion weirs:	
• Lerderderg Weir to Goodmans Creek	13,037 (SRW's share 1,304)
• Goodmans Creek to Merrimu Reservoir	18,459 (SRW's share 1,846)
• Werribee Upper Diversion Weir to Pykes Creek	11,089
Volume of water taken by primary entitlement holders:	
• High and low reliability water shares	5,058.9
• Myrning	45.2

### Bulk Entitlement Order

<b>Annual 2016-17</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:																																																																					
	<table border="1"> <thead> <tr> <th>Month</th> <th>HRW</th> <th>LRWS</th> <th>Date effective</th> </tr> </thead> <tbody> <tr><td>July-16</td><td>0%</td><td></td><td>12/07/2016</td></tr> <tr><td>July-16</td><td>10%</td><td></td><td>19/07/2016</td></tr> <tr><td>August-16</td><td>25%</td><td></td><td>2/08/2016</td></tr> <tr><td>August-16</td><td>30%</td><td></td><td>16/08/2016</td></tr> <tr><td>August-16</td><td>40%</td><td></td><td>30/08/2016</td></tr> <tr><td>September-16</td><td>55%</td><td></td><td>13/09/2016</td></tr> <tr><td>September-16</td><td>100%</td><td>25%</td><td>27/09/2016</td></tr> <tr><td>October-16</td><td>100%</td><td>30%</td><td>11/10/2016</td></tr> <tr><td>October-16</td><td>100%</td><td>35%</td><td>25/10/2016</td></tr> <tr><td>November-16</td><td>100%</td><td>45%</td><td>23/11/2016</td></tr> <tr><td>December-16</td><td>100%</td><td>50%</td><td>7/12/2016</td></tr> <tr><td>January-16</td><td>100%</td><td>55%</td><td>5/01/2016</td></tr> <tr><td>February-17</td><td>100%</td><td>60%</td><td>14/02/2017</td></tr> <tr><td>April-17</td><td>100%</td><td>65%</td><td>11/04/2017</td></tr> <tr><td>May-17</td><td>100%</td><td>70%</td><td>10/05/2017</td></tr> <tr><td>May-17</td><td>100%</td><td>75%</td><td>25/05/2017</td></tr> </tbody> </table>	Month	HRW	LRWS	Date effective	July-16	0%		12/07/2016	July-16	10%		19/07/2016	August-16	25%		2/08/2016	August-16	30%		16/08/2016	August-16	40%		30/08/2016	September-16	55%		13/09/2016	September-16	100%	25%	27/09/2016	October-16	100%	30%	11/10/2016	October-16	100%	35%	25/10/2016	November-16	100%	45%	23/11/2016	December-16	100%	50%	7/12/2016	January-16	100%	55%	5/01/2016	February-17	100%	60%	14/02/2017	April-17	100%	65%	11/04/2017	May-17	100%	70%	10/05/2017	May-17	100%	75%	25/05/2017	
Month	HRW	LRWS	Date effective																																																																			
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	New bulk entitlements granted	Nil																																																																				
	Changes to this bulk entitlement	Nil																																																																				



## Bulk entitlements

### Compliance

- SRW has previously submitted an Environmental Management Plan to the 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 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, Lerderderg Diversion Weir, Goodmans Creek Diversion Weir and Werribee Diversion Weir.

### 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)
Annual 2016-17	Releases were made from the Tarago Reservoir to supply primary entitlements	756
<b>Bulk Entitlement Order</b>		
Annual 2016-17	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 2016-17.

### 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)
Annual 2016-17	Water taken by SRW at its pumping station	16,181
<b>Bulk Entitlement Order</b>		
Annual 2016-17	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.

**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 2016-17</b>	Water released to supply licence entitlements	8.0
	SRW's share of Rosslynne Reservoir at 30 June 2016	924
	Inflows, taking into account evaporation and measurement discrepancies	307.5
	Allowances for transfer and operating losses	0 (no irrigation water supplied)
	Water deducted for passing flow requirements	69.7
	SRW achieved full compliance with the passing flows	
	Water taken from the waterway by primary entitlement holders	12.2

**Bulk Entitlement Order**

<b>Annual 2016-17</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 to this bulk entitlement	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 has complied with all provisions of this bulk entitlement.
- 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.



# Financial Report

## 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 2016-17

Our operating loss before tax was \$11.50m compared with a budgeted loss of \$6.85m.

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, our 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 2016-17 financial year, the Corporation recorded \$10.69m of non-recoverable depreciation.

The following table (page 37) describes our financial position once these non-regulatory charges are excluded, which reports a \$3.11m surplus for the year 2016-17 financial year compared with a Corporate Plan budget of \$3.39m.

The deterioration in our result compared with Corporate Plan is reflected by:

- more expenditure on depreciation
- expenditure on return of unspent government grant
- more expenditure on professional services



- less profit on sales of fixed assets
- lower net interest costs from
  - more cash on deposit; and
  - lower interest rates
- more government grants revenue

From the perspective of our main operating business units, our financial results were an improvement on our Corporate Plan, and on prior year results, as discussed above. We expect 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 \$22.35m for the financial year (2015-16 \$17.2m).

Usually, the cash operating surplus of the Corporation is insufficient to fund our capital expenditure program, and it is necessary for SRW to utilise debt facilities to fund our capital expenditure program. However, the capital contribution from the State Government has meant that we increased our debt facilities for the 2016-17 financial year by less than corporate plan assumptions.

Total Interest Bearing Liabilities increased by \$2.6m in the 2016-17 year, and our cash balances decreased by \$1.6m. Together, our net debt position moved from \$10.2m to \$14.4m.

Our net debt position is expected to increase to \$54.6m over the next four years (until the end of the 2020-21 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 which 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	2016-17	2015-16	2014-15	2013-14	2012-13
Internal Financing Ratio	37.11%	46.34%	67.28%	42.28%	59.22%
Gearing Ratio	1.75%	1.50%	1.34%	1.43%	1.70%
Interest Cover (Cash)	10.90	11.40	16.50	10.20	60.50
Return on Assets	-0.86%	-0.42%	-0.34%	-0.34%	-0.30%
Return on Equity	-0.79%	-0.40%	-0.32%	-0.33%	-0.25%

Details of ICT expenditure			
(\$ million)			
BAU ICT expenditure Total	Non-BAU ICT expenditure Total = A+B	Operational expenditure A	Operational expenditure B
\$2.834	0.991	0.013	0.978

## Consultancies

Each year we engage consultants to provide expert analysis and advice, to facilitate decision-making, and provide skills not currently available within our organisation.

### Greater than \$10,000

During 2016-17 we contracted 14 consulting firms for operating contracts greater than \$10,000 to provide advice, skills and services. The total cost of these consultancies in 2016-17 was \$729,837. Please refer to the table below for greater detail.

For comparison, during 2015-16 we engaged 12 consulting firms at a total cost of \$407,257.

### Less than \$10,000

During 2016-17 we contracted two consulting firms for operating contracts less than \$10,000 to provide advice, skills and services. The total cost of these consultancies in 2016-17 was \$11,615.

For comparison, during 2015-16 we engaged four consulting firms at a total cost of \$27,217.

Consultant	Purpose of Consultancy	Start date	End date	Total approved project fee \$	Expenditure 2016-17 \$	Future expenditure \$
Aither Pty Ltd	Unregulated water sales review	Nov-16	Feb-17	24,490	24,940	Nil
Aither Pty Ltd	Tariff review	Feb-17	May-17	43,390	45,466	Nil
Ecology & Heritage Partners Pty Ltd	Lindenow Valley Water Security environmental review*	Dec-16	Apr-17	23,250	23,250	Nil
GHD Pty Ltd	Lindenow Valley Water Security storage site review*	Jan-17	May-17	70,000	66,322	Nil
HunterH2O	Tender process review	Oct-16	Nov-16	15,560	14,177	Nil
Hydro Tasmania	Renewable energy options assessment	Dec-16	Jul-17	23,760	23,760	Nil
Jacobs Group (Australia) Pty Ltd	Dilwyn infrastructure feasibility study*	Nov-16	Jun-17	99,750	99,750	Nil
Kellogg Brown & Root Pty Ltd	MID2030 modernisation feasibility study*	Feb-17	Sep-17	135,865	101,638	34,227
Macroplan Dimasi	Merrimu land assessment	Nov-16	Dec-16	11,400	11,400	Nil
Marsden Jacob Associates	Rural water industry KPI benchmarking study*	Oct-15	Jul-16	50,000	56,836	Nil
Marsden Jacob Associates	Lindenow Valley Water Security water resource review*	Dec-16	Jun-18	90,000	23,686	57,915
Marsden Jacob Associates	Southern Victoria Irrigation District water resource review*	Dec-16	Jun-18	70,000	9,959	58,881
Navire	Werribee land development feasibility study	Jun-16	Jun-18	100,000	33,506	60,000
Plus Architecture Pty Ltd	Werribee land development feasibility study	Oct-16	Jan-17	11,000	11,000	Nil
Price Merrett Consulting Pty Ltd	Lindenow Valley Water Security storage site review*	Dec-16	May-17	39,760	39,760	Nil
RM Consulting Group (RMCG)	Southern Victoria Irrigation District water resource review*	Jan-17	Jul-17	86,500	81,267	5,210
SMEC Australia Pty Ltd	Lindenow Valley Water Security storage site review*	Jan-17	Jul-17	79,000	63,120	15,780

\* These projects were externally funded.

Capital Plan expenditure 2016-17		
Business		2016-17 Expenditure \$'000s
Eastern Irrigation	MID2030 Southern Cowwarr balancing storage	1,404
	MID2030 Rationalisation Program	605
	MID2030 Phase 1A Nambrok-Denison regulator retrofit	1,311
	MID2030 Phase 1A Eastern regulator retrofit	584
	MID2030 Phase 1A Reserve projects	3,078
	MID Modernisation PH1B program	742
	MID Phase 1B Tinamba West (stage1)	2,115
	General projects	879
Western Irrigation	WID 4/1 Piping	1,225
	WID Modernisation Stage 1	2,452
	BMID reconfiguration Stage 1	171
	BMID Modernisation Stage 2	663
	General projects	17
Headworks	Pykes Creek access road	150
	Lederberg walkway access	197
	Upper Werribee access road	182
	General projects	2,243
Groundwater & Rivers	General projects	321
Other	Maffra office refurbishment	1,180
	Werribee office land purchase	1,930
	General projects	905
		<b>22,354</b>

## Five-year financial summary

Revenue	2016-17 \$'000s	2015-16 \$'000s	2014-15 \$'000s	2013-14 \$'000s	2012-13 \$'000s
Fees and charges	26,978	25,931	25,474	25,123	24,301
Storage operator charges	3,714	3,710	3,678	3,427	3,514
Government grants	1,354	265	780	725	513
Other	2,933	4,403	4,819	2,009	2,133
<b>Total revenue</b>	<b>34,979</b>	<b>34,309</b>	<b>34,751</b>	<b>31,284</b>	<b>30,461</b>
<b>Expenditure</b>					
Operations and maintenance	12,689	19,855	19,391	17,883	17,655
Other	8,570	7,850	7,748	6,145	5,578
<b>Earnings before interest, taxation and depreciation</b>	<b>13,720</b>	<b>6,604</b>	<b>7,612</b>	<b>7,256</b>	<b>7,228</b>
Depreciation	14,135	11,521	11,354	10,856	10,265
Finance cost	1,025	914	917	1,107	490
<b>Total expenditure</b>	<b>46,475</b>	<b>40,140</b>	<b>39,410</b>	<b>35,991</b>	<b>33,988</b>
<b>Equity</b>					
Net operating statutory loss	(11,496)	(5,831)	(4,659)	(4,707)	(3,527)
<b>Movement in retained earnings</b>	<b>(11,496)</b>	<b>(5,831)</b>	<b>(4,659)</b>	<b>(4,707)</b>	<b>(3,527)</b>
<b>Balance sheet</b>					
Current assets	13,459	15,553	13,085	10,330	20,091
Non-current assets	1,240,229	1,273,315	1,236,808	1,236,329	1,231,023
<b>Total assets</b>	<b>1,253,688</b>	<b>1,288,868</b>	<b>1,249,893</b>	<b>1,246,659</b>	<b>1,251,114</b>
<b>Current liabilities</b>	<b>15,738</b>	<b>13,844</b>	<b>9,605</b>	<b>9,888</b>	<b>11,423</b>
Non-current liabilities	237,248	248,645	239,869	242,298	244,878
<b>Total liabilities</b>	<b>252,986</b>	<b>262,489</b>	<b>249,474</b>	<b>252,186</b>	<b>256,301</b>
Net cash inflow from operations	7,154	6,211	8,835	6,773	7,739
Payments for infrastructure, property, plant and equipment	19,280	13,646	13,127	16,018	13,068
<b>Financial result reconciliation</b>					
Net operating statutory loss	(11,496)	(5,831)	(4,659)	(4,707)	(3,527)
Add back non-regulatory depreciation	10,691	8,205	8,895	8,696	8,375
Less renewals charge	(1,061)	(969)	(901)	(1,328)	(1,879)
Add non-regulatory asset transfers and write-offs	4,061	1,362	1,409	332	917
Add major projects expensed	921	2,087	1,175	791	376
<b>Operating profit before statutory adjustments</b>	<b>3,116</b>	<b>4,854</b>	<b>5,919</b>	<b>3,784</b>	<b>4,262</b>

Gippsland and Southern Rural Water Corporation (the Corporation) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2017. It is presented in the following structure:



# How this report is structured

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## Comprehensive Operating Statement For the financial year ended 30 June 2017

	Notes	2016-17 \$'000s	2015-16 \$'000s
<b>Revenue</b>			
<i>Revenue from operating activities</i>			
Service and usage charges	2.2.1	30,800	30,339
Chargeable works	2.2.2	811	363
Government grants and contributions	2.2.3	1,354	265
Interest income		187	248
Other income		252	250
<i>Revenue from non-operating activities</i>			
Fair value of assets received free of charge	2.2.4	792	0
Sale of water and entitlements	2.2.5	657	2,419
Net gain on disposal of assets	4.1.4	127	425
<b>Total revenue</b>		<b>34,979</b>	<b>34,309</b>
<b>Expenses from operating activities</b>			
Bulk water	3.4	1,059	1,301
Environmental contributions	8.2	423	423
Employee benefits	3.2.1	14,728	14,617
Interest	6.1.2	754	711
Financial accommodation levy	6.1.2	271	203
Insurance		451	453
Motor vehicle operating costs		689	700
Professional services		2,062	1,166
Telecommunications		364	383
Chargeable works	2.2.2	811	363
Return of unspent government grant	3.5	450	0
Repairs and maintenance	3.3	1,576	1,581
Other operating expenses	3.6	4,297	5,098
Depreciation of regulatory asset base	4.1.1	3,444	3,316
Depreciation of other assets	4.1.1	10,691	8,205
Amortisation	4.2	586	642
Written down value of transferred assets	4.1.1	1,038	104
Written down value of assets written off	4.1.1	2,781	874
<b>Total expenses</b>		<b>46,475</b>	<b>40,140</b>
<b>Net result before income tax expense</b>		<b>(11,496)</b>	<b>(5,831)</b>
Income tax revenue	8.1.1	3,486	1,744
<b>Net result for the period</b>		<b>(8,010)</b>	<b>(4,087)</b>
<b>Other comprehensive income for the period</b>			
<i>Items that will not be reclassified to net result</i>			
Net gain on revaluation of infrastructure, property, plant and equipment	9.1.2	0	35,057
Impairment of infrastructure, property, plant and equipment	9.1.2	(35,978)	0
Income tax relating to these items	8.1.1	10,793	(10,517)
<b>Other comprehensive income for the year, net of tax</b>		<b>(25,185)</b>	<b>24,540</b>
<b>Total comprehensive income for the period</b>		<b>(33,195)</b>	<b>20,453</b>

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

## Balance Sheet as at 30 June 2017

	Notes	2016-17 \$'000s	2015-16 \$'000s
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	6.2	7,463	9,113
Receivables	5.1	5,181	5,848
Other non-financial assets		482	461
Assets classified as held for sale		333	131
<b>Total current assets</b>		<b>13,459</b>	<b>15,553</b>
<i>Non-current assets</i>			
Infrastructure, property, plant and equipment	4.1	1,238,159	1,270,844
Intangible assets	4.2	2,070	2,471
<b>Total non-current assets</b>		<b>1,240,229</b>	<b>1,273,315</b>
<b>Total assets</b>		<b>1,253,688</b>	<b>1,288,868</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Payables	5.2	6,914	4,716
Interest bearing liabilities	6.1	3,930	4,130
Employee benefits	3.2.2	4,894	4,998
<b>Total current liabilities</b>		<b>15,738</b>	<b>13,844</b>
<i>Non-current liabilities</i>			
Payables		9	10
Interest bearing liabilities	6.1	17,970	15,220
Employee benefits	3.2.2	259	126
Deferred tax liabilities	8.1.2	219,010	233,289
<b>Total non-current liabilities</b>		<b>237,248</b>	<b>248,645</b>
<b>Total liabilities</b>		<b>252,986</b>	<b>262,489</b>
<b>Net assets</b>		<b>1,000,702</b>	<b>1,026,379</b>
<b>Equity</b>			
Contributed capital	9.1.1	416,738	409,220
Asset revaluation reserve	9.1.2	557,697	582,882
Accumulated surplus	9.1.3	26,267	34,277
<b>Total equity</b>		<b>1,000,702</b>	<b>1,026,379</b>

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

## Statement of Changes in Equity as at 30 June 2017

	Notes	Contributed Capital \$'000s	Asset Revaluation Reserve \$'000s	Accumulated Funds \$'000s	Total \$'000s
<b>Balance at 1 July 2015</b>		403,713	558,342	38,364	1,000,419
Net result for the period		0	0	(4,087)	(4,087)
Other comprehensive income		0	24,540	0	24,540
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>24,540</b>	<b>(4,087)</b>	<b>20,453</b>
Transactions with the State Government in its capacity as owner	9.1.1	5,507	0	0	5,507
<b>Balance as at 30 June 2016</b>		409,220	582,882	34,277	1,026,379
Net result for the period		0	0	(8,010)	(8,010)
Other comprehensive income	9.1.2	0	(25,185)	0	(25,185)
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>(25,185)</b>	<b>(8,010)</b>	<b>(33,195)</b>
Transactions with the State Government in its capacity as owner	9.1.1	7,518	0	0	7,518
<b>Balance as at 30 June 2017</b>		<b>416,738</b>	<b>557,697</b>	<b>26,267</b>	<b>1,000,702</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 2017

	Notes	2016-17 \$'000s	2015-16 \$'000s
<b>Cash flows from operating activities</b>			
<i>Receipts</i>			
Receipts from service and usage charges		33,805	33,076
Receipts from State Government	2.2.3	1,354	265
Interest received		58	115
Net Goods and Services Tax received from the ATO		3,067	1,597
<i>Payments</i>			
Payments to suppliers and employees		(30,267)	(27,973)
Interest paid		(784)	(710)
Net Goods and Services Tax paid to the ATO		(79)	(159)
<b>Net cash flows from operating activities</b>	<b>6.2.1</b>	<b>7,154</b>	<b>6,211</b>
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment		(19,280)	(13,646)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.4	593	1,050
Payments for intangible assets	4.2	(185)	(327)
<b>Net cash used in investing activities</b>		<b>(18,872)</b>	<b>(12,923)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new borrowings (i)		6,580	4,140
Repayment of existing borrowings		(4,030)	(1,530)
Proceeds from contributions by State Government in its capacity as owner	9.1.1	7,518	5,507
<b>Net cash provided by financing activities</b>		<b>10,068</b>	<b>8,117</b>
<b>Net increase in cash and cash equivalents</b>		<b>(1,650)</b>	<b>1,405</b>
Cash and cash equivalents at the beginning of the financial year		9,113	7,708
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6.2</b>	<b>7,463</b>	<b>9,113</b>

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

(i) \$3.0m of the new borrowings was applied to repay a maturing loan of \$3.0m at 30 June 2017



## 1 About this report

### 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.

### Basis of accounting

The financial report includes separate financial statements for the Corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2017. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (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 Gippsland and Southern Rural Water Corporation Board of Directors on 5 September 2017.

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 the Corporation 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.

## 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

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

- estimation of useful lives (Note 4.1)
- the impairment of assets (Note 4.1)
- recognition of deferred tax assets and liabilities (Note 8.1)
- accrued income (Note 5.1)
- employee benefit provisions (Note 3.2)
- contingent assets and liabilities (Note 7.2)
- the fair value of assets (i.e. infrastructure assets) (Note 7.3).



## 2 Funding Delivery of Our Services

### Introduction

This section provides additional information about how the Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The Corporation harvests, stores and manages water in reservoirs. This water is then supplied to irrigators, urban water corporations and power generators, or retained for the government. The Corporation also implements government regulations and policy for groundwater and surfacewater management in accordance with delegated powers from the *Water Act 1989*. The Corporation derives the majority of its revenue from charges for water entitlements. The majority of these charges are a fixed amount per entitlement, however variable usage charges are applied in some of our irrigation districts.

### Structure

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

#### 2.2 Income from transactions

- 2.2.1 Service and usage charges
- 2.2.2 Chargeable works
- 2.2.3 Government grants and contributions
- 2.2.4 Fair value of assets received free of charge
- 2.2.5 Sale of water and entitlements

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

	Notes	2016-17 \$'000s	2015-16 \$'000s
<b>Revenue</b>			
Service charges	2.2.1	28,987	28,216
Water usage charges	2.2.1	1,813	2,123
Chargeable works	2.2.2	811	363
Government grants and contribution	2.2.3	1,354	265
Fair value of assets received free of charge	2.2.4	792	0
Sale of water and entitlements	2.2.5	657	2,419
<b>Total revenue</b>		<b>34,414</b>	<b>33,386</b>

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

## 2.2 Income from transactions

### 2.2.1 Service and usage charges

	2016-17 \$'000s	2015-16 \$'000s
<b>Service charges</b>		
<i>Fixed charges</i>		
<b>Water service charges</b>		
- Irrigation, diversion and groundwater	22,649	22,622
- Recycled water	1,328	635
- Storage operator charges	3,714	3,710
<b>Other charges</b>		
- Bore construction, application fees, transfer fees and information statements	1,296	1,249
	<b>28,987</b>	<b>28,216</b>
<b>Water usage charges</b>		
<i>Variable usage charges</i>		
- Irrigation, diversion and groundwater	1,705	1,425
- Recycled water	108	698
	<b>1,813</b>	<b>2,123</b>
<b>Total service and usage charges</b>	<b>30,800</b>	<b>30,339</b>

Fixed water and service charges (including recycled water and storage operator charges) are recognised as revenue when levied.

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

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

### 2.2.2 Chargeable works

	2016-17 \$'000s	2015-16 \$'000s
Chargeable works	811	363
<b>Total chargeable works</b>	<b>811</b>	<b>363</b>

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.



### 2.2.3 Government grants and contributions

	2016-17 \$'000s	2015-16 \$'000s
<b>Government contributions</b>		
<b>Operating</b>		
<i>State Government</i>		
National framework for compliance and enforcement	0	150
Making licences authoritative	0	75
Boating safety (Melton/Pykes Creek)	0	18
Local government authority dam safety	168	0
Macalister Irrigation District MID2030 Phase 2 development	370	0
Lindenow Valley water security	377	0
Southern Victorian irrigation development	339	0
Dilwyn aquifer infrastructure feasibility study	100	0
<i>Commonwealth Government</i>		
Merrimu reservoir land revegetation project	0	22
<b>Total government grants and contributions</b>	<b>1,354</b>	<b>265</b>

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 AASB1004 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 FRD 119A *Transfers through Contributed Capital*.

### 2.2.4 Fair value of assets received free of charge

	2016-17 \$'000s	2015-16 \$'000s
Infrastructure at fair value	792	0
<b>Total fair value of assets received free of charge</b>	<b>792</b>	<b>0</b>

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

## 2.2.5 Sale of water and entitlements

	2016-17 \$'000s	2015-16 \$'000s
<b>Sale of water and entitlements</b>		
Sale of created water shares (i)	596	1,433
Sale of water (ii)	50	150
Sale of surface and groundwater licences (iii)	11	836
<b>Total sale of water and entitlements</b>	<b>657</b>	<b>2,419</b>

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.

(i) 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 2,881 ML 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 of these new water entitlements. Part of the third tranche of these entitlements, 263 ML of high reliability shares and 284 ML of low reliability shares, was sold by auction on 7 February 2017. The proceeds raised of \$0.493m have been recorded in the Comprehensive Operating Statement as revenue. During the financial year, further entitlements were placed on the market with a shelf price. The proceeds raised of \$0.103m have been recorded in the Comprehensive Operating Statement as revenue.

(ii) During 2016-17, the Corporation conducted auctions selling seasonal allocations from savings made through modernisation projects in the Macalister Irrigation District. The proceeds raised of \$0.05m have been recorded in the Comprehensive Operating Statement as revenue.

(iii) During 2016-17, the Corporation sold unregulated surfacewater licences on the market with a shelf price. The sales occurred in the following areas:

- Curdies River, which sold 40 ML of surfacewater licensed volume.
- Merri River, which sold 80 ML of surfacewater licensed volume.

The proceeds raised of \$0.011m have been recorded in the Comprehensive Operating Statement as revenue.



## 3 The cost of delivering services

### Introduction

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

### Structure

- 3.1 Summary of expenses incurred in delivery of services
- 3.2 Our people
  - 3.2.1 Employee benefits - comprehensive operating statement
  - 3.2.2 Employee benefits - balance sheet
  - 3.2.3 Superannuation
- 3.3 Repairs and maintenance
- 3.4 Bulk water
- 3.5 Return of unspent government grant
- 3.6 Other operating expenses

#### 3.1 Summary of expenses incurred in delivery of services

	2016-17 \$'000s	2015-16 \$'000s
Employee benefit expenses	14,728	14,617
Repairs and maintenance	1,576	1,581
Bulk water	1,059	1,301
Return of unspent government grant	450	0
Other operating expenses	4,297	5,098
<b>Total expenses incurred in delivery of services</b>	<b>22,110</b>	<b>22,597</b>

#### 3.2 Our people

##### 3.2.1 Employee benefits - comprehensive operating statement

	2016-17 \$'000s	2015-16 \$'000s
<b>Employee benefits</b>		
- salaries and wages	10,143	10,280
- annual leave	1,113	1,132
- long service leave	414	328
- employer superannuation contribution	1,291	1,293
- termination benefit	69	100
- other	1,698	1,484
<b>Total employee benefit costs</b>	<b>14,728</b>	<b>14,617</b>

These expenses include all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and workcover premiums.

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

Termination benefits are payable when employment is terminated 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; and (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.

### 3.2.2 Employee benefits - balance sheet

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

	2016-17 \$'000s	2015-16 \$'000s
<b>Current provisions:</b>		
<i>Annual Leave</i>		
Unconditional and expected to settle within 12 months	937	921
Unconditional and expected to settle after 12 months	769	862
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	1,324	1,136
Unconditional and expected to settle after 12 months	1,113	1,312
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	410	373
Unconditional and expected to settle after 12 months	341	394
<b>Total current provisions for employer benefits</b>	<b>4,894</b>	<b>4,998</b>
<b>Non-current provisions</b>		
Long service leave	219	107
On-costs	40	19
<b>Total non-current provisions for employee benefits</b>	<b>259</b>	<b>126</b>
<b>Total provisions for employee benefits</b>	<b>5,153</b>	<b>5,124</b>

#### **Annual leave**

Liabilities for annual leave are recognised in the provision for employee benefits as current liabilities, because the Corporation does not have an unconditional right to defer settlement of these liabilities.

Depending on the expectation of the 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; or
- present value – if the Corporation does not expect to wholly settle within 12 months.

#### **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.

## 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; or
- 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.

### 3.2.3 Superannuation

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 category provides lump sum benefits based on years of service and final average salary. In certain circumstances a defined benefit member may be eligible to purchase a lifetime pension with up to 50% of their lump sum benefit. The accumulation category receives fixed contributions from the Corporation and the Corporation's legal or constructive obligation is limited to these contributions.

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:

		2016-17 \$'000s	Contribution rate	2015-16 \$'000s	Contribution rate
<b>Defined benefit schemes:</b>					
(a) Government Superannuation Office - New Scheme	Employer contribution	96	9.5% - 10.3%	109	9.5% - 10.3%
(b) Government Superannuation Office - Revised Scheme	Employer contribution	0	17.30%	10	17.30%
(c) SAFE - State Employees Retirement Benefits Fund	Employer contribution	10	13.30%	14	13.30%
(d) Vision Super	Employer contribution	0	9.50%	0	9.50%
<b>Accumulation schemes:</b>					
(e) Vision Super	Employer contribution	812	9.50%	774	9.50%
(f) Other superannuation Schemes	Employer contribution	864	9.50%	833	9.50%
<b>Total employer contribution</b>		<b>1,782</b>		<b>1,740</b>	

As at 30 June 2017 and 30 June 2016, there were no loans to or from the Corporation with any of the above funds.

### **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 these funds. 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)**

The Corporation does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan. There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Corporation in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

#### ***Funding arrangements***

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

As at 30 June 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which the Corporation is a contributing employer was 102.0%.

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

- Net investment returns 7.0% pa
- Salary inflation 4.25% pa
- Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 31 March 2017 was 106.6%.

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

#### ***Employer contributions***

##### *Regular contributions*

On the basis of the results of the 2016 interim actuarial investigation conducted by the Fund Actuary, the Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2017, this rate was 9.5% of members' salaries (9.5% in 2015-2016). This rate will increase in line with any increase to the superannuation guarantee (SG) contribution rate.

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

##### *Funding Calls*

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



In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Corporation) are required to make an employer contribution to cover the shortfall.

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

#### *The 2016 interim actuarial investigation surplus amounts*

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

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

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

The total service liability surplus means that the current value of the assets in the Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The Corporation was notified of the 30 June 2016 VBI during August 2016.

#### *The 2017 full triennial actuarial investigation*

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

#### **Accumulation schemes (items e and f)**

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2017, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

### **3.3 Repairs and maintenance**

	<b>2016-17</b>	<b>2015-16</b>
	<b>\$'000s</b>	<b>\$'000s</b>
Repairs and maintenance	1,576	1,581
<b>Total repairs and maintenance</b>	<b>1,576</b>	<b>1,581</b>

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.

### **3.4 Bulk water**

	<b>2016-17</b>	<b>2015-16</b>
	<b>\$'000s</b>	<b>\$'000s</b>
Recycled water	1,059	1,301
<b>Total bulk water</b>	<b>1,059</b>	<b>1,301</b>

Recycled water is supplied by Melbourne Water to the Corporation for distribution to customers in the Werribee Irrigation District.

### 3.5 Return of unspent government grant

	2016-17 \$'000s	2015-16 \$'000s
Unspent government grant	450	0
<b>Total return of unspent government grant</b>	<b>450</b>	<b>0</b>

In the 2013-14 and 2014-15 financial years, the Corporation received \$450k from the State Government to fund a project for licensing local government dams. During 2016-17, the State Government cancelled the original funding agreement, and requested that the funds be returned.

### 3.6 Other operating expenses

	2016-17 \$'000s	2015-16 \$'000s
<b>Other expenses</b>		
<i>Supplies and services</i>		
- Purchase of services	3,741	4,537
<b>Total supplies and services</b>	<b>3,741</b>	<b>4,537</b>
<i>Operating lease rental expenses</i>		
- Lease payments	556	546
<b>Total operating lease rental expenses</b>	<b>556</b>	<b>546</b>
Cost of goods sold / distributed		
Ex gratia expense (refer to Note 9.7)	0	15
<b>Total other operating expenses</b>	<b>4,297</b>	<b>5,098</b>

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

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.

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.

## 4 Key assets available to support output delivery

### Introduction

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

### Structure

#### 4.1 Infrastructure, property, plant and equipment:

- 4.1.1 Depreciation and impairment
- 4.1.2 Carrying value by asset class
- 4.1.3 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment
- 4.1.4 Net gain on disposal of non-current assets
- 4.1.5 Capital commitments



#### 4.1 Total infrastructure, property, plant and equipment

Classes of infrastructure, property, plant and equipment	2016-17 \$'000s	2015-16 \$'000s
Land		
At fair value	29,879	27,692
Buildings		
At fair value	3,750	2,876
Less: accumulated depreciation	(197)	0
	<b>3,553</b>	<b>2,876</b>
Water infrastructure		
At fair value	1,198,678	1,224,660
Less: accumulated depreciation and impairment	(12,843)	0
	<b>1,185,835</b>	<b>1,224,660</b>
Machinery, fittings and equipment		
At fair value	4,596	4,108
Less: accumulated depreciation	(3,072)	(2,892)
	<b>1,524</b>	<b>1,216</b>
Motor vehicles		
At fair value	4,317	4,334
Less: accumulated depreciation	(1,855)	(1,714)
	<b>2,462</b>	<b>2,620</b>
Plant		
At fair value	1,377	1,287
Less: accumulated depreciation	(828)	(837)
	<b>549</b>	<b>450</b>
	<b>1,223,802</b>	<b>1,259,514</b>
Capital works in progress (at cost)	14,357	11,330
	<b>14,357</b>	<b>11,330</b>
<b>Total infrastructure, property, plant and equipment</b>	<b>1,238,159</b>	<b>1,270,844</b>

### Initial recognition

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 \$2,000 (2016: \$2,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Items of infrastructure, property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

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

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives. At balance date, leasehold improvements are amortised over a 10 year period (2016: 10 years).

### Subsequent measurement

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

### Revaluation of 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 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an approved valuer (usually the Valuer-General Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Revaluation increments are credited directly to equity in the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes. Asset revaluation reserves are not transferred to accumulated surplus/(deficit) on derecognition of the relevant asset.

#### 4.1.1 Depreciation and impairment

Charge for the period

	2016-17 \$'000s	2015-16 \$'000s
<b>Depreciation</b>		
- Buildings	202	157
- Water infrastructure	12,843	10,171
- Machinery, fittings and equipment	257	286
- Motor vehicles	729	810
- Plant	104	97
<b>Total depreciation</b>	<b>14,135</b>	<b>11,521</b>
<b>Depreciation</b>		
- Depreciation of regulatory asset base	3,444	3,316
- Depreciation of other assets	10,691	8,205
<b>Total depreciation</b>	<b>14,135</b>	<b>11,521</b>



Depreciation is distinguished by:

- regulated asset base: expenditure that is recoverable from customers within prices authorised by the Water Industry Regulatory Order; and
- other assets: depreciation of assets acquired or constructed prior to 1 July 2004, or assets funded directly by customer or government contribution.

#### Assets transferred/written off

	2016-17 \$'000s	2015-16 \$'000s
Written down value of transferred assets	1,038	104

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.

	2016-17 \$'000s	2015-16 \$'000s
Written down value of assets written off	2,781	874

As assets, or components of assets are replaced, the Corporation charges the written down value of the replaced or scrapped asset to the Comprehensive Operating Statement within this category.

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; and
- 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 remaining 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.

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

### **Impairment**

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

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

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.



#### 4.1.2 Carrying value by asset class

	2016-17 \$'000s	2015-16 \$'000s
<b>Land at fair value</b>		
- Non-specialised land	5,459	3,272
- Specialised land	24,420	24,420
<b>Total of land at fair value</b>	<b>29,879</b>	<b>27,692</b>
<b>Buildings at fair value</b>		
- Non-specialised buildings	3,553	2,876
<b>Total of buildings at fair value</b>	<b>3,553</b>	<b>2,876</b>
<b>Water infrastructure at fair value</b>		
- Reservoirs and weirs	696,748	692,412
- Tunnels	54,301	54,383
- Irrigation channels and pipes	177,758	193,335
- Irrigation drains	46,345	47,109
- Irrigation structures, meters and pumps	210,683	237,421
<b>Total of water infrastructure at fair value</b>	<b>1,185,835</b>	<b>1,224,660</b>
<b>Machinery, fittings and equipment at fair value</b>		
- Machinery and tools	495	559
- Computer equipment	514	419
- Furniture and fittings	516	238
<b>Total of machinery, fittings and equipment at fair value</b>	<b>1,524</b>	<b>1,216</b>
<b>Motor vehicles and plant at fair value</b>		
- Motor vehicles	2,462	2,620
- Plant	549	450
<b>Total of motor vehicles and plant at fair value</b>	<b>3,011</b>	<b>3,070</b>
<b>Capital works in progress (at cost)</b>		
- Works in progress	14,357	11,330
<b>Total capital works in progress (at cost)</b>	<b>14,357</b>	<b>11,330</b>
<b>Net carrying amount</b>	<b>1,238,159</b>	<b>1,270,844</b>

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

Year ended 30 June 2017

	Land \$'000s	Water infrastructure \$'000s	Machinery, and fittings and equipment \$'000s	Plant \$'000s	Motor vehicles \$'000s	Buildings \$'000s	Capital works in progress \$'000s	Total \$'000s
At 1 July 2016	27,692	1,224,660	1,216	450	2,620	2,876	11,330	1,270,844
Additions	2,187	0	0	0	1,002	0	18,727	21,916
Transfers	0	13,815	566	239	0	1,080	(15,700)	0
Transfers to held for sale	0	0	0	0	0	(201)	0	(201)
Impairment	0	(35,978)	0	0	0	0	0	(35,978)
Assets written-off	0	(3,819)	0	0	0	0	0	(3,819)
Disposals	0	0	(1)	(36)	(431)	0	0	(468)
Depreciation expense	0	(12,843)	(257)	(104)	(729)	(202)	0	(14,135)
<b>At 30 June 2017</b>	<b>29,879</b>	<b>1,185,835</b>	<b>1,524</b>	<b>549</b>	<b>2,462</b>	<b>3,553</b>	<b>14,357</b>	<b>1,238,159</b>
<b>At 1 July 2016</b>								
Gross carrying amount	27,692	1,224,660	4,108	1,287	4,334	2,876	11,330	1,276,287
Accumulated depreciation	0	0	(2,892)	(837)	(1,714)	0	0	(5,443)
<b>Net carrying amount</b>	<b>27,692</b>	<b>1,224,660</b>	<b>1,216</b>	<b>450</b>	<b>2,620</b>	<b>2,876</b>	<b>11,330</b>	<b>1,270,844</b>
<b>At 30 June 2017</b>								
Gross carrying amount	29,879	1,198,678	4,596	1,377	4,317	3,750	14,357	1,256,954
Accumulated depreciation	0	(12,843)	(3,072)	(828)	(1,855)	(197)	0	(18,795)
<b>Net carrying amount</b>	<b>29,879</b>	<b>1,185,835</b>	<b>1,524</b>	<b>549</b>	<b>2,462</b>	<b>3,553</b>	<b>14,357</b>	<b>1,238,159</b>

Year ended 30 June 2016

	Land \$'000s	Water infrastructure \$'000s	Machinery, and fittings and equipment \$'000s	Plant \$'000s	Motor vehicles \$'000s	Buildings \$'000s	Capital works in progress \$'000s	Total \$'000s
At 1 July 2015	21,778	1,195,601	1,347	388	3,094	2,823	8,992	1,234,023
Additions	0	0	0	0	879	0	13,957	14,836
Transfers	0	11,181	156	159	0	123	(11,619)	0
Revaluation	5,938	29,035	0	0	0	84	0	35,057
Disposals	(24)	(986)	(1)	0	(543)	3	0	(1,551)
Depreciation expense	0	(10,171)	(286)	(97)	(810)	(157)	0	(11,521)
<b>At 30 June 2016</b>	<b>27,692</b>	<b>1,224,660</b>	<b>1,216</b>	<b>450</b>	<b>2,620</b>	<b>2,876</b>	<b>11,330</b>	<b>1,270,844</b>
<b>At 1 July 2015</b>								
Gross carrying amount	21,778	1,235,367	3,987	1,122	4,673	3,401	8,992	1,279,320
Accumulated depreciation	0	(39,766)	(2,640)	(734)	(1,579)	(578)	0	(45,297)
<b>Net carrying amount</b>	<b>21,778</b>	<b>1,195,601</b>	<b>1,347</b>	<b>388</b>	<b>3,094</b>	<b>2,823</b>	<b>8,992</b>	<b>1,234,023</b>
<b>At 30 June 2016</b>								
Gross carrying amount	27,692	1,224,660	4,108	1,287	4,334	2,876	11,330	1,276,287
Accumulated depreciation	0	0	(2,892)	(837)	(1,714)	0	0	(5,443)
<b>Net carrying amount</b>	<b>27,692</b>	<b>1,224,660</b>	<b>1,216</b>	<b>450</b>	<b>2,620</b>	<b>2,876</b>	<b>11,330</b>	<b>1,270,844</b>



#### 4.1.4 Net gain on disposal of non-current assets

The net gain on disposal of assets includes the following specific net gains and expenses:

	2016-17 \$'000s	2015-16 \$'000s
Proceeds from sale of infrastructure, property, plant and equipment	593	1,050
Written down value of disposed infrastructure, property, plant and equipment	(466)	(625)
<b>Net gain on disposal of assets</b>	<b>127</b>	<b>425</b>

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

#### 4.1.5 Capital commitments

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

2017	Less than 1 year \$'000s	1 to 5 years \$'000s	Over 5 years \$'000s	Total \$'000s
Capital expenditure commitments payable	3,077	89	0	3,166
<b>Total commitments (inclusive of GST)</b>	<b>3,077</b>	<b>89</b>	<b>0</b>	<b>3,166</b>
Less GST recoverable	280	8	0	288
<b>Total commitments (exclusive of GST)</b>	<b>2,797</b>	<b>81</b>	<b>0</b>	<b>2,878</b>

2016				
Capital expenditure commitments payable	3,510	164	0	3,674
<b>Total commitments (inclusive of GST)</b>	<b>3,510</b>	<b>164</b>	<b>0</b>	<b>3,674</b>
Less GST recoverable	319	15	0	334
<b>Total commitments (exclusive of GST)</b>	<b>3,191</b>	<b>149</b>	<b>0</b>	<b>3,340</b>

## 4.2 Intangible assets

	Software \$'000s	Water allocation \$'000s	Implementation in progress \$'000s	Total \$'000s
<b>Year ended 30 June 2017</b>				
<b>At 1 July 2016</b>	2,111	255	105	2,471
Additions	0	0	185	185
Transfer	77	0	(77)	0
Amortisation	(586)	0	0	(586)
<b>At 30 June 2017</b>	<b>1,602</b>	<b>255</b>	<b>213</b>	<b>2,070</b>
<b>At 1 July 2016</b>				
Cost (gross carrying amount)	8,045	255	105	8,405
Accumulated amortisation	(5,934)	0	0	(5,934)
<b>Net carrying amount</b>	<b>2,111</b>	<b>255</b>	<b>105</b>	<b>2,471</b>
<b>At 30 June 2017</b>				
Cost (gross carrying amount)	8,122	255	213	8,590
Accumulated amortisation	(6,520)	0	0	(6,520)
<b>Net carrying amount</b>	<b>1,602</b>	<b>255</b>	<b>213</b>	<b>2,070</b>

	Software \$'000s	Water allocation \$000	Implementation in progress \$'000s	Total \$'000s
<b>Year ended 30 June 2016</b>				
At 1 July 2015	2,688	0	97	2,785
Additions	0	255	73	328
Transfer	65	0	(65)	0
Amortisation	(642)	0	0	(642)
<b>At 30 June 2016</b>	<b>2,111</b>	<b>255</b>	<b>102</b>	<b>2,471</b>
<b>At 1 July 2015</b>				
Cost (gross carrying amount)	8,291	0	97	8,388
Accumulated amortisation	(5,603)	0	0	(5,603)
<b>Net carrying amount</b>	<b>2,688</b>	<b>0</b>	<b>97</b>	<b>2,785</b>
<b>At 30 June 2016</b>				
Cost (gross carrying amount)	8,045	255	105	8,405
Accumulated amortisation	(5,934)	0	0	(5,934)
<b>Net carrying amount</b>	<b>2,111</b>	<b>255</b>	<b>105</b>	<b>2,471</b>



**Recognition**

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

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

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

	<b>Software</b>	<b>Water allocation</b>
Useful lives	Finite	Indefinite
Amortisation method used	3 to 10 years straight line	Not amortised or revalued
Internally generated / acquired	Acquired	Acquired
Impairment assessment / Recoverable amount testing	Annually and where an indicator of impairment exists	Annually tested and where an indicator of impairment exists

**Water allocation**

The Corporation holds a water allocation within the Thomson Reservoir. This follows the purchase of 3,000ML of water allocation from Macalister Irrigation District water share owners in June 2016. The Minister for Water assigned this water allocation of 3,000ML to City West Water and Western Water for storage until the Corporation directs the delivery of the water.

The water allocation was acquired by the Corporation to enable the sale of new water allocations to Werribee and Bacchus Marsh irrigators.

**Amortisation**

Charge for the period

	<b>2016-17</b>	<b>2015-16</b>
	<b>\$'000s</b>	<b>\$'000s</b>
- Software	586	642
<b>Total amortisation</b>	<b>586</b>	<b>642</b>

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined below.

**Impairment of intangible assets**

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

The policy in connection with testing for impairment is outlined in section 5.1.1.

## 5. Other assets and liabilities

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

### Structure

#### 5.1 Receivables

- 5.1.1 Movement in the provision for impaired receivables
- 5.1.2 Ageing analysis of contractual receivables

#### 5.2 Payables

- 5.2.1 Ageing analysis of contractual payables

### 5.1 Receivables

	2016-17 \$'000s	2015-16 \$'000s
<b>Contractual</b>		
- Trade receivables	2,884	3,497
- Provision for impaired receivables	(133)	(133)
- Accrued income	2,114	1,873
<b>Statutory</b>		
- GST Input tax credit receivables	316	611
<b>Total current receivables</b>	<b>5,181</b>	<b>5,848</b>
<b>Total receivables</b>	<b>5,181</b>	<b>5,848</b>

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, and accrued service and usage charges; and
- statutory receivables, such as amounts owing from the State 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.

Accrued income consists of revenue earned during the financial year in relation to variable usage charges in the Corporation's irrigation districts. This revenue is billed early in the next financial year.

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

As at 30 June 2017, current receivables of the Corporation with a nominal value of \$102,666 were impaired. The total value of the provision for impaired receivables is \$132,716, which includes a \$30,050 general provision for the non-recovery of unspecified customer debt.

	2016-17 \$'000s	2015-16 \$'000s
<b>Movement in the provision for impaired receivables</b>		
Balance at beginning of the year	133	83
Provision for impaired receivables recognised during the year	0	50
<b>Balance at end of the year</b>	<b>133</b>	<b>133</b>

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

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

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for impaired receivables, are classified as other economic flows in the net result.

## 5.1.2 Ageing analysis of contractual receivables

The ageing of these receivables is as follows:

	Carrying amount \$'000s	Not past	Past due but not impaired			
		Due and not impaired \$'000s	Less than 1 month \$'000s	1-3 months \$'000s	3 months - 1 year \$'000s	1-5 years \$'000s
<b>2017</b>						
Sale of goods and services	2,884	84	121	232	1,605	842
Other receivables	0	0	0	0	0	0
<b>Total</b>	<b>2,884</b>	<b>388</b>	<b>121</b>	<b>232</b>	<b>2,143</b>	<b>0</b>

	Carrying amount \$'000s	Not past	Past due but not impaired			
		Due and not impaired \$'000s	Less than 1 month \$'000s	1-3 months \$'000s	3 months - 1 year \$'000s	1-5 years \$'000s
<b>2016</b>						
Sale of goods and services	3,497	1,222	146	416	860	853
Other receivables	0	0	0	0	0	0
<b>Total</b>	<b>3,497</b>	<b>1,222</b>	<b>165</b>	<b>416</b>	<b>860</b>	<b>853</b>

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

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

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

## 5.2 Payables

	2016-17 \$'000s	2015-16 \$'000s
<b>Contractual</b>		
Trade creditors	6,534	4,047
Deferred revenue *	137	421
Advances for capital and other works	138	140
<b>Statutory</b>		
Fringe Benefits Tax payable	105	108
<b>Total current payables</b>	<b>6,914</b>	<b>4,716</b>
<b>Total payables</b>	<b>6,914</b>	<b>4,716</b>

\* Deferred revenue balance represents our estimate of unearned income from our Licensing Applications business, which will be recognised as income as applications are completed.

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Trade creditors represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

### 5.2.1 Ageing analysis of contractual payables

	Carrying amount \$'000s	Nominal amount \$'000s	Maturity dates				
			Less than 1 month \$'000s	1-3 months \$'000s	3 months - 1 year \$'000s	1 - 5 years \$'000s	5+ years \$'000s
<b>2017</b>							
Supplies and services	6,809	6,809	6,767	42	0	0	0
Other payables	0	0	0	0	0	0	0
<b>Total</b>	<b>6,809</b>	<b>6,809</b>	<b>6,767</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>2016</b>							
Supplies and services	4,608	4,608	4,567	41	0	0	0
Other payables	0	0	0	0	0	0	0
<b>Total</b>	<b>4,608</b>	<b>4,608</b>	<b>4,567</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>0</b>



## 6. How we financed our operations

### Introduction

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

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

### Structure

#### 6.1 Interest bearing liabilities

6.1.1 Maturity analysis of interest bearing liabilities

6.1.2 Interest expense

#### 6.2 Cash flow information

6.2.1 Reconciliation of net result to cash flow from operating activities

6.2.2 Financing facilities

#### 6.3 Commitments for expenditure

6.3.1 Total commitments payable

### 6.1 Interest bearing liabilities

	2016-17 \$'000s	2015-16 \$'000s
<b>Current interest bearing liabilities</b>		
Treasury Corporation of Victoria (TCV) - Unsecured	3,930	4,130
<b>Total current interest bearing liabilities</b>	<b>3,930</b>	<b>4,130</b>
<b>Non-current</b>		
Treasury Corporation of Victoria (TCV) - Unsecured	17,970	15,220
<b>Total non-current interest bearing liabilities</b>	<b>17,970</b>	<b>15,220</b>
<b>Total interest bearing liabilities</b>	<b>21,900</b>	<b>19,350</b>

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.

Current interest bearing liabilities are all 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 - Rate facility with repayments of interest twice annually and a final \$2.8m maturity in June 2018

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

- Fixed - Rate facility with repayments of interest twice annually and a final \$2.5m maturity in June 2019
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$130k) twice annually and a final \$3.18m maturity in June 2020
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$210k) twice annually and a final \$2.14m maturity in June 2021

- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$75k) twice annually and a final \$2.5m maturity in June 2023
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$25k) twice annually and a final \$0.83m maturity in June 2024
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$50k) twice annually and a final \$0.44m maturity in June 2025
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$75k) twice annually and a final \$1.50m maturity in June 2027

These debt facilities are provided by TCV consistent with the Financial Accommodation issued by the Treasurer of Victoria to the Corporation, 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.

#### 6.1.1 Maturity analysis of interest bearing liabilities

	Carrying amount \$'000s	Nominal amount \$'000s	Maturity dates			
			1-3 months \$'000s	3 months - 1 year \$'000s	1 - 5 years \$'000s	5+ years \$'000s
<b>2017</b>						
Treasury Corporation of Victoria (TCV)	21,900	22,750	565	3,365	11,400	6,570
<b>2016</b>						
Treasury Corporation of Victoria (TCV)	19,350	20,694	465	3,665	11,580	3,640

#### 6.1.2 Interest expense

	2016-17 \$'000s	2015-16 \$'000s
Other interest expense	754	711
Financial accommodation levy	271	203
<b>Total interest expense</b>	<b>1,025</b>	<b>914</b>

Interest expense includes costs incurred in connection with the borrowing of funds. Interest costs include interest on bank overdrafts, short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, financial accommodation levy and finance lease charges.

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

## 6.2 Cash flow information

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

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

	2016-17 \$'000s	2015-16 \$'000s
Cash on hand	3	3
Cash at bank	2,109	1,361
Deposits at call	5,351	7,749
<b>Balance as per cash flow statement</b>	<b>7,463</b>	<b>9,113</b>

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

	2016-17 \$'000s	2015-16 \$'000s
Net loss for the period before income tax	(11,496)	(5,831)
<b>Add/(less) non-cash flows in the net result for the period</b>		
- Depreciation and amortisation	14,722	12,164
- Impairment	10,056	0
- Gain on sale of fixed assets	(127)	(425)
- Written down value of transferred assets	290	104
- Written down value of destroyed, lost or de-commissioned assets	777	874
<b>Change in assets and liabilities:</b>		
- Increase/(Decrease) in inventories	(17)	26
- Decrease/(Increase) in current receivables	372	(1,173)
- Decrease in other current assets	8	43
- Increase in provision for employee benefits	77	234
- Decrease/(Increase) in payables	(204)	195
<b>Net cash flows from operating activities</b>	<b>14,458</b>	<b>6,211</b>

### 6.2.2 Financing facilities

	2016-17 \$'000s	2015-16 \$'000s
<b>Unsecured bank overdraft facility, reviewed annually and payable at call</b>		
Amount used	0	0
Amount unused	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Unsecured loan facilities with various maturity dates through to 2017-18 and which may be extended by mutual agreement</b>		
Amount used	21,900	19,350
Amount unused	5,150	5,590
<b>Total</b>	<b>27,050</b>	<b>24,940</b>

## 6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. Notes 4.1.5 and 8.2.1 provide details on capital and environmental commitments, respectively. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### 6.3.1 Total commitments payable

	Less than 1 year \$'000s	1 to 5 years \$'000s	Over 5 years \$'000s	Total \$'000s
<b>Nominal Amounts: 2017</b>				
Operating and lease commitments payable	1,407	1,040	23	2,470
<b>Total commitments (inclusive of GST)</b>	<b>1,407</b>	<b>1,040</b>	<b>23</b>	<b>2,470</b>
Less GST recoverable	128	95	2	225
<b>Total commitments (exclusive of GST)</b>	<b>1,279</b>	<b>945</b>	<b>21</b>	<b>2,245</b>

	Less than 1 year \$'000s	1 to 5 years \$'000s	Over 5 years \$'000s	Total \$'000s
<b>Nominal Amounts: 2016</b>				
Operating and lease commitments payable	1,332	850	11	2,193
<b>Total commitments (inclusive of GST)</b>	<b>1,332</b>	<b>850</b>	<b>11</b>	<b>2,193</b>
Less GST recoverable	121	77	1	199
<b>Total commitments (exclusive of GST)</b>	<b>1,211</b>	<b>773</b>	<b>10</b>	<b>1,994</b>

## 7. Risks, contingencies and valuation judgements

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

### Structure

#### 7.1 Financial instruments specific disclosures

- 7.1.1 Financial instruments: Categorisation
- 7.1.2 Financial risk management objectives and policies

#### 7.2 Contingent assets and contingent liabilities

#### 7.3 Fair value determination

- 7.3.1 Fair value determination of financial assets and liabilities
- 7.3.2 Fair value determination: Non-financial physical assets



## 7.1 Financial instruments specific disclosures

### *Introduction*

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

### *Categories of financial instruments*

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

The Corporation recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)

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

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

### *Derecognition of financial assets*

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

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

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

### Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. (AASB 139.58 70 AASB 7.B5(f)) In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets. Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the Comprehensive Operating Statement on equity instruments classified as available for sale are not reversed through the Comprehensive Operating Statement.

#### 7.1.1 Financial instruments: Categorisation

	Contractual financial assets loans and receivables and cash \$'000s	Contractual financial liabilities at amortised cost \$'000s	Total \$'000s
<b>2017</b>			
<b>Contractual financial assets</b>			
Cash assets and deposits at call	7,463	0	7,463
<b>Receivables</b>			
Receivables	4,865	0	4,885
<b>Total contractual financial assets</b>	<b>12,328</b>	<b>0</b>	<b>12,328</b>
<b>Contractual financial liabilities</b>			
<b>Payables</b>			
Payables and accruals	0	6,671	6,671
Advances for capital and other works	0	138	138
<b>Borrowings</b>			
Interest bearing liabilities	0	21,900	21,900
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>28,709</b>	<b>28,709</b>

	Contractual financial assets loans and receivables and cash \$'000s	Contractual financial liabilities at amortised cost \$'000s	Total \$'000s
<b>2016</b>			
<b>Contractual financial assets</b>			
Cash assets and deposits at call	9,110	0	9,110
<b>Receivables</b>			
Receivables	5,237	0	5,237
<b>Total contractual financial assets</b>	<b>14,347</b>	<b>0</b>	<b>14,347</b>
<b>Contractual financial liabilities</b>			
<b>Payables</b>			
Payables and accruals	0	4,468	4,468
Advances for capital and other works	0	140	140
<b>Borrowings</b>			
Interest bearing liabilities	0	19,350	19,350
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>23,958</b>	<b>23,958</b>

### 7.1.2 Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. 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 of Directors 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* (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 2016, the Corporation held a Financial Accommodation approval for \$27.05m of borrowings (1 July 2015 \$24.94m 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 2017 financial year surplus funds were invested with the National Australia Bank and the Treasury Corporation of Victoria only.

### **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 credit worthiness of the State Government.

An analysis of the ageing of the Corporation's receivables at the reporting date has been provided in Note 5.1

### **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 cashflow 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 2017, the Corporation had not accessed \$5.15m (2016: \$5.59m) 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 6.1.

### **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:

#### *a. 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 re-pricing in any one period.

#### *b. Foreign exchange risk*

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

#### *c. Other price risk*

The Corporation has no significant exposure to other price risk.

#### *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			
	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	+1% Result \$'000	+1% Equity \$'000	-1% Result \$'000	-1% Equity \$'000
30 June 2017								
<b>Financial Assets</b>								
Cash assets and deposits at call	2.51%	7,460	0	3	75	75	(75)	(75)
Receivables		0	0	4,865	0	0	0	0
		7,460	0	4,868	75	75	(75)	(75)
<b>Financial Liabilities</b>								
Payables and accruals		0	0	6,809	0	0	0	0
Interest bearing liabilities	4.68%	3,930	17,970	0	39	39	(39)	(39)
Advances for capital and other works		0	0	0	0	0	0	0
		3,930	17,970	6,809	39	39	(39)	(39)
<b>Total</b>		<b>3,530</b>	<b>(17,970)</b>	<b>(1,941)</b>	<b>36</b>	<b>36</b>	<b>(36)</b>	<b>(36)</b>

	Carrying amount				Interest rate risk			
	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	+1% Result \$'000	+1% Equity \$'000	-1% Result \$'000	-1% Equity \$'000
30 June 2016								
<b>Financial Assets</b>								
Cash assets and deposits at call	2.72%	9,110	0	3	91	91	(91)	(91)
Receivables		0	0	5,237	0	0	0	0
		9,110	0	5,240	91	91	(91)	(91)
<b>Financial Liabilities</b>								
Payables and accruals		0	0	4,608	0	0	0	0
Interest bearing liabilities	4.72%	4,130	15,220	0	41	41	(41)	(41)
Advances for capital and other works		0	0	140	0	0	0	0
		4,130	15,220	4,748	41	41	(41)	(41)
<b>Total</b>		<b>4,980</b>	<b>(15,220)</b>	<b>492</b>	<b>50</b>	<b>50</b>	<b>(50)</b>	<b>(50)</b>

	Balance sheet notes	Nature of balance	Terms and conditions
<b>Financial assets</b>			
Cash assets and deposits at call	6	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 1.13% (2016: 1.38% ) interest rate for the year and funds retained in cash management accounts an average 1.57% (2016:1.82%).
Receivables	5.1	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 6.10% for 2016-17 (2015-16 6.30%), 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	5.2	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	6.1	Short and long term interest bearing liabilities must be borrowed from Treasury Corporation of Victoria.	Short term borrowings at a fixed rate of 1.665% at 30 June 2017 (2016: 1.915%). Term borrowings: \$2.8m at 1.89% maturing June 2018 \$2.5m at 2.07% maturing June 2019 \$4.22m at 4.10% maturing June 2020 \$4.24m at 4.125% maturing June 2021 \$3.55m at 4.50% maturing June 2023 \$1.18m at 2.77% maturing June 2024 \$1.34m at 2.266% maturing June 2025 \$3.0m at 3.028% maturing June 2027
Advances for capital and other works	5.2	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 above.

## 7.2 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 and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### Contingent assets

The Corporation has no contingent assets at 30 June 2017 (2016: nil).

### Contingent liabilities

#### *Merri River*

During 2015, the Corporation received an injury claim for damages that occurred at Jubilee Park, Woodford (North of Warrnambool). The Corporation is one of seven respondents. While the Corporation is unable to reliably estimate the financial effect, if any, which may arise from this matter, an adverse judgement is limited by an insurance deductible of \$50,000.



## 7.3 Fair value determination

*Significant judgment: Fair value measurements of assets and liabilities*

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Consistent with AASB 13 *Fair Value Measurement*, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, financial instruments and for non recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

*Fair value hierarchy*

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

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

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

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

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

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

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

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables:
Receivables:	For supplies and services
Sale of goods and services	Amounts payable to government and agencies
Other receivables	Other payables
Term deposits	Interest bearing liabilities:
	Bank overdraft

Due to the short-term nature of the financial assets and liabilities held by the Corporation, their carrying value is assumed to approximate their fair value.

The Corporation's financial assets and liabilities are classified as Level 1 under the fair value hierarchy, apart from receivables and payables, which are classified as Level 2 under the fair value hierarchy.

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

Fair value measurement hierarchy for assets as at 30 June 2017	Carrying amount as at 30 June 2017 \$'000s	Fair value measurement at end of reporting period using:		
		Level 1 (i) \$'000s	Level 2 (i) \$'000s	Level 3 (i) \$'000s
<b>Land at fair value</b>				
- Non-specialised land	5,459	0	5,459	0
- Specialised land	24,420	0	0	24,420
<b>Total of land at fair value</b>	<b>29,879</b>	<b>0</b>	<b>5,459</b>	<b>24,420</b>
<b>Buildings at fair value</b>				
- Non-specialised buildings	3,553	0	0	3,553
<b>Total of buildings at fair value</b>	<b>3,553</b>	<b>0</b>	<b>0</b>	<b>3,553</b>
<b>Water infrastructure at fair value</b>				
- Reservoirs and weirs	696,748	0	0	696,748
- Tunnels	54,301	0	0	54,301
- Irrigation channels and pipes	177,758	0	0	177,758
- Irrigation drains	46,345	0	0	46,345
- Irrigation structures, meters and pumps	210,683	0	0	210,683
<b>Total of water infrastructure at fair value</b>	<b>1,185,835</b>	<b>0</b>	<b>0</b>	<b>1,185,835</b>
<b>Machinery, fittings and equipment at fair value</b>				
- Machinery and tools	495	0	0	495
- Computer equipment	514	0	0	514
- Furniture and fittings	516	0	0	516
<b>Total of machinery, fittings and equipment at fair value</b>	<b>1,524</b>	<b>0</b>	<b>0</b>	<b>1,524</b>
<b>Motor vehicles and plant at fair value</b>				
- Motor vehicles	2,462	0	0	2,462
- Plant	549	0	0	549
<b>Total of motor vehicles and plant at fair value</b>	<b>3,011</b>	<b>0</b>	<b>0</b>	<b>3,011</b>

Fair value measurement hierarchy for assets as at 30 June 2016	Carrying amount as at 30 June 2016 \$'000s	Fair value measurement at end of reporting period using:		
		Level 1 (i) \$'000s	Level 2 (i) \$'000s	Level 3 (i) \$'000s
<b>Land at fair value</b>				
- Non-specialised land	3,272	0	3,272	0
- Specialised land	24,420	0	0	24,420
<b>Total of land at fair value</b>	<b>27,692</b>	<b>0</b>	<b>3,272</b>	<b>24,420</b>
<b>Buildings at fair value</b>				
- Non-specialised buildings	2,876	0	0	2,876
<b>Total of buildings at fair value</b>	<b>2,876</b>	<b>0</b>	<b>0</b>	<b>2,876</b>
<b>Water infrastructure at fair value</b>				
- Reservoirs and weirs	692,412	0	0	692,412
- Tunnels	54,383	0	0	54,383
- Irrigation channels and pipes	193,335	0	0	193,335
- Irrigation drains	47,109	0	0	47,109
- Irrigation structures, meters and pumps	237,421	0	0	237,421
<b>Total of water infrastructure at fair value</b>	<b>1,224,660</b>	<b>0</b>	<b>0</b>	<b>1,224,660</b>
<b>Machinery, fittings and equipment at fair value</b>				
- Machinery and tools	559	0	0	559
- Computer equipment	419	0	0	419
- Furniture and fittings	238	0	0	238
<b>Total of machinery, fittings and equipment at fair value</b>	<b>1,216</b>	<b>0</b>	<b>0</b>	<b>1,216</b>
<b>Motor vehicles and plant at fair value</b>				
- Motor vehicles	2,620	0	0	2,620
- Plant	450	0	0	450
<b>Total of motor vehicles and plant at fair value</b>	<b>3,070</b>	<b>0</b>	<b>0</b>	<b>3,070</b>

**Notes:**

(i) Classified in accordance with the fair value hierarchy, see Note 7.3

*Non specialised land*

For non specialised land, an independent valuation was performed by the 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 2016.

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

*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 2016.

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

### *Specialised land*

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

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

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 8% of adjacent land value.

An independent valuation of the Corporation's specialised land was performed by VGV. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2016.

### *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 2016. Important aspects to this valuation approach were:

- 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 fair value measurements.

### *Machinery, fittings and equipment*

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

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

### *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 fair value measurements.

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

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

## Fair value assessments

The Corporation conducted fair value assessments at 30 June 2017 of all asset classes, with no material movement identified since the 2016 valuations.

### Reconciliation of Level 3 fair value measurements

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

Asset type	Opening balance	Additions	Transfers	Disposals and write-off	Depreciation	Impairment	Revaluation	Closing balance
Specialised land	24,420	0	0	0	0	0	0	24,420
Non specialised buildings	2,876	0	879	0	(202)	0	0	3,553
Reservoirs and weirs	692,412	0	7,627	0	(3,291)	0	0	696,748
Tunnels	54,383	0	0	0	(82)	0	0	54,301
Irrigation channels and pipes	193,335	0	1,893	(664)	(3,350)	(13,456)	0	177,758
Irrigation drains	47,109	0	4	(515)	(253)	0	0	46,345
Irrigation structures, meters and pumps	237,421	0	4,291	(2,640)	(5,867)	(22,522)	0	210,683
Machinery and tools	560	0	27	(1)	(91)	0	0	495
Computer equipment	418	0	210	0	(115)	0	0	514
Furniture and fittings	238	0	329	0	(51)	0	0	516
Motor vehicles	2,620	1,002	0	(431)	(729)	0	0	2,462
Plant	450	0	239	(36)	(104)	0	0	549

Asset type	Opening balance	Additions	Transfers	Disposals and write-off	Depreciation	Impairment	Revaluation (i)	Closing balance
Specialised land	18,426	0	0	(24)	0	0	6,018	24,420
Non specialised buildings	2,823	0	123	3	(157)	0	84	2,876
Reservoirs and weirs	710,331	0	2,196	0	(4,476)	0	(15,639)	692,412
Tunnels	215,058	0	0	0	(312)	0	(160,363)	54,383
Irrigation channels and pipes	159,404	0	7,741	(694)	(3,578)	0	30,462	193,335
Irrigation drains	79,792	0	39	(111)	(505)	0	(32,106)	47,109
Irrigation structures, meters and pumps	31,016	0	1,205	(181)	(1,300)	0	206,681	237,421
Machinery and tools	606	0	53	(1)	(98)	0	0	560
Computer equipment	459	0	88	0	(129)	0	0	418
Furniture and fittings	282	0	15	0	(59)	0	0	238
Motor vehicles	3,094	879	0	(543)	(810)	0	0	2,620
Plant	388	0	159	0	(97)	0	0	450

(i) The revaluation increment by category for infrastructure assets has been re-stated for the 2015-16 financial year. This re-statement in turn changes the closing balances by category for 2015-16, however does not change the overall balance of the total infrastructure assets category.

Description of significant unobservable inputs to Level 3 valuations (ii)				
Asset class	Fair value at 30 June 2016 (\$'000s) (iii)	Fair value at 30 June 2017 (\$'000s)	Valuation technique (i)	Significant unobservable inputs (i)
Specialised land	24,420	24,420	Market / Adjusted	Community Service Obligation (CSO) adjustment to market value
Non-specialised buildings (52)	2,876	3,553	Depreciated replacement cost	Building cost, cost approach using best available evidence from recognised building cost indicators and or quantity surveyors and examples of current cost
Reservoirs (7)	645,959	650,748	Depreciated replacement cost	Cost per reservoir Useful life of reservoirs
Weirs (6)	46,453	46,000	Depreciated replacement cost	Cost per weir Useful life of weirs
Tunnels (3)	54,383	54,301	Depreciated replacement cost	Cost per tunnel Useful life of tunnels
Irrigation channels	169,526	152,835	Depreciated replacement cost	Cost per metre of channel Useful life of irrigation channels
Irrigation pipes	23,809	24,923	Depreciated replacement cost	Costs per metre of pipeline Useful life of irrigation pipes
Irrigation drains	47,109	46,345	Depreciated replacement cost	Cost per metre Useful life of irrigation drains
Irrigation structures, meters and pumps	237,421	210,683	Depreciated replacement cost	Cost per unit Useful life of irrigation structures
Machinery and tools	560	495	Depreciated replacement cost	Cost per unit Useful life of machinery and tools
Computer equipment	418	514	Depreciated replacement cost	Cost per unit Useful life of computer equipment
Furniture and fittings	238	516	Depreciated replacement cost	Cost per unit Useful life of furniture and fittings
Motor vehicles	2,620	2,462	Depreciated replacement cost	Cost per unit Useful life of motor vehicles
Plant	450	549	Depreciated replacement cost	Cost per unit Useful life of plant

**Notes:**

(i) Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with VGV.

(ii) These significant unobservable inputs remain unchanged from 30 June 2016.

(iii) The revaluation increment by category for infrastructure assets has been re-stated for the 2015-16 financial year. This re-statement in turn changes the closing balances by category for 2015-16, however does not change the overall balance of the total infrastructure assets category.



## 8. Statutory obligations

### Introduction

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

### Structure

#### 8.1 Tax

8.1.1 Income tax

8.1.2 Deferred tax assets and liabilities

#### 8.2 Environmental contribution

8.2.1 Environmental commitment

#### 8.3 Dividends

### 8.1 Tax

#### 8.1.1 Income tax

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

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

	2016-17 \$'000s	2015-16 \$'000s
<b>Income tax revenue</b>		
Current tax	0	0
Movement in deferred tax	(3,486)	(1,744)
	<b>(3,486)</b>	<b>(1,744)</b>
<b>Tax reconciliation</b>		
Net result before income tax	(11,496)	(5,831)
Tax at the Australian tax rate of 30% (2016: 30%)	(3,449)	(1,749)
Tax effect of amounts which are not deductible in calculating taxable income		
- Sponsorships and entertainment	9	5
- Adjustment in respect of income tax of previous year	(46)	0
<b>Income tax revenue</b>	<b>(3,486)</b>	<b>(1,744)</b>
<b>Income tax recognised in Other Comprehensive Income</b>		
Net gain on revaluation of infrastructure, property, plant and equipment	0	35,057
Impairment of infrastructure, property, plant and equipment	(35,978)	0
<b>Income tax revenue (expense) recognised in Other Comprehensive Income at the Australian tax rate of 30% (2016: 30%)</b>	<b>(10,793)</b>	<b>10,517</b>

#### 8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax

asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

	2016-17 \$'000s	2015-16 \$'000s
<b>Deferred tax assets</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Employee entitlement provision	1,546	1,537
Benefit of carry forward tax losses	120,155	117,177
	<b>121,701</b>	<b>118,714</b>
Offset against deferred tax liabilities	(121,701)	(118,714)
	<b>0</b>	<b>0</b>
<b>Deferred tax liabilities</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Cumulative depreciation and amortisation	98,813	101,503
Revenue in advance	0	0
Net gain on revaluation of infrastructure, property, plant and equipment	241,898	250,500
Offset from deferred tax assets	(121,701)	(118,714)
	<b>219,010</b>	<b>233,289</b>
<b>Movement in deferred tax liabilities</b>		
Carrying amount 1 July	233,289	224,516
Charged to Comprehensive Income Statement	(10,793)	10,517
Credited to Comprehensive Income Statement	(3,486)	(1,744)
	<b>219,010</b>	<b>233,289</b>

## 8.2 Environmental contribution

	2016-17 \$'000s	2015-16 \$'000s
<b>Environmental contribution levy</b>		
	<b>423</b>	<b>423</b>

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

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

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

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



### 8.2.1 Environmental commitment

At 30 June 2017, the Corporation had an outstanding environmental contribution commitment, to be paid as follows:

2017	Less than 1 year \$'000s	1 to 5 years \$'000s	Over 5 years \$'000s	Total \$'000s
Environmental contribution levy	423	1,082	0	1,505
<b>Total commitments (inclusive of GST)</b>	<b>423</b>	<b>1,082</b>	<b>0</b>	<b>1,505</b>
Less GST recoverable	0	0	0	0
<b>Total commitments (exclusive of GST)</b>	<b>423</b>	<b>1,082</b>	<b>0</b>	<b>1,505</b>

### 8.3 Dividends

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 2016-17 financial year.

## 9. Other disclosures

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

### Structure

- 9.1 **Equity**
  - 9.1.1 Contributed capital
  - 9.1.2 Asset revaluation reserve
  - 9.1.3 Accumulated surplus
- 9.2 **Events occurring after the balance date**
- 9.3 **Remuneration of executives**
- 9.4 **Responsible persons**
- 9.5 **Remuneration of auditors**
- 9.6 **Related parties**
- 9.7 **Ex-gratia expense**
- 9.8 **Australian Accounting Standards issued that are not yet effective**

## 9.1 Equity

### 9.1.1 Contributed capital

	2016-17 \$'000s	2015-16 \$'000s
Balance at beginning of reporting period	409,220	403,713
<b>Capital transactions with the State Government in its capacity as owner arising from:</b>		
Contribution - Macalister Irrigation System (MID2030 Phase 1A project)	0	5,507
Contribution - Macalister Irrigation System (MID2030 Phase 1B project)	3,600	0
Contribution - Werribee Irrigation System (Modernisation project)	2,750	0
Contribution - Bacchus Marsh Irrigation System (Modernisation project)	1,168	0
<b>Closing Balance</b>	<b>416,738</b>	<b>409,220</b>

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Corporation.

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

### 9.1.2 Asset revaluation reserve

	2016-17				2015-16			
	Land \$'000s	Buildings \$'000s	Water Infrastructure \$'000s	Total \$'000s	Land \$'000s	Buildings \$'000s	Water Infrastructure \$'000s	Total \$'000s
Asset revaluation reserve	14,764	1,721	566,397	582,882	10,607	1,662	546,073	558,342
Asset impairment	0	0	(35,978)	(35,978)	0	0	0	0
Asset impairment and write-off - tax (at 30%)	0	0	10,793	10,793	0	0	0	0
Revaluation increment on non-current assets	0	0	0	0	5,938	84	29,035	35,057
Revaluation increment - tax (at 30%)	0	0	0	0	(1,781)	(25)	(8,711)	(10,517)
<b>Closing balance</b>	<b>14,764</b>	<b>1,721</b>	<b>541,212</b>	<b>557,697</b>	<b>14,764</b>	<b>1,721</b>	<b>566,397</b>	<b>582,882</b>

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

### 9.1.3 Accumulated surplus

	2016-17 \$'000s	2015-16 \$'000s
Accumulated surplus at beginning of reporting period	34,277	38,364
Net result for the period	(8,010)	(4,087)
<b>Accumulated surplus at end of reporting period</b>	<b>26,267</b>	<b>34,277</b>

## 9.2 Events occurring after the balance date

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



### 9.3 Remuneration of executives

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

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

Short-term employee benefits include amounts such as wages, salaries, bonus payments, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Remuneration	2016-17 \$'000s
Short-term employee benefits	848
Post-employment benefits	76
Other long-term benefits	22
<b>Total remuneration</b>	<b>946</b>
<b>Total number of executives</b>	<b>6</b>
<b>Total annualised employee equivalents</b>	<b>4.7</b>

**Notes:**

(i) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21C. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related-party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

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

### 9.4 Responsible persons

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

The names of the Responsible persons of Gippsland and Southern Rural Water Corporation from 1/7/2016 - 30/6/2017 were:

Name	Title
The Hon Lisa Neville MP	Minister for Water
<b>Members of Corporation Board:</b>	
Mr T Burgi OAM	Chairman
Ms D James AM	Deputy Chairman
Mr T Swingler	Director
Mrs N Pye	Director
Mrs K Calvert	Director
Ms N Cleary	Director
Mr M Malouf	Director
Mr C Rodda	Managing Director and Accountable Officer

- Mr S Wigglesworth (Chief Financial Officer) acted in the position of Managing Director and Accountable Officer from 12 December 2016 - 31 December 2016.

- Mr P Byrnes (General Manager Technical Services) acted in the position of Managing Director and Accountable Officer from 1 January 2017 - 15 January 2017.
- Mr C Parker (General Manager Customer Service) acted in the position of Managing Director and Accountable Officer from 1 April 2017 - 9 April 2017, and also 24 June 2017 - 30 June 2017.

## Remuneration

Remuneration received or receivable by the responsible persons in connection with the management of the Corporation during the reporting period was in the range: \$540,000– \$549,999 (\$530,000 – \$539,999 in 2015-16).

	2016-17	2015-16
	\$542,256	\$535,914
The number of responsible persons whose remuneration from the Corporation was within the specified bands was as follows	<b>Number</b>	<b>Number</b>
\$0 - \$9,999	0	4
\$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	0	0
\$290,000 - \$299,999	0	1
\$300,000 - \$309,999	1	0
	<b>8</b>	<b>12</b>

## 9.5 Remuneration of auditors

	2016-17 \$'000s	2015-16 \$'000s
Victorian Auditor-General's Office		
Audit of the financial statements	44	42
<b>Total remuneration of auditors</b>	<b>44</b>	<b>42</b>

## 9.6 Related parties

Related parties of the Corporation include:

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

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

### *Significant transactions with government-related entities*

During the year, the Corporation received funding of \$15.45 million (2016: \$9.89 million) and made payments of \$5.23 million (2016: \$1.53 million) with the following government-related entities:

# 10

The Department of Environment, Land, Water and Planning - received contributed capital funding of \$8.87million in relation to modernisation of irrigation districts (refer Note 9.1.1)

The Department of Environment, Land, Water and Planning - made a payment of \$0.45million in relation to return of unspent government grant (refer Note 3.5).

Treasury Corporation of Victoria - received loan accommodation funding of \$6.58 million in relation to the Corporation's capital expenditure requirements (refer Note 6.1).

Treasury Corporation of Victoria - made repayments of loan accommodation funding of \$4.03 million in relation to the Corporation's capital expenditure requirements (refer Note 6.1).

Treasury Corporation of Victoria - made payments of interest on loan accommodation funding of \$0.75 million (refer Note 6.1.2).

## Key management personnel (KMP)

Key management personnel of the Corporation includes the Minister for Water, and members of the Corporation board which includes:

Name	Title
The Hon Lisa Neville MP	Minister for Water
Members of the Corporation Board	
Mr T Burgi OAM	Chairman
Ms D James AM	Deputy Chairman
Mr T Swingler	Director
Mrs N Pye	Director
Mrs K Calvert	Director
Ms N Cleary	Director
Mr M Malouf	Director
Mr C Rodda	Managing Director and Accountable Officer

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

## Compensation of KMPs

	2016-17 \$'000s	2015-16 \$'000s
Short-term employee benefits	495	488
Post-employment benefits	40	40
Other long-term benefits	8	8
<b>Total</b>	<b>542</b>	<b>536</b>

## Notes:

Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 9.3).

## Transactions with key management personnel and other related parties

Given the breadth and depth of Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the Corporation, there were no related party transactions that involved key management personnel and their close family members.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

## 9.7 Ex-gratia expense

	2016-17 \$'000s	2015-16 \$'000s
Property damage expenses (i)	0	15
<b>Total ex gratia expenses</b>	<b>0</b>	<b>15</b>

(i) Payments for water damage to properties due to pipeline leaks (not being in settlement of a legal liability).

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

Topic	Key requirements	Effective date	Estimated Impact
<i>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: - the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and - other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	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. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
<i>AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
<i>AASB 15 Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
<i>AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
<i>AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.

Topic	Key requirements	Effective date	Estimated Impact
<i>AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash -Generating Specialised Assets for Not-for-Profit Entities</i>	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 <i>Fair Value Measurement</i> is the same as the depreciated replacement cost concept under AASB 136.
<i>AASB 16 Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors.
<i>AASB 1058 Income of Not-for-Profit Entities</i>	This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

Standard
<i>AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>
<i>AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions</i>
<i>AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts</i>
<i>AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments</i>
<i>AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle</i>
<i>AASB 9 Financial Instruments</i>
<i>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9</i>
<i>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</i>
<i>AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15</i>
<i>AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>

# Compliance certificate: Financial statements

## 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 Directions 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and the financial position of the Corporation as at 30 June 2017.

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 5 September 2017.



**Mr Terry Burgi OAM**

Chairman

Gippsland and Southern Rural Water Corporation

Dated on 5 September 2017



**Mr Clinton Rodda**

Managing Director

Gippsland and Southern Rural Water Corporation

Dated on 5 September 2017



**Mr Stuart Wrigglesworth**

Chief Financial Officer

Gippsland and Southern Rural Water Corporation

Dated on 5 September 2017

## Independent Auditor's Report

### To the Board of the Gippsland and Southern Rural Water Corporation

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

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

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

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

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

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

MELBOURNE  
7 September 2017



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



## Performance report

KPI Number	Key Performance Indicator		2015-16 Result	2016-17 Result	2016-17 Target	% Variance to prior year	Notes	% Variance to target	Notes
F1	<b>Cash Interest Cover</b> <u>Net operating cash flows before net interest and tax</u> Net interest payments	times	11.4	10.9	6.2	-4.4%		-75.8%	12
F2	<b>Gearing Ratio</b> <u>Total debt (including finance leases)</u> Total assets	x 100	1.50%	1.75%	1.90%	-16.7%	4	-7.9%	
F3	<b>Internal Financing Ratio</b> <u>Net operating cash flow</u> Net capital expenditure	x 100	45.52%	37.11%	25.70%	-18.5%	5	44.4%	10
F4	<b>Current Ratio</b> <u>Current assets</u> Current liabilities (excluding long-term employee provisions and revenue in advance)	times	1.12	0.86	0.51	-23.2%	6	68.6%	11
F5	<b>Return on Assets</b> <u>Earnings before net interest and tax</u> Average assets	x 100	-0.42%	-0.86%	-0.10%	104.8%	2	760.0%	8
F6	<b>Return on Equity</b> <u>Net profit after tax</u> Average total equity	x 100	-0.40%	-0.79%	-0.40%	97.5%	3	97.5%	9
F7	<b>EBITDA margin</b> <u>Earnings Before Interest, Tax, Depreciation and Amortisation</u> Total revenue	x 100	20.53%	10.84%	23.50%	-47.2%	1	-53.9%	7

### Notes:

#### Significant variances to prior year

Since the 2015-16 year, the following changes to our financial results have occurred:

#### 1. EBITDA

A deterioration to EBITDA by \$3.06m from prior year, resulting from:

- Increased assets written off expense (\$2.84m)  
The increase in assets written off results from irrigation modernisation works and associated planned decommissioning of redundant assets.
- Reduced sale of water and entitlements (\$1.76m)  
The decrease in sale of water and entitlements results from less auctions conducted during 2016-17.
- Increased assets received free of charge (\$0.79m)  
The increase in assets received free of charge results from a contributed asset in the Bacchus Marsh Irrigation District.
- . Less other transactions (\$0.75m)

Remedial action for the deterioration to EBITDA when compared to 2015-16:

The reduction in the EBITDA is primarily due to the decrease in the sale of water and entitlements between the 2015-16 and 2016-17 years, and assets written off. The sale of water and entitlements was consistent with the Corporate plan, and the value received was in excess of budget. SRW is satisfied with 2016-17 performance as these are one-off opportunities and prior history is not an indicator of deteriorated performance. As a result of this assessment, no remedial action is proposed by SRW. The scale of asset write-off transactions were not applicable for the 2015-16 financial year, and given the one-off nature of the expenses, the observed deterioration since 2015-16 is predictable and of its own, does not warrant remedial action by SRW.

2. Return on Assets is lower due to a deterioration in Earnings before net interest and tax

A deterioration to Earnings before net interest and tax by \$5.56m from prior year, resulting from:

- Increased assets written off expense (\$2.84m)  
The increase in assets written off results from irrigation modernisation works and associated planned decommissioning of redundant assets.
- Greater expenditure on depreciation (\$2.61m)  
The increase in depreciation expense results from the revaluation at June 2016 increasing the value of depreciable assets
- Reduced sale of water and entitlements (\$1.76m)
- Increased assets received free of charge (\$0.79m)
- Less other transactions (\$0.75m)

Remedial action for the deterioration to Earnings before net interest and tax:

In addition to the reduced sale of water and entitlements discussed within Note 1 above, the deterioration to Earnings before net interest and tax is due to one-off transactions for:

- Assets written off
- Increase in depreciation expense

These transactions were not applicable for the 2015-16 financial year, and given the one-off nature of the expenses, the observed deterioration since 2015-16 is predictable and of its own, does not warrant remedial action by SRW.

3. Return on Equity is lower due to a deterioration in Net profit after tax

A deterioration to operating result by \$3.92m from prior year, resulting from:

- Increased assets written off expense (\$2.84m)
- Greater expenditure on depreciation (\$2.61m)
- Reduced sale of water and entitlements (\$1.76m)
- Increased assets received free of charge (\$0.79m)
- Less other transactions (\$0.75m)
- Greater income tax revenue (\$1.74m)

Remedial action for the deterioration to Net profit after tax:

The deterioration in Net profit after tax since 2015-16 is due to the same transactions as described by Notes 1 and 2 above, and consistent with these descriptions, SRW does not propose any remedial action for these matters.

4. Gearing Ratio

A deterioration of 0.25% has resulted from an increase in debt caused by 2016-17 capital expenditure in excess of operating and government contribution cash flow.

Remedial action for the deterioration to the Gearing Ratio:

The change to the Gearing Ratio since 2015-16 is due to the increase in debt. This increase in debt from ongoing capital expenditure in excess of the operating cash surplus was identified within the Corporate Plan. As the change is fully consistent with the SRW strategy, no remedial action is proposed by SRW.

5. Internal Financing Ratio

A deterioration of 8.41% has resulted from an increase in capital expenditure of \$5.6m for 2016-17.

Remedial action for the deterioration to the Internal Financing Ratio:

The deterioration to Internal Financing Ratio since 2015-16 is due to the increase in capital expenditure since 2015-16. This increase to capital expenditure was identified within the Corporate Plan. As the change is fully consistent with the SRW strategy, no remedial action is proposed by SRW.

6. Current Ratio

A deterioration of 0.26% has resulted from less advanced funds for modernisation works held on deposit at June 2017, and higher payables at year end.

Remedial action for the deterioration to the Current Ratio:

The deterioration to Current Ratio since 2015-16 is due to the decrease in advance cash held for government funded modernisation projects. Retaining unspent cash on hand within a distinct cash management account is required by the funding deed. As the reduction is a result of agreements with the State Government, no remedial action is proposed by SRW.



## Performance report

### Significant variances to target

The 2016-17 target is derived from the 2016-17 Corporate Plan of the Corporation. Since the 2016-17 Corporate Plan was finalised, the following changes to the projection have occurred:

#### 7. EBITDA

A deterioration to EBITDA from target by \$4.09m, resulting from:

- Increased assets written off expense (\$2.84m)  
The increase in assets written off results from irrigation modernisation works and associated planned decommissioning of redundant assets.
- Lower profit on sale of fixed assets than targeted (\$0.62m)  
The decrease in profit on sale of fixed assets results from delays to the land sales program during 2016-17
- Expenditure on return of unspent government grant (\$0.45m)  
The return of unspent government grant was not anticipated when the target was determined.
- More other transactions (\$0.18m).

Remedial action for the deterioration to EBITDA when compared to the Corporate Plan:

The reduction in EBITDA compared to the Corporate plan budget is primarily due to additional assets written off, the repayment of a government grant and lower land sales than predicted within the budget

Asset write-off expense is triggered once it is likely that an asset will be replaced or scrapped. SRW has accepted a remedial action to ensure that this calculation forms part of future business cases, so once a funding deed is authorised, the Corporate Plan can be immediately updated for this expense.

Repayment of a grant is at the discretion of the funder and not controlled by SRW. Accordingly SRW does not propose remedial action to more closely control or manage these costs.

In respect of land sales, while this activity is also speculative and difficult to influence the market-based outcome, SRW has commenced remedial action by adopting a more conservative approach to land sales budgets and increasing the resources devoted to this task.

#### 8. Return on Assets is lower due to Earnings before Net Interest and Tax

A deterioration to Earnings before net interest and tax by \$5.07m from target, resulting from:

- Increased assets written off expense (\$2.84m)  
The write-off of infrastructure assets expense has occurred earlier than anticipated.
- Greater expenditure on depreciation (\$0.98m)  
The increase in depreciation expense resulting from an increase to the value of depreciable assets was not known at the time the target was set
- Lower profit on sale of fixed assets (\$0.62m)
- Expenditure on return of unspent government grant (\$0.45m)
- More other transactions (\$0.18m)

Remedial action for the deterioration to Earnings before net interest and tax:

In addition to the return of the unspent grant and lower proceeds from the sale of land, the reduction to Earnings before net interest and tax is due to one-off transactions for:

- Assets written off
- Increase in depreciation expense

The value of 2016-17 depreciation was not known at the time that the Corporate Plan was completed as the water infrastructure revaluation had not been received by SRW. The next revaluation is due to complete in the 2021 financial year, and SRW has accepted a remedial action to request the revaluation report prior to submission of the Corporate Plan. Asset write-off expense is triggered once it is likely that an asset will be replaced or scrapped. SRW has accepted a remedial action to ensure that this calculation forms part of future business cases, so once a funding deed is authorised, the Corporate Plan can be immediately updated for this expense.

#### 9. Return on Equity is lower due to a deterioration in Net profit after tax

A deterioration to operating result by \$4.65m, resulting from:

- Increased assets written off expense (\$2.84m)  
The increase in assets written off results from irrigation modernisation works and associated planned decommissioning of redundant assets.
- Greater expenditure on depreciation (\$0.98m)
- Lower profit on sale of fixed assets (\$0.62m)
- Expenditure on return of unspent government grant (\$0.45m)  
The return of unspent government grant results from a request to return grant funding upon cancellation of the deed.
- Lower net interest costs (\$0.42m)  
The decrease in lower net interest costs results from more cash on deposit and lower interest rates

# Performance report

- More other transactions (\$0.18m)

Remedial action for the deterioration to Net profit after tax:

- The reduction in Net profit after tax compared to the Corporate Plan budget for 2016-17 is due to the same transactions as described by Notes 7 and 8 above, and SRW has accepted remedial actions consistent with these descriptions.

## 10. Internal Financing Ratio

An improvement of 11.41% has resulted from lower capital expenditure through project savings and deferrals.

## 11. Current Ratio

An improvement of 0.35% has resulted as we did not plan to hold advanced funds for modernisation works on deposit at 30 June 2017.

## 12. Cash Interest Cover

An improvement of 4.7% has primarily resulted from both a lower level of debt and lower rate of interest.

Water Service Performance Indicators			2015-16 Result	2016-17 Result	2016-17 Target	% Variance to prior year	Notes	% Variance to target	Notes	
KPI Number	Key Performance Indicator									
WSR1	<b>Rural water supply deliveries</b> <u>Number of orders delivered</u> Total number of orders		x100	86.84%	90.15%	82.33%	3.8%	2	9.5%	3
WSR2	<b>Unavailability of Domestic and Stock supply</b> Duration that domestic and stock service is unavailable in excess of on-property storage requirement/length of water season			0.00%	0.00%		0.0%	1	0.0%	4
WSR3	<b>Groundwater supply</b> <u>Number of transfers processed within target period</u> Total number of transfers processed		x100	92.10%	92.70%	99.80%	0.7%		-7.1%	5

### Notes:

#### Significant variances to prior year

1. This indicator is not applicable.
2. Increased allocations and capital improvement to the delivery systems during 2016-17 contributed to more efficient delivery compared to 2015-16.

#### Significant variances to target

3. Increased allocations and capital improvement to the delivery systems during 2016-17 contributed to more efficient delivery compared to target.
4. This indicator is not applicable.
5. While we have improved performance from last year, a number of process-related factors prevented us from achieving our ambitious target of 99.8%. We are now investigating automation and process improvement to further improve performance so that the target is achieved in 2017-18.



## Performance report

Customer Responsiveness Performance Indicators			2015-16 Result	2016-17 Result	2016-17 Target	% Variance to prior year	Notes	% Variance to target	Notes
KPI Number	Key Performance Indicator								
WSR1	<b>Billing Complaints</b> Number of complaints per 100 customers	Number	0.030	0.020	0.050	-33.3%	1	-60.0%	1

### Notes:

- The target presented is a five-year average of immediate past performance. While the percentage decrease from 2015-16 and target appears significant, as this represents only 2 new complaints, this remains a very low number of complaints to the Corporation and no further action is proposed.

Environmental Performance Indicators			2015-16 Result	2016-17 Result	2016-17 Target	% Variance to prior year	Notes	% Variance to target	Notes
KPI Number	Key Performance Indicator								
E2	<b>Total net CO<sub>2</sub> emissions</b> Net tonnes CO <sub>2</sub> equivalent	tonnes	43.0	42.0	47.0	-2.3%	1	-10.6%	2

### Notes:

- The decrease in net CO<sub>2</sub> emissions since 2015-16 is a result of purchasing less offsets in 2016-17, which is ultimately driven by less emissions from our motor vehicle fleet. The reduction in fleet emissions is due to less total fleet kilometres travelled. The decrease in gross offsets since 2015-16 is a small decrease (pre-offset CO<sub>2</sub> emissions: 2015-16 - 1310 tonnes; 2016-17 - 1200 tonnes).
- Our purchase of offsets for 2016-17 was based on gross emissions in 2015-16. As gross emissions for 2016-17 decreased, while our purchase also decreased, our net CO<sub>2</sub> emissions for 2016-17 ended up marginally lower than target.

# Compliance certificate: Performance report

## GIPPSLAND AND SOUTHERN RURAL WATER CORPORATION

### Statutory Certification

We certify that the accompanying Performance Report of Gippsland and Southern Rural Water Corporation, in respect of the 2016-17 financial year, is presented fairly in accordance with the *Financial Management Act 1994* .

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2016-17 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 variance between the actual result and the performance targets and/or between the actual results in the current year and the previous year.

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



**Mr Terry Burgi OAM**

Chairman

Gippsland and Southern Rural Water Corporation

Dated on 5 September 2017



**Mr Clinton Rodda**

Managing Director

Gippsland and Southern Rural Water Corporation

Dated on 5 September 2017



**Mr Stuart Wigglesworth**

Chief Financial Officer

Gippsland and Southern Rural Water Corporation

Dated on 5 September 2017

## Independent Auditor's Report

### To the Board of the Gippsland and Southern Rural Water Corporation

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

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

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

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

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

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MELBOURNE  
7 September 2017



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



# Disclosure Index

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.

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\* nothing to report



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\* nothing to report

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## **Contact details:**

Southern Rural Water  
88 Johnson Street  
Maffra, VIC, 3860

1 Tower Road  
Werribee, VIC, 3030

132 Fairy Street  
Warrnambool, VIC, 3280

Suite 1, 307 Maroondah Highway  
Ringwood, VIC, 3134

Phone: (03) 5139 3100  
1300 139 510

Fax: (03) 5139 3150

Email: [srw@srw.com.au](mailto:srw@srw.com.au)

Website: [www.srw.com.au](http://www.srw.com.au)

