

ANNUAL REPORT 2018



ARTWORK: MARGARET WALLACE
'WOMEN & MEN & WATERHOLE'

Water
to live,
grow
& enjoy



Coliban
WATER

COLIBAN WATER SERVICE REGION DIAGRAM



Disclaimer: This illustration is provided as a guide only.
Coliban Water reserves the right to alter information at any time. © v5 210914 Coliban Water.

INTRODUCTION

ABOUT THIS REPORT

This Annual Report describes the programs, initiatives and actions we undertook between 1 July 2017 and 30 June 2018.

It reports on our progress in implementing our *2017/18 Corporate Plan*.

VISION

Water to Live, Grow and Enjoy.

PURPOSE

We deliver water services for community needs now and into the future.

OUR PROFILE

Coliban Region Water Authority was established on 1 July 1992 under the *Water Act 1989* as a Regional Urban Water Authority. The Authority became the Coliban Region Water Corporation on 1 July 2007 and operates as Coliban Water. Our shareholder is the Victorian Government. Our responsible Minister for the period of 1 July 2017 until 30 June 2018 was The Hon. Lisa Neville MP, Minister for Water.

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ABORIGINAL ACKNOWLEDGEMENT

Coliban Water proudly acknowledges our region's Aboriginal community and their rich culture and pays respect to their Elders past, present and emerging.

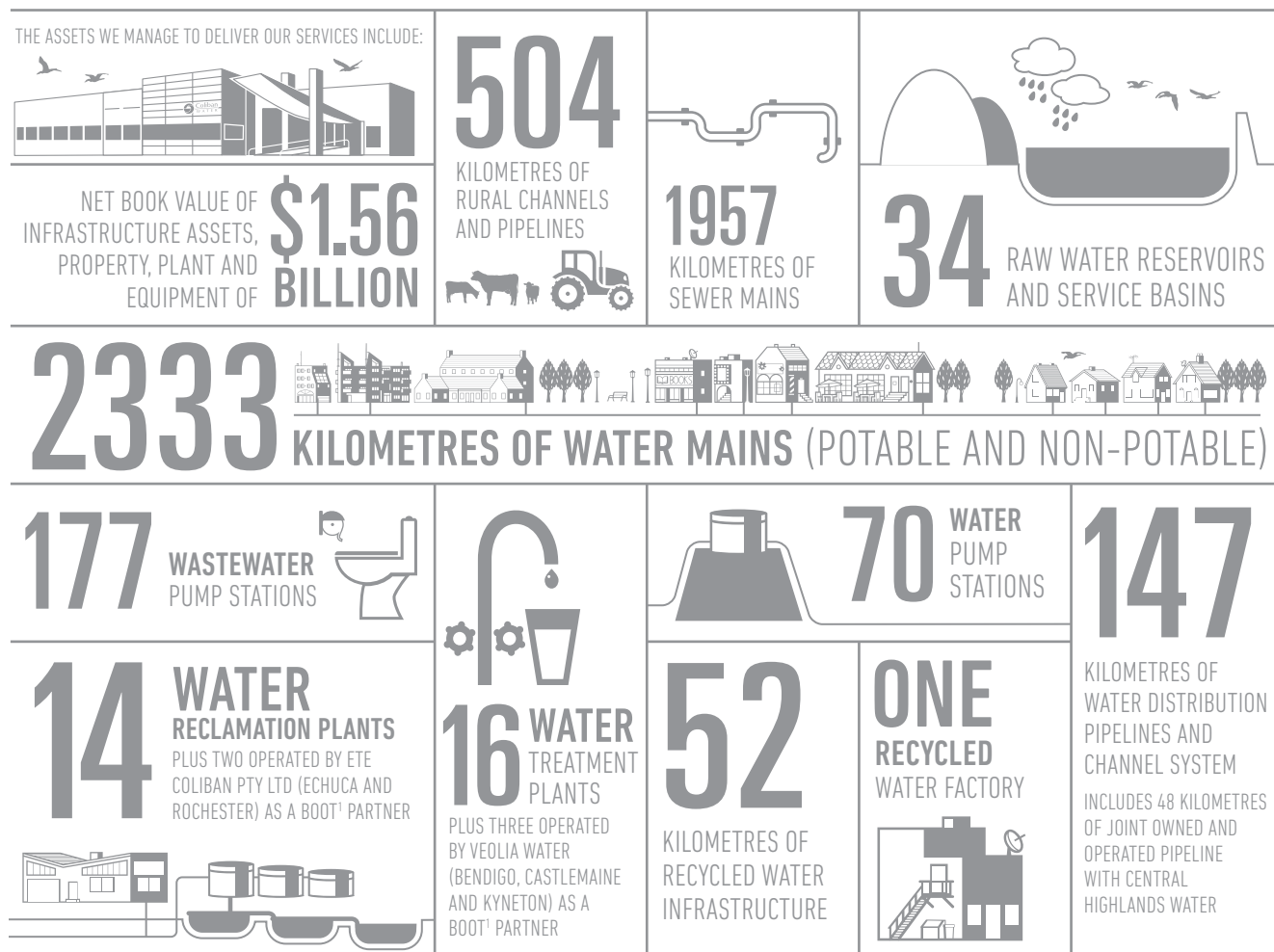
We acknowledge Aboriginal people as Australia's first peoples and as the Traditional Owners and custodians of the land and water on which we rely. We recognise and value the ongoing contribution of Aboriginal people and communities to Victorian life and how this enriches us.

We embrace the spirit of reconciliation, working towards the equality of outcomes and ensuring an equal voice.

The artwork on the cover of this year's report is titled 'Women & Men & Waterhole' by Margaret Wallace. Margaret is from the region Utopia (Northern Territory) and her language is Arrernte. Oil on canvas. 56cm x 62cm.

INTRODUCTION

ASSET SNAPSHOT



(1) BOOT – Build Own Operate Transfer. These assets are owned by our BOOT partners.

SERVICES

We provide urban water and wastewater services in accordance with the provisions of Part 8 – Water supply and Part 9 – Sewerage, of the *Water Act 1989*. Rural customers are supplied under Part 4 Division 2 Section 51 of the Act.

Our services include:

- › Water harvesting
- › Water storage
- › Water treatment
- › Water distribution
- › Urban wastewater collection
- › Treatment, re-use and disposal, including trade waste
- › Water purchase
- › Recycled water
- › Rural water supply

CHAIRPERSON AND MANAGING DIRECTOR'S REPORT

On behalf of Coliban Water, we are pleased to present our 2017/18 Annual Report detailing our business performance for the reporting year. This report contains our audited financial statements, statutory disclosures and other information.

Coliban Water's vision is *Water to Live, Grow and Enjoy*, and our purpose is to deliver water services for customer and community needs now and into the future in our role as an essential services business accountable to the State of Victoria and a socially responsible corporate citizen. Our vision inspires and continually motivates us to actively contribute to the social fabric and wellbeing of our communities, the health of our environment and the economic prosperity of the region we serve and in which we operate.

We have maintained our sound financial performance from the previous year and ended the 2017/18 year in a secure financial position, achieving an operating result before other economic flows of \$11.9 million, which includes a contribution from the State of \$2.4 million for the Bendigo Groundwater Project. We financed all business activities and investments during the year from revenues and internal funding sources, and we repaid loans totaling \$3.5 million. Through our capital program, we invested \$24.6 million in upgrades and improvements to water and sewerage infrastructure critical to maintain levels of service that customers expect of us and to meet future needs for our services. This included a \$2.7 million contribution to Grampians Wimmera Mallee Water (GWMW) South West Loddon Water Supply Project to augment and improve water services to towns we currently supply from the Loddon River. Notably, through the prudent management of our finances and effective delivery of our infrastructure investment programs, we achieved our capital investment target of \$171 million set for the 2013/18 pricing period that has concluded.

In September 2017, we submitted our *Pricing Submission 2018* to the Essential Services Commission (ESC) detailing our pricing and service proposals for the 2018/23 pricing period. This followed from extensive engagement across our service region with urban and rural customers, and our submission was informed by the feedback and opinions we received on pricing, service performance and financing of the business. The ESC issued its final determination on pricing in June 2018, with the decision providing a balance between pricing outcomes to maintain affordability of services to customers, while also enabling sufficient revenues for Coliban Water to finance its operations and programs for the next five years. Importantly, our long term financial goal, supported by our customers, of continuing to repay the debt accumulated through loans raised in the past remains achievable. The ESC also rated our pricing submission at the second-highest level of *Advanced* in its four tiered rating approach, consistent with our self-assessed rating of the submission.

Our water resources remained secure throughout the year, with Permanent Water Savings Rules in place for all urban supplies, and our rural customers received full allocations for the 2017/18 season. We received full allocations for bulk water entitlements that we hold in the Goulburn and Murray systems and an 81 per cent allocation for sources of supply in the Grampians system. Over the course of the year, we traded water allocations surplus to our current and future supply requirements, enabling buyers to secure water through the water market to meet their seasonal water supply needs. Our sources of supply remain secure for the foreseeable future, although meteorological forecasts indicate that the coming year will be drier and warmer, and these forecasts are informing our forward water resource and water supply planning for outward years.

In early July 2018, we released our *Urban Water Strategy* that details a 50 year forecast of water demand for our communities, along with future supply options to meet population growth. The Strategy considers the impact of climate change on our supplies based on latest climate science.

Coliban Water continued its lead role, as part of a whole-of-government response, in the delivery and operation of the interim solution for managing rising groundwater levels in Bendigo to protect local waterways and the Central Deborah tourist goldmine. Groundwater extraction and treatment commenced in early August 2017 and continued over the course of the year. The interim solution operates for a further three years while the Victorian Government continues to work with an independent advisory group to formulate a long term strategy for managing groundwater levels in Bendigo beyond the interim solution. We are pleased to be part of this important community project.

We completed the first year of our twinning arrangement with the Phu Tho Water Supply Company based in Vietnam under the Australian Water Partnership, with Coliban Water and our Vietnamese 'twin' each hosting several visiting delegations of officials and staff during the year. We were pleased to be informed during the year that the program had secured funding from the Australian Department of Foreign Affairs and Trading to continue the arrangement for a further 12 months, and we are scheduling further exchanges involving staff from both organisations in 2018/19.

During the year, we actively participated in and contributed to two externally-led planning initiatives relating to the vital role of water in the liveability of our communities and our region. Firstly, in October 2017, the Victorian Government initiated the Coliban Integrated Water Management Forum to facilitate local government, water sector organisations and other key agencies working together under the *Integrated Water Management Framework for Victoria* to plan and implement significant water-related outcomes that provide value to our region. To date, the Forum has established a set of initiatives and projects for the Coliban region to be showcased in a Strategic Directions Statement in 2018/19, and several initiatives have received advanced funding to proceed. Coliban Water is an active partner in a number of these projects.

Secondly, Bendigo was chosen under a national water research program, led by the Cooperative Research Centre for Water Sensitive Cities, to develop a 50 year vision and transition strategy for a water sensitive future for Bendigo. For nine months, the Centre working extensively with city, land, water and industry stakeholder organisations and the community, culminating in the Centre presenting a final report to participating stakeholders on the broad steps Bendigo can take to achieve the city's long-term water aspirations. This pivotal body of work will inform our long range planning and assist us in identifying critical water interventions to secure the future resilience and liveability of Bendigo.


In September 2017, we said farewell to our Board Chairperson, Andrew Cairns, who served as a Board Director of Coliban Water for 10 years and as Chairperson since 2011, and also to Board Director April Merrick, who stepped down from the Board after completing a four year term. We wish both Andrew and April all the best for the future. We also welcomed Helen Symes and Nigel McGuckian as new Board Directors.

We sincerely thank our fellow directors, our staff, our business partners and the agencies and communities that we work with for their commitment, support and contribution during 2017/18.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that Coliban Water's 2017/18 Annual Report is compliant with all statutory reporting requirements.



Lucy Roffey
Chairperson



Jeff Rigby
Managing Director

OUR STRATEGIC VISION

Our Strategic Direction aligns with elements of the Victorian Government's *Water for Victoria* long term plan for managing Victoria's water resources and the Minister for Water's *Letter of Expectations* priority areas.

Water for Victoria implementation areas:

1. Climate Change
2. Waterway and catchment health
3. Water for agriculture
4. Resilient and liveable cities and towns
5. Recognising and managing Aboriginal values
6. Recognising recreational values
7. Water entitlements and planning
8. Realising the potential of the grid and markets
9. Jobs, economy and innovation

Letter of Expectations priority areas:

1. Climate Change
2. Customer and Community outcomes
3. Water for Aboriginal, cultural, spiritual and economic values
4. Resilient and liveable cities and towns
5. Recognising recreational values
6. Leadership and culture
7. Financial sustainability

In May 2017 our Leadership Team launched 13 *Mission Objectives* to deliver on our Strategic Direction. A summary of these objectives, actions and progress at 30 June 2018 is in the table below. The table also provides a link between our actions and *Water for Victoria* (WVF) and the *Letter of Expectations* (LOE). Further information is provided throughout this Annual Report for 2017/18.

MISSION OBJECTIVES AND ACTIONS	TIMEFRAME	PROGRESS	WVF	LOE
ASSET PERFORMANCE MANAGEMENT				
Implement the ISO 55000:2014 Asset Management standard and align with Department of Treasury & Finance <i>Asset Management Accountability Framework</i>	2020			
Implement findings of <i>Asset Management Customer Value</i> benchmarking project conducted by Water Services Association of Australia	2020			2
Complete first-time attestation for compliance with <i>Asset Management Accountability Framework</i>	2018			
Deliver initiatives register presented in major contractor recontracting proposal	2020+			
Develop and implement a structured project lifecycle management framework	2020			
FINANCIAL RESILIENCE				
Attainment of water pricing objectives presented in <i>Pricing Submission 2018</i> in final <i>Water Price Review 2018</i>	2018			7
Achieve annual <i>Corporate Plan</i> financial objectives for 2017/18	2018			7
Determine a methodology that will support attaining financial performance targets from a total expenditure (TOTEX) perspective while maintaining risk exposure within tolerance	2020			7
STRATEGIC COALITIONS				
Joint review of transactions with major private partners	2020+			7
Progress <i>Bendigo Wastewater Treatment Opportunity</i> by major private partner	2020		9	7
Leverage international capability of incumbent partners	Ongoing		9	
CORPORATE IDENTITY				
Review Coliban Water's <i>Diversity & Inclusion Action Plan</i>	2020			6
Deliver Coliban Water's 'Reflect' <i>Reconciliation Action Plan</i> and develop 'Innovate' <i>Reconciliation Action Plan</i>	2020		5	3, 6
Progress <i>White Ribbon</i> accreditation	2020			6
Continue high performing teams program for 2018/19	Ongoing			
Participate in <i>People Matter Survey</i> and share survey findings with the organisation	Ongoing			6
CLIMATE SHIFT RESILIENCE				
Complete <i>Integrated Water Management Plans</i> for Bendigo, Castlemaine and Kyneton	2020		1, 4	1, 4
Progress next version of <i>Urban Water Strategy</i>	2020		1	1
Facilitate the <i>Coliban Integrated Water Management Forum</i> and relevant projects	2020		1, 4	1, 4
Facilitate climate change adaptation across all aspects of our business (excluding water supply)	Ongoing		1	1

MISSION OBJECTIVES AND ACTIONS	TIMEFRAME	PROGRESS	WFV	LOE
RURAL SERVICE REVITALISATION				
Close Jackass Flat and Poverty Gully rural channel systems	2020	🕒		
Re-examine on-line platform for rural water services	2020	🕒	3	2
Examine permanent conversion of rural channel systems supplying recycled water (Cockatoo Hill and Ascot)	2020	🕒	3	2
CUSTOMER EMPOWERMENT				
Progress new Customer Relations Management System project	2020	🕒		2
Acceptance in <i>Water Price Review 2018</i> of customer proposals presented in <i>Pricing Submission 2018</i>	2018	✅		2
Continue <i>Voice of the Customer</i> project post-determination on <i>Pricing Submission 2018</i>	Ongoing	✅		2
REGIONAL VITALITY AND PROSPERITY				
Operate <i>Bendigo Groundwater Project Interim Solution</i>	2020+	🕒	2, 4	2, 4
Provide support and strategic advice to Department of Environment, Land, Water and Planning in relation to the long-term solution to manage Bendigo's groundwater	2020+	🕒	2, 4	2, 4
Achieve first phase <i>Carbon Reduction Pledge</i> under <i>Statement of Obligations (Emission Reduction)</i>	2020+	🕒	1	1
Achieve renewable energy initiatives	2020+	🕒	1	1
Corporate office located on a single site	2020+	🕒		
STAKEHOLDER VALUE CREATION				
Implement new Stakeholder Relationship Management system	2020	✅		
Support promotion and implementation of <i>GREATER</i> health initiative	2020+	🕒		2
INTELLIGENT BUSINESS				
Participate in Bendigo Smart City Consortium and <i>City Deal</i> proposal for Bendigo	2020+	🕒		4
Deliver <i>Digital Metering Project</i>	2020+	🕒	1	2
Deliver <i>Data Science Strategy</i>	2020	🕒		2
Implement <i>Information Management Framework</i>	2020	🕒		
Deliver <i>Information Management Strategy</i>	2020+	🕒		
Implement <i>Information Security Framework</i>	2018	🕒		
OPPORTUNITY EXPLOITATION				
Review and re-set of <i>Corporate Risk Appetite</i>	2019	🕒		
Complete regulatory audit of <i>Drinking Water Quality Risk Management Plan</i>	2018	✅		
Implement Enterprise Risk Management Framework	2020+	🕒		
EARNED AUTONOMY				
Participate in EPA future Earned Autonomy initiative post-pilot	—	...		
Achieve acceptable form of price control in <i>Pricing Submission 2018</i> and acceptance of self-assessed 'Advanced' rating	2018	✅		
HARNESSING TALENT				
Implement <i>Coliban Water Workforce Plan 2020</i>	2020	🕒		6
Approval of <i>2017 Enterprise Agreement</i> by Fair Work Commission	2018	✅		6
Participate in <i>Australian Water Association Twinning Program</i>	2020	✅		

✅ Completed and/or Ongoing

🕒 In Progress and On Track

... Pending Confirmation of Timeline

CUSTOMERS AND COMMUNITY ENGAGEMENT

CUSTOMER SUPPORT

Our regulator the Essential Services Commission (ESC) sets us a target of answering 90 per cent of all customer calls to Coliban Water during our business hours within 30 seconds, known as our Grade of Service (GoS). Whilst our team was meeting GoS up until April, an external telecommunications fault resulted in a loss of service to our Customer Enquiries line which meant that we were unable to achieve GoS in May and June.

YEAR	2018	2017	2016	2015	2014
Result	86.52%	91.8%	90.87%	91.28%	90.32%

During 2017/18, our Contact Centre answered over 60,000 calls and emails to our Customer Support Team. We have continued our focus on first contact resolution by further skilling our frontline staff to be able to handle all manner of customer enquiries quickly and expertly. An independent quality assurance program ranked our Contact Centre as a high performer, benchmarked within the top 10 across multiple sectors.

Customer enquiries that cannot be completed at first contact will be escalated to our Complex Enquiries team who make contact with the customer and work one-on-one with them to find the best resolution for the customer and Coliban Water. This year over 400 of these customer support investigations were undertaken. These investigations covered a broad range of customer enquiries, ranging from compensation claims and rebates through to operational sewer and water issues, property assessments, warnings and notice to repair actions and Energy and Water Ombudsman complaints.

The Customer Support team also facilitate our rural customers placing their water orders during our rural season which runs between October to May. During the 2017/18 season, we processed 1,703 rural customer water orders and delivered a total of 4,633 megalitres of water. We completed 35 permanent licence transfers for customers which equated to a volume of 74.2 megalitres, 24 temporary transferred with a volume of 169.4 megalitres and 51 full licence ownership transfers with a volume of 296.2 megalitres. We also processed seven surrendered licences amounting to 82.3 megalitres in volume.

Coliban Water manages 15 standpipes across the greater Bendigo region. Treated water is supplied to 13 sites for both private and commercial water carters whilst the remaining two sites provided recycled water. During the last 12 months, our standpipes were accessed on 25,000 occasions. In total our customers took delivery of approximately 178 megalitres with the peak period coinciding with the warmer and drier months.

ENERGY AND WATER OMBUDSMAN VICTORIA (EWOV)

EWOV offers a free independent service which resolves disputes between Victorians and their energy and water providers. Over the 2017/18 year, we received 58 EWOV cases with a further 20 enquiries that did not require a formal referral to Coliban Water. Predominantly the EWOV cases were centred on consumption, billing and tariffs and were consistent with customer trends across the industry in Victoria.

COMMUNITY INCLUSIVENESS

We comply with the Victorian Government's policy framework on multicultural and gender issues and youth and indigenous affairs. We respect the diversity of our customers and our employees and aim to deliver culturally appropriate communications and engagement opportunities that meet their needs and expectations. We also continue to give consideration to heritage and cultural related issues on our capital works projects. Telephone interpreter and text telephone (TTY) services are offered to assist non-English speaking and speech and hearing impaired customers. This information is provided to our customers on our website in the most common languages spoken in our region.

We commenced an accreditation project with Scope Australia in early 2018 to work towards receiving the Communication Access symbol. The Australian Communication Access Symbol was launched by Scope in 2011 and is the newest access symbol in Australia. When people see this symbol, they will know that the place or service is communication accessible. In order to display the symbol, products and services must meet specific criteria for communication access. We anticipate completing this project in early 2018/19.

Coliban Water has a zero tolerance for violence which includes family violence and men's violence against women. We are committed to recognising and responding to family violence and to providing support to our community, customers and employees. During 2017/18, we developed and implemented our Family Violence policies, processes and procedures. We are proudly working with White Ribbon to create a safer workplace and in June 2018, we submitted our application to become a White Ribbon Accredited Workplace. The outcome of our submission will be reported in 2018/19.

RECONCILIATION ACTION PLAN (RAP)

We continued to deliver on our commitments in our 'Reflect' RAP which was launched in 2016/17. This included actions such as creating an internal RAP Working Group, training staff in Cultural Competency, celebrating NAIDOC week and supporting and promoting National Reconciliation Week and raising awareness and introducing protocols for Welcome and Acknowledgements of Country. We continued to support community events and initiatives in our region that promote awareness and respect and build opportunities for our Aboriginal and Torres Strait Islander communities through sponsorship and our Choose Tap program.

We participated in an Aboriginal Work Experience Placement program during the year.

We are continuing to explore opportunities to support Aboriginal education and training.

We began drafting and developing our proposed 'Innovate' RAP which we submitted to Reconciliation Australia for feedback at the end of 2017. We are working through the feedback process with the aim to launch our 'Innovate' RAP in 2018/19.

CUSTOMER AND COMMUNITY COMMITTEES

We use the International Association for Public Participation (IAP2) framework when conducting community engagement activities. We strive to earn greater trust and deliver better value for the customers and communities that we serve. In pursuing this goal, we continue to work with our customer committees and various established community groups to help us connect with customers and better understand what they value.

Our Committees:

- › Rural Customer Advisory Group meets quarterly with a focus on rural engagement for future prices and services, rural operations, water trading rules, equity between urban and rural customers and seasonal forecasts
- › Harcourt Water Services Committee has now retired, but will be given an opportunity to provide feedback when the decommissioning of the replaced Harcourt Channel system commences
- › Landowners Reference Group is in the preliminary stages of being established. The group will be made up of landowners with property adjoining our water storages in and around the Kyneton area

We meet with the Harcourt Fruit Growers Association to discuss seasonal outlooks along with operational and supply challenges.

We have participated in the City of Greater Bendigo Roundtable sessions and will continue to explore opportunities for collaborative engagement with other organisations.

We have a representative on the City of Greater Bendigo Farming Advisory Committee. This committee focuses on the challenges and opportunities for rural communities in and around the greater Bendigo area.

We continue to build strong relationships with local progress associations and community groups through our Community Connect program. This program is designed to discuss projects, local issues and opportunities with established community groups.

CUSTOMER FORUMS

In June we invited 215 rural customers from the Cockatoo Hill and Ascot Rural Channels to participate in Rural Recycled Water Forums held at Huntly and Raywood. Customers provided feedback about the proposed changes to the Supply by Agreement renewal process.

We participated in two City of Greater Bendigo Round Table forums in Heathcote and Eaglehawk where community engagement was carried out in collaboration with other organisations, groups and businesses.

Customers participated in two forums for the Heathcote Sewer Backlog Scheme Project. These forums were an opportunity for customers to ask questions, seek information and provide feedback about the project.

We have worked closely with the Trentham Forum group as part of a number of projects in the area. The main focus has been working with the community to identify additional water supply sources for the future.

COMMUNITY ENGAGEMENT FOR CAPITAL PROJECTS

We develop community engagement programs for each of our major capital projects to involve customers and other stakeholders. This financial year our capital delivery works program was \$20.9 million. Our largest community engagement projects for the year included:

- › Poverty Gully and Jackass Flat Rural Channel Closures
- › Stage One – Digital Metering Project
- › Bendigo Water Treatment Plant Sewer Main Upgrade
- › Trentham Water Treatment Plant Filters Replacement
- › Trentham Groundwater Bore Project
- › Heathcote Sewer Scheme
- › Echuca Rising Mains Renewal

YOUR TOWN COMMUNITY VISITS PROGRAM

Our *Your Town* Community Visits Program continued for a sixth year. We visited 13 towns and met with over 200 customers. This program offers a face-to-face informal opportunity for staff from various areas of our business to chat with customers. We learn more about our customers, understand issues at a local level and respond to customer enquiries. We understand that different communities have different needs and experiences and we value all feedback.

Our *Your Town* program will continue in 2018/19.

TAP WATER TASTE TEST

Last year we introduced our Tap Water Taste Testing to customers and the general public and held two events with a total of 66 people participating. As part of our focus on customer engagement, we will continue to ask customers to taste and rate tap water samples from across the region to help us understand customer opinion. The information gathered will help to prioritise investment in our networks.

SCHOOL AND COMMUNITY EDUCATION

Our educational programs are based around our core business functions of water and wastewater treatment and delivery, with age-appropriate activities that cater for all levels. We also offer education about the health, financial and environmental benefits of drinking tap water.

Demand from the early childhood sector continued to increase with us visiting 16 early learning centres involving around 880 children. We presented sessions on the water cycle, treating and delivering water and sustainable water use for children, their families and kindergarten staff.

We continued to deliver hands-on and curriculum-linked activities in classrooms across our region, visiting 26 primary and secondary schools reaching approximately 1,660 students. Feedback from teachers remained positive with content delivered believed to be age appropriate and relevant to curriculum. Feedback received from students was also encouraging, with participants enjoying being involved in the session explanations and taking lessons to apply at home.

New initiatives for the 2017/18 year included two new school incursions 'Water Heroes' and 'Kinetic Catchment'. We also developed and delivered careers-focussed sessions for secondary students. In partnership with the North Central Catchment Management Authority (North Central CMA), we developed and delivered teacher professional development and provided the support of a water-themed Victorian Certificate of Applied Learning (VCAL) unit at a local senior secondary college, which included a student-led Choose Tap campaign at the school.

CUSTOMERS AND COMMUNITY ENGAGEMENT

We have continued our support for the state government Schools Water Efficiency Program (SWEP). 40 schools in our region participate in this water saving initiative which, since August 2012, has resulted in a total of 207 megalitres of water savings for the schools involved. We collaborated with Resourcesmart Schools to provide support for schools completing the water module.

We continue to collaborate with North Central CMA and the City of Greater Bendigo on activities during National Water Week and we are a sponsor of the North Central Waterwatch Program. We supported the State Government Target Your Water Use campaign with information available on our website and detail on customer accounts. We are continuing to develop programs, initiatives and opportunities to work with our communities and provide information and education around water literacy, outreach, and accessibility.

We communicate directly with our customers about things that are relevant to them in their street, suburb or community.

Information is provided by post, letterbox drop, email or in person. We also have information on our website for customers who have internet access. Additionally our social media platforms are also used, as appropriate, to communicate information to our communities.

We continue to make use of our customer accounts as an opportunity to provide further information to customers. This includes a bi-annual customer newsletter.

We continue to provide information on targeted community education campaigns including Permanent Water Saving Rules, Smart Gardens for a Dry Climate and currently developing more content for our Bin It Don't Flush It campaign.

CHOOSE TAP

We continued to promote the Choose Tap initiative which encourages choosing tap water for the health, environmental and financial benefits. As part of our community in-kind sponsorship program, our Portable Water Stations visited 92 community and school events, this was an increase of 11 events from the previous year. We finished up outstanding visits from 2016/17 to childcare centres promoting Choose Tap and during the 2017/18 have been preparing to roll out the program again in 2018/19. In 2018/19, we have a total of 57 centres registered and 5,084 children will receive drink bottles and learn about the importance of staying hydrated and how to be a Water Hero.

DIGITAL COMMUNICATIONS

We are building on our framework and approach to digital communications with our customers and communities. In addition to our education e-newsletter, we also have routine e-newsletters for Land Developers in our region. This is an area we are looking to develop further in the coming financial year.

We have continued to build our presence on social media this year. Followers have grown on our Facebook platform since its launch in February 2017, with an additional 243 followers to a total of 452. Our Twitter followers have also grown by 141 during the year to a total of 2,325. Our LinkedIn platform has been used to promote career opportunities and we continue to add content to our YouTube and Flickr platforms. We have explored the use of 'boosted' posts to Facebook to ensure a more targeted message is delivered to areas identified, which has increased the viewing rates. For example a post around scheduled water mains cleaning in the Bendigo network had 14,418 views.

Our website had 98,547 visits in 2017/18. Popular pages were our customer support online forms, reservoir levels, account information and employment opportunities.

DIGITAL METERING PROJECT

As part of our program to install digital metering technology on existing customer water meters in our region, we visited the townships of Trentham, Wedderburn, Korong Vale, Wychitella, Mysia and Borung as part of our *Your Town* program to engage residents about the program to install data loggers on their water meters. The sessions offered customers in these townships an opportunity to chat to staff face to face, ask questions and provide feedback on the program. Installation in these areas was completed in May 2018, with a total of 1,358 data loggers installed. This is stage one of a proposed five stage program to take place over a six year period. We are currently verifying the collected data before assessing it for billing and analysis purposes.

HEATHCOTE SEWER BACKLOG PROJECT

Under the requirements of the *Aboriginal Heritage Act (2006)* we engaged cultural heritage consultants during the project planning phase to identify and assess sites of Aboriginal cultural heritage significance within the Activity Area for the Heathcote Sewer Backlog Project. Now that the design and construct contractor has been engaged, the Contractor and their team are also working with us and the Taungurung Clans Aboriginal Corporation to finalise the resulting Cultural Heritage Management Plans (CHMPs). The CHMPs are expected to be completed in early 2018/2019.

INDIGENOUS CONSULTATION

Under the requirements of the *Aboriginal Heritage Act (2006)* we engaged cultural heritage consultants during the project planning and delivery stages to identify and assess sites of Aboriginal cultural heritage significance.

During the year we have enhanced our relationship with Dja Dja Wurrung. We have collaborated on projects where we can work together to enhance the understanding and cultural value of activities that are undertaken by Coliban Water. We have worked on projects including; Aboriginal Waterway Assessments, Natural Resource Management, Weed Management, Integrated Water and *Urban Water Strategy*. A major focus has been the work on our *Reconciliation Action Plan* and delivery of the obligations of Schedule 16 – Reconciliation and Settlement Agreement with the State of Victoria.

LAND USE ACTIVITY AGREEMENT (LUAA)

In 2017/18 there were no agreements entered into under the requirements outlined in the Dja Dja Wurrung LUAA. However, the Dja Dja Wurrung were notified of one Advisory Activity; a new groundwater monitoring bore at Castlemaine Water Reclamation Plant.

WATER SECURITY

WATER SUPPLY SYSTEMS

We have nine water supply systems and 26 separate urban supplies, as well as groundwater sourced for Elmore and Trentham.

The Coliban System Northern can be supplemented with supply from the Waranga Western Channel (via the Goldfields Superpipe) and Lake Eppalock. The Coliban System Southern is exclusively supplied by our Coliban River catchment storages. For further detail see our region map on the inside front cover.

Our three Coliban River catchment storages are Upper Coliban, Lauriston and Malmsbury reservoirs. These storages started the year (1 July 2017) at 54,451 megalitres (78 per cent of capacity), reaching a maximum of 70,396 megalitres (101 per cent of capacity, meaning they were spilling) on 17 September 2017. The storages then slowly decreased to 46,877 (67 per cent of capacity) by 30 June 2018.

On the 1 July 2018, our share of Lake Eppalock held 51,994 megalitres (95 per cent of our share of full capacity) and at 30 June 2018 held 48,834 megalitres (89 per cent of our share of full capacity).

Inflows exceeded storage capacity during the year and there was spilling of water from both our Coliban River catchment storages and from our share of Lake Eppalock. Our water shares also recorded spills.

At the start of the year, our Coliban System Southern storages were holding more than the reserve trigger level of 50 gigalitres that was in place at the time. In October 2017 the trigger level was lowered to 45 gigalitres; due to the favourable conditions resulting in sufficient inflow to fill the storages.

Whenever the storage levels are below this trigger, transfer of water to Bendigo ceases. For the year, we pumped a total of 903 megalitres which was similar the previous year. There was no water pumped from the Waranga Western Channel at Colbinabbin this financial year.

WATER STORAGE VOLUMES

STORAGE VOLUME IN OUR REGION

	AS AT 30 JUNE 2017 MEGALITRES (ML)	AS AT 30 JUNE 2018 MEGALITRES (ML)	% FULL 30 JUNE 2018
COLIBAN SYSTEM NORTHERN			
Sandhurst Reservoir	1,375	2,180	84.2
Caledonia Reservoir	181	181	84.4
Lake Eppalock (Coliban Water share)	51,994	48,834	89.1
Spring Gully Reservoir (recycled water – rural)	1,044	917	54.4
COLIBAN SYSTEM SOUTHERN			
Upper Coliban Reservoir	35,263	28,442	75.3
Lauriston Reservoir	17,250	15,700	79.3
Malmsbury Reservoir	1,942	2,735	22.7
McCay Reservoir	631	1,152	84.7
Barkers Creek Reservoir (rural)	971	622	36.8
GROUNDWATER – TRENTAM RESERVOIRS	81	69	76.6
Total	110,732	100,832	91.1

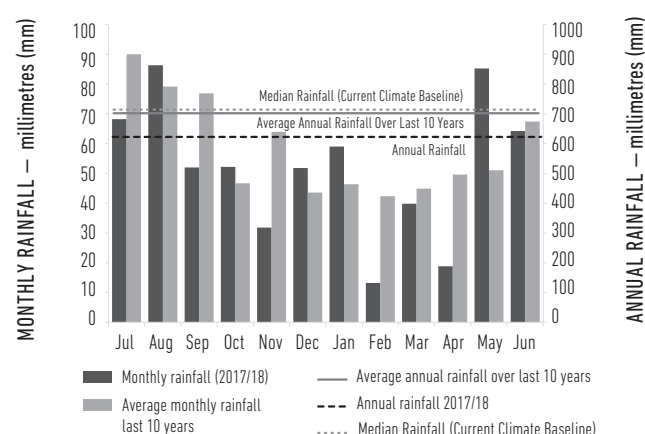
Water storage volume notes: The volume of water held in our storages at 30 June 2018 was 100,832 megalitres which is 9,900 megalitres less than water held in storage at the end of June 2017.

RAINFALL AND INFLOWS

We received 623 millimetres of rainfall at Malmsbury Reservoir for the year. This is 13 per cent less than the average for the past 10 years of 702 millimetres, and 15 per cent less than the historical average of 714 millimetres.

Above average rainfall was received for a total of six months, however we only received one month of above average inflows.

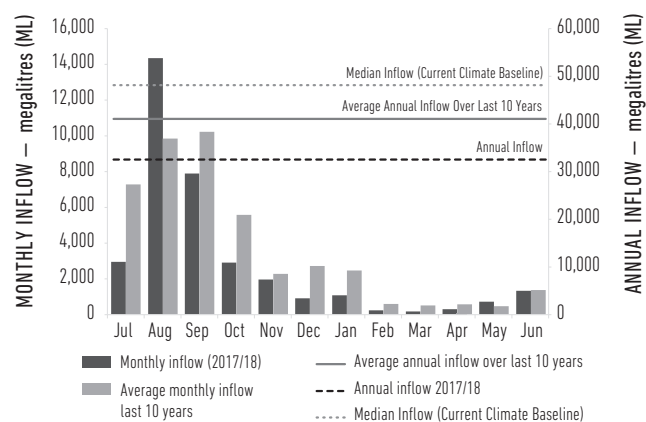
MALMSBURY RESERVOIR > MONTHLY RAINFALL 2017/18



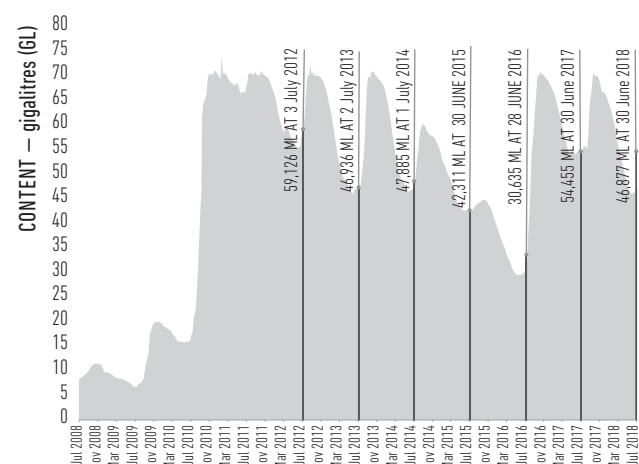
WATER SECURITY

RAINFALL AND INFLOWS continued

COLIBAN HEADWORKS STORAGES > MONTHLY INFLOW 2017/18



COLIBAN STORAGE CONTENTS > UPPER COLIBAN, LAURISTON & MALMSBURY RESERVOIRS



WATER ALLOCATION

We received the following water allocations across our region from our bulk water suppliers.

SYSTEM	ALLOCATION (%)
Loddon	100
Campaspe	100
Goulburn	100
Murray	100
Wimmera	81

A total of 1,266 megalitres of water stored in Lake Eppalock was used to supply our customers in Bendigo, Heathcote and the Coliban Northern rural system. Our customers in Castlemaine and Kyneton (Coliban Southern) areas we supplied by our Coliban catchment reservoirs. A 100 per cent allocation was made to all our rural network customers. We announced rural allocations in early July to help rural customers plan for the upcoming rural season.

WATER PURCHASES AND TRADE

We purchased a total of 138.1 megalitres of Zone 7 Low Reliability Water Shares for our Murray Water Supply System. During 2017/18 we sold a total of 34,798 megalitres of surplus allocation into the water market. We also leased 13,800 megalitres of carryover capacity to external parties.

There was no sale of permanent water entitlement during 2017/18.

SOURCES OF WATER: 2017/18

	MEGALITRES
Direct river extractions	3,568
Groundwater	280
Draw from dams/reservoirs	27,736
Channel supplies	2,659
TOTAL	34,243

WATER RESTRICTIONS

At the start of the 2017/18 all towns in our region remained on Permanent Water Saving Rules. During the year we monitored our water resource position and discussed options to ensure our ongoing water security should dry conditions eventuate. At the end of the reporting period, all towns remained on Permanent Water Saving Rules.

We have developed a 'business-wide' Drought Management Plan and nine system-specific plans. These plans will be revisited to align with our *Urban Water Strategy 2017* and *Water for Victoria* to ensure regional liveability during periods of extended water shortages.

Notes to Bulk Water Entitlements Table on page 11

- Note 1: 25,429 megalitres discharged from Malmsbury Reservoir to Coliban Main Channel
- Note 2: 1,041 megalitres discharged from Lauriston Reservoir to Kyneton system.
- Note 3: 903 megalitres and 363 megalitres discharged from Lake Eppalock to Bendigo pipeline and Heathcote respectively.
- Note 4: 1,460 megalitres Malmsbury environmental flow and 4,378 megalitres of natural spilling. Malmsbury passing Flows account balance was 363 megalitres as at 30 June 2018. Flows in the Coliban River are recorded daily and provided weekly to the North Central Catchment Management Authority (North Central CMA). At the request of the North Central CMA the minimum passing flow has been returned to 4 megalitres per day. The rationale is to accumulate environmental reserves to provide for larger 'fresher' flows during dry periods. By request of North Central CMA, 0 megalitres discharged to Coliban River for summer fresher flow. Goulburn-Murray Water, as storage manager for Lake Eppalock, are responsible for meeting the passing flow requirements on the Campaspe River downstream of Lake Eppalock.
- Note 5: Field validation has been finalised and the bulk metering program for Coliban Water will be finalised during 2018/19.
- Note 6: Jarklin and Serpentine were not supplied under the original bulk entitlement. Coliban Water owns shares for their supply and receives an annual 'Water Allowance' with a similar reliability to Goulburn high reliability water shares. The water shares can only be traded within the East Loddon Pipeline scheme and do not form part of the water share portfolio held by Coliban Water.
- Note 7: 6 megalitres of groundwater allocation was purchased for Trentham.

BULK WATER ENTITLEMENTS

We hold Bulk Water Entitlements for surface water in the Campaspe, Coliban, Goulburn, Loddon, Murray and Wimmera systems. For Trentham we hold a Bulk Entitlement and groundwater extraction licence, and for Elmore only a groundwater extraction licence. We also hold water shares (high and low reliability) in the Campaspe, Goulburn and Murray Systems. The volumes taken during 2017/18 were as follows:

SUPPLY SYSTEM	SOURCE OF SUPPLY	BULK ENTITLEMENT VOLUME (MEGALITRES)	BULK ENTITLEMENT ALLOCATION (MEGALITRES)	BALANCE 30-JUN-17 (MEGALITRES)	RAW WATER VOLUME TAKEN (MEGALITRES)	BALANCE 30-JUN-18 (MEGALITRES)	REPORTING REQUIREMENTS IN ACCORDANCE WITH BULK ENTITLEMENT (BE) CLAUSE
CAMPASPE	CAMPASPE RIVER						
BULK ENTITLEMENT (AXEDALE, GOORNONG & PART ROCHESTER) CONVERSION ORDER 1999							
Axedale & Goornong		215	215	27	65	66	12.1(b) – Annual volume taken – 65 megalitres 12.1(c) – Any credits granted – Nil 12.1(d) – Metering Program – See Note 5.
Rochester		134	134	34	–	16	12.1(e) – Temporary or permanent transfer of all or part of BE – 260 megalitres of allocation transferred to other Allocation Accounts 12.1 (f) – Period of restriction – Nil 12.1(g) & (h) – Any amendment to BE, or new BE for Axedale, Goornong & Rochester – Nil
TOTAL		349	349	61	65	82	12.1(i) – Any failure to comply with BE – Nil 12.1(j) – Difficulties in complying – Nil
COLIBAN	COLIBAN RIVER, CAMPASPE RIVER						
BULK ENTITLEMENT (CAMPASPE SYSTEM – COLIBAN WATER) CONVERSION ORDER 1999							
Bendigo area, Castlemaine area, Kyneton area, Heathcote area & Coliban Rural	Coliban River Reservoirs: Upper Coliban, Malmsbury & Lauriston and Lake Eppalock	50,260	N/A	N/A	27,736	N/A	18.1(f) – Annual volume taken – See Notes 1, 2 & 3 18.1(g) – Annual evaporation loss – from our headworks is 7,769 megalitres and our share of Lake Eppalock is 2,368 megalitres 18.1(h) – Internal spill in Lake Eppalock to G-MW share – 739 megalitres 18.1(i) – Passing flow compliance record – see Note 4 18.1(j) – Any credits granted – Nil 18.1(k) – Temporary or permanent transfer of bulk entitlement – Nil 18.1(l) – Bulk entitlement or licence transferred to CW – Nil 18.1(m)– Period of restriction – Nil 18.1(n) – Alteration to primary entitlements – Nil 18.1(o) – Transfer of primary entitlements – Refer to page 13, Rural System Trading by our Customers 18.1(p) – Annual volume supplied to primary entitlements – 27,736 megalitres of allocation 18.1(q) – Any amendment to bulk entitlement – Nil 18.1(r) – Any new bulk entitlement – Nil 18.1(s) – Implementation of environmental and metering programs – Nil 18.1(t) – Any failure to comply with BE – Nil 18.1(u) – Difficulties in complying – Nil 18.1(v) – Passing flows less than specified – Nil
GOULBURN	WARANGA WESTERN CHANNEL						
BULK ENTITLEMENT (GOULBURN CHANNEL SYSTEM – COLIBAN WATER) ORDER 2012							
Serpentine*		50	50	N/A	29	N/A	15.1(b) – Annual volume taken – 1,197 megalitres 15.1(c) – Volume from other locations – Nil 15.1(d) – Any credit granted – Nil 15.1(e) – Metering program – See Note 5. 15.1(f) – Assignment of allocation or transfer of all or part of BE – Nil 15.1(g) – Assignment of allocation or transfer of entitlement to Coliban Water under this order – 2,000 megalitres of allocation transferred to other Allocation Accounts 15.1(h) – Amendments to BE – Nil 15.1(i) – New BE – Nil 15.1(j) – Failure to comply – Nil 15.1(k) – Difficulties in complying – Nil * See Note 6
Jarklin*		10	10	N/A	2	N/A	
Boort		440	440	376	259	172	
Mysia					1		
Lockington		1,980	1,980	774	55	209	
Macorna					3		
Mitiamo					19		
Dingee					13		
Pyramid Hill					133		
Rochester					683		
TOTAL		2,480	2,480	1,150	1,197	381	

Refer to notes to Bulk Water Entitlements Table on page 10.

SUPPLY SYSTEM	SOURCE OF SUPPLY	BULK ENTITLEMENT VOLUME (MEGALITRES)	BULK ENTITLEMENT ALLOCATION (MEGALITRES)	BALANCE 30-JUN-17 (MEGALITRES)	RAW WATER VOLUME TAKEN (MEGALITRES)	BALANCE 30-JUN-18 (MEGALITRES)	REPORTING REQUIREMENTS IN ACCORDANCE WITH BULK ENTITLEMENT (BE) CLAUSE
GROUNDWATER		GROUNDWATER LICENCE					
Elmore	Bore	284	284	71	140	71	
BULK ENTITLEMENT (TRENTHAM) CONVERSION ORDER 2012							
Trentham* * See Note 7	Spring Water	120	120	N/A	86	N/A	12.1(b) – Annual volume taken under entitlement – 86 megalitres 12.1(c) – Average annual amount taken over three years – 88 megalitres 12.1(d) – Annual amount taken under licence — 54 megalitres
	Bore	48	48	N/A	54	N/A	12.1(e) – Metering program – see Note 5 12.1(f) – Temporary or permanent transfer of all or part of BE – Nil 12.1(g) – Any amendments of transfers with respect to Order – Nil
TOTAL		168	168	N/A	140	N/A	12.1(h) – Any failure to comply with order – Nil 12.1(i) – Any difficulties complying with Order – Nil
LODDON		LODDON RIVER					
BULK ENTITLEMENT (LODDON SYSTEM- COLIBAN WATER) CONVERSION ORDER 2005							
Bridgewater & Inglewood					267		13.1(b) – Annual volume taken – 397 megalitres 13.1(c) – Any credits granted – Nil 13.1(d) – Metering Program – See Note 5
Laanecoorie, Dunolly, Bealiba & Tarnagulla					130		13.1(e) – Temporary or permanent transfer of all or part of BE – 250 megalitres of allocation transferred to other Allocation Accounts 13.1(f) – Period of restriction – Nil 13.1(g) – Any amendment to BE – Nil 13.1(h) – New BE granted – Nil
TOTAL		820	540	280	397	173	13.1(i) – Any failure to comply with BE – Nil 13.1(j) – Difficulties in complying – Nil
WIMMERA		WIMMERA CHANNEL					
BULK ENTITLEMENT (WIMMERA AND GLENELG RIVERS – COLIBAN WATER) ORDER 2010							
Korong Vale & Wedderburn					223		13.1(b) – Annual volume taken – 229 megalitres 13.1(c) – Amount and location of water taken from other than specified point – Nil
Borong					3		13.1(d) – Final allocation for year – 243 megalitres, 81 per cent 13.1(e) – Metering Program – See Note 5
Wychitella					3		13.1(f) – Temporary or permanent transfer of all or part of BE – Nil 13.1(g) – Any BE or other entitlement transferred to Coliban Water under this order – Nil
TOTAL		300	243	444	229	392	13.1(h) – Any amendment to BE – Nil 13.1(i) – New BE granted – Nil 13.1(j) – Any failure to comply with BE – Nil 13.1(k) – Difficulties in complying – Nil
MURRAY		MURRAY RIVER					
BULK ENTITLEMENT (RIVER MURRAY – COLIBAN WATER) CONVERSION ORDER 1999							
Echuca		5,055	5,055	510	3,106	1,747	20.1(b) – Annual volume taken – 4,375 megalitres of allocation 20.1(c) – New off-take points – Nil 20.1(d) – Water returned – Nil
Cohuna					924		20.1(e) – Metering Program – See Note 5.
Gunbower		1,230	1,230	315	66	142	20.1(f) – Temporary or permanent transfer of all or part of BE – 500 megalitres of allocation transferred to other Allocation Accounts 20.1(g) – Any BE or other entitlement transferred to Coliban Water under this order – Nil
Leitchville					279		20.1(h) – Any amendment to BE – Nil 20.1(i) – New BE granted – Nil
TOTAL		6,285	6,285	825	4,375	1,889	20.1(j) – Any failure to comply with BE – Nil 20.1(k) – Difficulties in complying – Nil
GOULBURN		WARANGA WESTERN CHANNEL					
Coliban System Northern	Water Shares High Reliability	22,774	22,774	3,584	–	519	Purchase – 0 megalitres of allocation
	Water Shares Low Reliability	2,858	–				Trade – 30,919 megalitres of allocation (360 megalitres of allocation transferred from and 31,279 megalitres of allocation transferred to other Allocation Accounts)
CAMPASPE		LAKE EPPALOCK					
Coliban System Northern	Water Shares High Reliability	2,591	2,591	683	–	121	Purchase – 0 megalitres of allocation
	Water Shares Low Reliability	646	381				Trade – 3,500 megalitres of allocation transferred to other Allocation Accounts
MURRAY		MURRAY RIVER					
Echuca, Cohuna, Gunbower & Leitchville	Water Shares High Reliability	55	55	12	–	16	Purchase – 138 megalitres of Low Reliability Water Shares and 0 megalitres of allocation
	Water Shares Low Reliability	162	–				Trade – 50 megalitres of allocation transferred to other Allocation Accounts

Refer to notes to Bulk Water Entitlements Table on page 10.

RURAL USAGE

WATER SOURCES

SOURCES	NUMBER OF CUSTOMERS SUPPLIED	SUPPLIED VOLUME (MEGALITRES)
Raw	864	3,520.3
Recycled	160	1,112.8

RURAL SYSTEM TRADING BY OUR CUSTOMERS

PERMANENT TRADE		TEMPORARY TRADE		TRADE AS PART OF LAND TRANSFERS	
NUMBER OF TRADES	VOLUME MEGALITRES	NUMBER OF TRADES (SALES)	VOLUME MEGALITRES (SALES)	NUMBER OF TRADES	VOLUME MEGALITRES
35	74.2	25	170.4	51	82.3

Note: Recycled water customers can be supplied with recycled water, raw water or potable water depending on total demand and supply.

SOUTHERN SYSTEM

CHANNEL	NO. OF LICENCES	TOTAL LICENCE VOLUME (MEGALITRES)	TOTAL USAGE (MEGALITRES)	NO. OF LICENCES SUPPLIED
COLIBAN HEADWORKS STORAGES				
Lauriston Reservoir	5	10.0	0.0	0
Malmsbury Reservoir	2	4.0	0.0	0
Upper Coliban Reservoir	1	1.0	0.0	0
System Total	8	15.0	0.0	0
COLIBAN MAIN				
Coliban Main – 1	41	5,737.2	153.2	25
Coliban Main – 4/1 Coliban Main – 4/3	108	676.8	242	71
System Total	149	6,415.0	395.2	96
EMU VALLEY SOUTH				
Abbotts	104	405.4	225.0	84
Emu Valley No. 1	81	351.6	167.8	64
Emu Valley No. 2	65	363.1	142.0	49
Mannes	16	93.8	19.9	12
Strathfieldsaye	2	5.0	1.0	2
System Total	268	1,218.9	555.7	211
HARCOURT				
Harcourt Modernised Pipeline	169	2,165.7	976.4	136
System Total	169	2,165.7	976.4	136
POVERTY GULLY				
Campbells Creek	0	0.0	0.0	0
Poverty Gully	6	12.4	2.6	4
System Total	6	12.4	2.6	4
SPRING GULLY				
Diamond Hill	12	64.3	17.1	9
Spring Gully	33	153.3	74.1	25
System Total	45	217.6	91.2	34
Southern System Total	645	10,043.6	2,021.1	481

Our rural customers had 100 per cent allocation for the 2017/18 season.

NORTHERN SYSTEM

CHANNEL	NO. OF LICENCES	TOTAL LICENCE VOLUME (MEGALITRES)	TOTAL USAGE (MEGALITRES)	NO. OF LICENCES SUPPLIED
ASCOT				
Ascot	37	755.9	306.9	20
Ellesmere	45	157.6	97.6	34
Goornong	14	352.2	229.8	12
Huntly	2	18.6	1.4	1
White Hills	7	257.7	156.4	6
System Total	105	1,542.0	792.1	73
AXE CREEK				
Axe Creek	68	346.2	104.5	46
Kangaroo	2	11.4	0.0	0
System Total	70	357.6	104.5	46
COCKATOO HILL				
Cockatoo Hill	31	124.4	66.8	22
Neilborough	10	31.5	22.4	8
Raywood	65	299.3	218.8	52
Sebastion	7	59.7	12.7	5
System Total	113	514.9	320.7	87
EMU VALLEY NORTH				
Emu No. 1 (Eppalock)	14	81.6	59.3	13
Emu No. 2 (Eppalock)	17	153.0	34.1	8
System Total	31	234.6	93.4	21
EPPALOCK PIPELINE				
Eppalock Pipeline	81	827.3	422.3	75
System Total	81	827.3	422.3	75
JACKASS FLAT				
Ironstone	1	1.0	0.7	1
Jackass Flat	0	0.0	0.0	0
Sparrowhawk	0	0.0	0.0	0
System Total	1	1.0	0.7	1
LOCKWOOD				
Lockwood	117	582.5	158.4	86
Marong	30	251.8	119.6	23
South Lockwood Pipeline	46	397.3	192.2	45
Wilson's Hill	31	234.9	92.8	27
System Total	224	1,466.5	563.0	181
SPECIMEN HILL				
Maiden Gully	43	357.2	190.5	29
Myers Flat	16	100.2	60.1	10
Specimen Hill	31	296.9	64.7	20
System Total	90	754.3	315.3	59
Northern System Total	715	5,698.2	2,612.0	543

RECYCLED WATER PRODUCTION AND USAGE

Coliban Water manages 16 Water Reclamation Plants (WRPs), of those recycled water produced at the following plants was reused during 2017/18.

AXEDALE

Class B recycled water is produced at the Axedale WRP, which is supplied to the Axedale Golf Club for irrigation use.

BENDIGO

The Bendigo WRP produces Class B and Class C recycled water. Class C recycled water is used for on-site irrigation. Either Class B or Class C recycled water is supplied to off-site users, such as the Fosterville Gold Mine, the Bendigo Livestock Exchange and three neighboring farmers depending on end use purpose. The excess water is discharged into the Bendigo Creek in accordance with our Environment Protection Authority (EPA) licence.

The Bendigo Recycled Water Scheme uses Class A recycled water produced at the Bendigo Recycled Water Factory and/or water supplied into the scheme from Coliban Water's southern storages or Lake Eppalock under a water quality framework approved by the Department of Health and Human Services and the EPA.

The Class A recycled water is available via the recycled water pipeline network and used by sporting facilities, parks and gardens, primary schools, rural customers, car washing, road works and commercial customers, who use it for dust suppression.

All Class A recycled water agreements and customer site management plans have been reviewed and renewed until 2023.

CASTLEMAINE

The Castlemaine WRP produces Class C recycled water, which is supplied to the Castlemaine Golf Course via a pipeline, and to an earthworks company for dust suppression and construction works via tanks located at the plant. The excess water is discharged into Campbells Creek in accordance with our EPA licence.

DUNOLLY

The Dunolly WRP produces Class C recycled water, which is used for on-site irrigation.

ECHUCA

The Echuca WRP produces Class B recycled water, which is pumped to a storage tank (Singers Road Storage), located between Echuca and Rochester, and from there it is supplied to local irrigators.

HEATHCOTE

The Heathcote WRP produces Class C recycled water, which is supplied to the Heathcote Golf Club for irrigation use.

KYNETON

The Kyneton WRP produces Class B and Class C recycled water. The Class C water is supplied to an on-site irrigator. The Class B recycled water is supplied to the Kyneton Racecourse and the Macedon Ranges Shire Council for the watering of local sports grounds and the Botanical Gardens in Kyneton. The excess water is discharged into the Campaspe River in accordance with our EPA licence.

ROCHESTER

The Rochester WRP produces Class B recycled water, which is pumped to a storage (Singers Road Storage), located between Echuca and Rochester, and from there it is supplied to local irrigators.

WEDDERBURN

The Wedderburn WRP produces Class C recycled water which is used for on-site irrigation.

Note that Boort, Bridgewater, Elmore, Gunbower, Lockington and Pyramid Hill WRPs produce Class C recycled water, which is used for on-site irrigation as required. Recycled water produced from these plants has not been used during 2017/18.

The Cohuna WRP does not have a reuse application. The treated water is stored in on-site lagoons and disposed by means of evaporation.

WATER RECLAMATION PLANT	RECYCLED WATER USAGE VOLUME (MEGALITRES)	
	2017/18	2016/17
Axedale	16.5	9.4
Bendigo		
Class A	624.3	83.76
Class B and C	1,096.4	955.34
Boort	0	0
Bridgewater	0	0
Castlemaine	20.8	39.4
Cohuna	0	0
Dunolly	14.1	22.2
Echuca	1,718.4	845.8
Elmore	0	0.0
Gunbower	0	16.5
Heathcote	127.9	90.1
Kyneton	315.5	227.1
Lockington	0	0.0
Pyramid Hill	0	10.6
Rochester [^]	0	0
Wedderburn	24.6	34.5
TOTAL	3,958.5	2,334.7

[^]The volume of recycled water supplied for reuse from the Rochester WRP is accounted in Echuca WRP reuse figure as both plants uses a common intermediate storage from which the recycled water is distributed to the users.

RECYCLED WATER MANAGEMENT

All customers using recycled water must comply with management requirements contained in the *Site Management Plan* or *Environment Improvement Plan* for each site.

CAPITAL PROJECTS

This was the final year of our five year capital portfolio target of \$171.4 million, bringing our five year cumulative total capital expenditure to \$162.1 million. The remaining capital expenditure was delivered through transactions reported elsewhere within our financial statements, namely:

- › \$2.7 million capital contribution to Grampians Wimmera Mallee Water for the construction of the South West Loddon Rural Water Supply Project through operational expenditure.
- › Construction of additional works at the Bendigo Water Treatment Plant and Echuca Wastewater Treatment Plant reported through Build Own Operate Transfer (BOOT) capital expenditure.

The 2017/18 capital portfolio expenditure was budgeted at \$21.6 million and was set at a level to ensure the portfolio was funded through operating cashflows to enable the repayment of debt. A total of \$20.9 million was delivered by our project teams across various programs.

The delivery of the 2017/18 capital plan demonstrated our ability to deliver successful outcomes while dynamically managing time and funding allocations in a reduced capital portfolio.

During the year, Coliban Water did not undertake or complete any project with a total investment greater than \$10 million.

The Water Treatment program had a total 2017/18 capital spend of \$2.7 million and delivered the following key achievements:

- › Bridgewater Water Treatment Plant Upgrade (Bridgewater): renewal of the control system at a cost of \$0.3 million.
- › Trentham Water Treatment Plant Upgrade (Trentham): installation of new membranes at a cost of \$0.15 million.
- › Gunbower Water Treatment Plant Upgrade (Gunbower): installed additional treated water storage capacity with further augmentation at this site planned over the next two years.

The Water Reticulation program had a total 2017/18 capital spend of \$2.3 million and delivered the following key achievements:

- › Water Main Renewals (non-metro various*): annual program (\$0.6 million) to ensure security of water supply to customers and reduce water losses from bursts and leaking mains.
- › Meter Replacement Program (non-metro various*): annual program (\$0.4 million) to replace end of life meters.
- › Digital Metering (non-metro various*): incurred \$0.3 million for the installation of data loggers to existing meters and to rectify inaccessible or difficult to reach meters.

The Sewer Treatment program had a total 2017/18 capital spend of \$1.2 million and delivered the following key achievements:

- › Sewer Treatment Plant Maintenance (non-metro various*): \$0.8 million annual program to reduce operational and environmental risks at the sewer treatment plants.

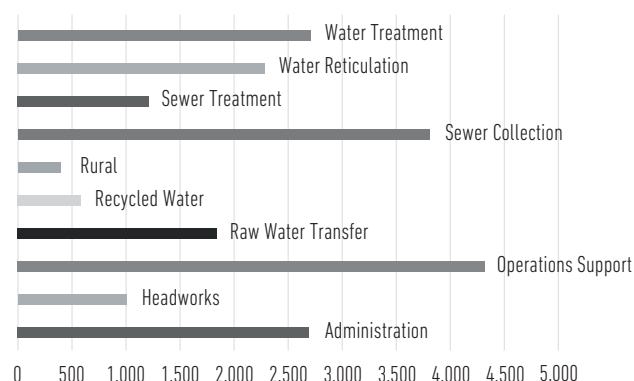
The Sewer Collection program had a total 2017/18 capital spend of \$3.8 million and delivered the following key achievements:

- › Sewer Main Renewals (non-metro various*): annual program for sewer main condition assessment and renewal (\$1.3 million) to improve operational efficiencies and reduce blockages and overflows to the environment.
- › Echuca Rising Main, Elizabeth Street (Echuca): \$1.0 million was invested to replace a one kilometre section of the sewer rising main from Elizabeth Street to Terricks Road.

The Rural program had a total 2017/18 capital spend of \$0.4 million and delivered the following key achievements:

- › Rural System Reconfiguration (Poverty Gully): commenced customer engagement for the closure of the Poverty Gully rural channel system and implementation of alternative water supply options for existing customers (\$0.1 million).

2017/18 CAPITAL EXPENDITURE (\$'000s)



The Recycled Water program had a total 2017/18 capital spend of \$0.6 million and delivered the following key achievements:

- › Heathcote Water Reclamation Plant and Reuse System Upgrade (Heathcote): \$0.3 million was invested to ensure the plant achieves the strategic project drivers for the projected inflows in future years.
- › Bendigo Recycled Water Scheme Upgrade (Bendigo): finalised investigation and completed operational and functional modifications to the tertiary filters (\$0.1 million) to ensure the Treatment Plant can produce Class A quality recycled water.

The Raw Water Transfer program had a total 2017/18 capital spend of \$1.8 million and delivered the following key achievements:

- › Coliban Main Channel Renewals (non-metro various*): continued construction works (\$1.4 million) along the main channel including flume replacement, erosion and leakage control.

The Operations Support program had a total 2017/18 capital spend of \$4.3 million and delivered the following key achievements:

- › Planned Corrective and Reactive Maintenance (non-metro various*): annual program of renewals and refurbishment of water, recycled water and sewer assets (\$1.2 million) to ensure levels of service are maintained.
- › Occupational Health and Safety (OHS) remedial works program (non-metro various*): annual program (\$0.9 million) to address safety concerns raised to ensure that all of our assets meet relevant safety standards.
- › Telemetry Replacement (non-metro various*): annual program of upgrades (\$0.8 million) to replace redundant hardware in the field to fully integrate into the Supervisory Control and Data Acquisition (SCADA) networks.

The Headworks program had a total 2017/18 capital spend of \$1.0 million and delivered the following key achievements:

- › Land Management (non-metro various*): annual program (\$0.4 million) to survey land title boundaries, install perimeter fencing and improve the land around our reservoirs.

The Administration program had a total 2017/18 capital spend of \$2.7 million and delivered the following key achievements:

- › Stakeholder Relationship Management System (non-metro various*): commenced implementation of a stakeholder relationship management system (\$0.6 million) to proactively manage our contact and relationships with stakeholders.
- › Records Management System Replacement (non-metro various*): \$0.2 million was invested in updating our integrated electronic document management system.

* Non-metro various indicates the project will deliver outcomes to more than one town and/or system within the Coliban Water region.

WATER QUALITY AND RELIABILITY

CUSTOMER SERVICE OBJECTIVES – WATER RETICULATION

We are required to report on 14 service standards related to water to the Essential Services Commission (ESC). In these standards are supply interruptions including number, duration, response time to a burst pipeline and leaks as well as the amount of unaccounted water.

In all 14 of the service standards within 2017/18, we achieved compliance. This overall achievement is attributed to our own and service providers continuous improvement in managing our assets and reactive response to incidents.

WATER MAIN RENEWAL

Across our region, we replaced approximately 2.9 kilometres of water mains as part of our ongoing water mains renewal program, at a cost of around \$571K. This included renewing 580 metres of water mains at five different locations in Cohuna at a cost of \$135K. The mains were renewed using directional boring, a trenchless technology that reduces the need for excavations and overall cost savings of 25 – 50 per cent.

We identify sites for replacement by analysing a range of criteria including the criticality, risk to customers, number of failures, number of supply interruptions, number of customers impacted and the assessed remaining useful life of the asset.

WATER MAINS CLEANING PROGRAM

At a cost of \$173K, water mains cleaning was completed in Kyneton, Malmsbury, Tylden, Maiden Gully, Marong, Strathfieldsaye, Elphinstone, Taradale, Newstead, Fryerstown, Guildford, Harcourt and Maldon.

This program removes sediment from the water mains and improves chlorine residuals across our networks using multiple techniques including ‘air scouring’. Air scouring involves forcing a mixture of compressed air and water through the system to remove naturally occurring sediment and other particles. This method of mains cleaning is safe, uses minimal water compared to other methods and is environmentally friendly. It also reduces risks to our network and there is no need for excavation.

Our ongoing water mains cleaning program helps protect the integrity of the water system, enhances the drinking water quality we supply to customers and ensures our water continues to meet *Australian Drinking Water Guidelines*.

WATER TREATMENT PLANT IMPROVEMENTS

This year some of the major Water Treatment Plant (WTP) improvement works included:

- › Plant additions to improve the taste of water supplied from Heathcote and Goornong WTPs.
- › Additional treated water storage capacity was installed at Gunbower WTP. Further augmentation at this site is planned over the next two years.
- › Installation of new membranes at the Trentham WTP.
- › Renewal of the control system for the Bridgewater WTP.

VALVE MAINTENANCE

In our water supply network, there are in excess of 10,000 water isolation valves that play an important role in ensuring supply is maintained to customers. Historically, many of these valves have not been operated and the status and condition of these valves has been unknown. A valve maintenance program has been implemented that involves proactively exercising (opening and closing) valves to confirm their location (mapped into our Geographic Information System [GIS]), condition and operability. This ensures that the valves can be located quickly and are functioning correctly allowing quick isolation of water mains in case of any bursts or works that are required. This year 630 valves were exercised in Elmore, Bendigo, Boort, Marong, Cohuna, Heathcote and Rochester.

LEAK DETECTION PROGRAM

Leak detection was undertaken in Trentham to minimise water loss. As a result, five leaks were identified in our network and repaired and a further nine leaks in private plumbing were identified and the property owner was notified.

During 2017/18 the drinking water supplied to our customers was generally of a high standard.

Schedule 2 of Victoria's *Safe Drinking Water Regulations (SDWR) 2015* lists three specific drinking water quality standards that apply to all drinking water supplies in Victoria: *Escherichia coli* (*E. coli*), Total Trihalomethanes (THM) and Turbidity, all of which have mandated limits, and frequencies for sampling and testing. The *SDWR 2015* also require that any drinking water that is supplied to customers must not contain any toxin, pathogen, substance or chemical, whether alone or in combination with another toxin, pathogen, substance or chemical, in such amounts that may pose a risk to human health.

During 2017/18 there was one instance of *E. coli* being detected in treated drinking water, and this detection occurred at the treated water storage tank that services the township of Newstead. This issue was addressed promptly, and the results of follow-up tests were found to be clear of *E. coli*, therefore avoiding the need to issue a precautionary 'Boil Water Notice'.

All of our drinking water supplies were compliant with the THM and Turbidity drinking water standards during 2017/18.

Several elevated results for various metals and disinfection byproducts were recorded during 2017/18, and the circumstances associated with their detection are described below.

During 2017/18 five elevated nickel results were reported in five different Water Sampling Localities (WSLs). In each case, the nickel result was above the health-based guideline value for nickel that is given in the *Australian Drinking Water Guidelines (ADWG)*. The WSLs that experienced these elevated nickel results were Castlemaine, Echuca, Spring Gully (Bendigo), Bendigo Southern and Tooborac.

The nickel results for the follow-up tests conducted on each occasion were well below the health-based guideline value specified in *ADWG*, indicating that there were no long-term, systemic issues related to nickel in any of the affected WSLs. Despite extensive investigations, no source for the elevated nickel could be found. The stainless steel fittings that are used to collect samples do contain nickel, and as a precaution, we have replaced all fittings, and introduced a coding system to track the fittings used for sampling in order to confirm whether or not the fittings are the cause of these elevated results.

An elevated concentration of bromate (above the health-based guideline value in the *ADWG*) was reported in a routine sample collected from within the Harcourt WSL. Bromate is a byproduct of using ozone to treat drinking water, and ozone is used at the Castlemaine Water Treatment Plant (WTP) that supplies treated drinking water to the Harcourt WSL, but following extensive investigations, no cause could be found for the elevated result, and the follow-up samples were all found to contain very low concentrations of bromate.

An elevated lead result (above the health-based guideline value in the *ADWG*) was reported in a routine sample collected from within the Junortoun WSL. An inspection of the sampling point found signs of external corrosion on the sample tap fitting, which could potentially be an indicator of internal corrosion and was the probable cause of the elevated lead result. The sample tap fitting was replaced. Our Laboratory Service Contractor, which collects and analyses water samples for us, was instructed to advise of any sample tap fittings needing attention, so that replacement fittings could be installed. The results for the follow-up tests were well below the health-based guideline in the *ADWG*.

A power outage, together with a communication failure to the Programmable Logic Controller (PLC) – the system that automatically controls plant operations – for the Elmore WTP, resulted in un-disinfected water being supplied to the township of Elmore for a short period of time. The issue with the PLC was addressed and the Elmore WTP was brought back to normal operation within a short period of time. Sodium hypochlorite (i.e. chlorine) was added to the storage tank at the WTP, and the water distribution network across Elmore was flushed to remove un-disinfected water and replace it with treated water. Because the issue was managed promptly there was no risk to public health.

We have an undertaking with the Department of Health and Human Services (DHHS) under Section 30 of the *Safe Drinking Water Act 2003* (the Act) due to multiple detections of THMs, at concentrations above the drinking water quality standard specified in Schedule 2 of the *SDWR 2015*, in the Bridgewater water supply system, and the Bealiba WSL, which is within the Laanecoorie water supply system, during 2016/17.

We have completed the mitigation measures specified in the undertaking that were designed to address the underlying issues that led to THM exceedances in the in the Bridgewater water supply system, and the Bealiba WSL. The concentration of THMs recorded in these areas is now consistently below the state's drinking water quality standard, and this has been the case since approximately April 2017. A report, detailing the completion of these actions completed, has been submitted to the DHHS in order to close the undertaking.

At the request of DHHS, during 2017/18 we were required to complete an independent regulatory audit of our *Drinking Water Quality Risk Management Plan*, consistent with the requirements of Section 11 of the Act. This independent audit was undertaken in May 2018, and the auditor found that we were compliant with our risk management obligations under the Act, but they did identify a number of opportunities for improvement that could be implemented. The identified opportunities for improvement have been reviewed and accepted, and will be actioned.

We provide water to 75,240 properties in our region and with our partners we operate 19 water treatment plants.

WATER QUALITY

The following table shows the compliance of our drinking water sampling localities with the water quality standards specified in Victoria's *SDWR 2015*.

The townships of Borung, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella were supplied with regulated water (non-drinking water) during 2017/18.

WATER SAMPLING LOCALITY	SDWA 2015			
	<i>E. coli</i> (\leq 1 ORGS/100 ML)	TOTAL TRIHALOMETHANES (\leq 0.25 MG/L)	TURBIDITY (\leq 5 NTU)	OTHER PARAMETERS ⁽²⁾
Bealiba	✓	✓	✓	✓
Bendigo (Agedale)	✓	✓	✓	✓
Bendigo (Northern)	✓	✓	✓	✓
Bendigo (Raywood)	✓	✓	✓	✓
Bendigo (Sebastian)	✓	✓	✓	✓
Bendigo (Southern)	✓	✓	✓	X ⁽³⁾
Bendigo (Spring Gully)	✓	✓	✓	X ⁽³⁾
Big Hill	✓	✓	✓	✓
Boort	✓	✓	✓	✓
Bridgewater	✓	✓	✓	✓
Castlemaine	✓	✓	✓	✓
Cohuna (Rural)	✓	✓	✓	✓
Cohuna (Urban)	✓	✓	✓	✓
Dunolly	✓	✓	✓	✓
Echuca	✓	✓	✓	X ⁽³⁾
Elmore	✓	✓	✓	✓
Epsom-Huntly	✓	✓	✓	✓
Fryerstown	✓	✓	✓	✓
Goorong	✓	✓	✓	✓
Guildford	✓	✓	✓	✓
Gunbower	✓	✓	✓	✓
Harcourt	✓	✓	✓	X ⁽⁴⁾
Heathcote	✓	✓	✓	✓
Inglewood	✓	✓	✓	✓
Junortoun	✓	✓	✓	X ⁽⁵⁾
Korong Vale	✓	✓	✓	✓
Kyneton	✓	✓	✓	✓
Laanecoorie	✓	✓	✓	✓
Leitchville (Rural)	✓	✓	✓	✓
Leitchville (Urban)	✓	✓	✓	✓
Lockington	✓	✓	✓	✓
Maiden Gully – Marong	✓	✓	✓	✓
Maldon	✓	✓	✓	✓
Malmsbury	✓	✓	✓	✓
Newstead	X ⁽¹⁾	✓	✓	✓
Pyramid Hill	✓	✓	✓	✓
Rochester	✓	✓	✓	✓
Serpentine	✓	✓	✓	✓
Strathfieldsaye	✓	✓	✓	✓
Taradale/Elphinstone	✓	✓	✓	✓
Tarnagulla	✓	✓	✓	✓
Tooborac	✓	✓	✓	X ⁽³⁾
Trentham	✓	✓	✓	✓
Tylden	✓	✓	✓	✓
Wedderburn	✓	✓	✓	✓

Notes to water quality table:

1. A routine sample collected from the treated water tank at Newstead returned an *E. coli* result of 5 organisms /100 mL. The issue was addressed immediately, and all follow-up tests were found to be free of *E. coli*.
2. Other water quality parameters monitored under our water sampling program as part of our *Drinking Water Quality Risk Management Plan*.
3. Nickel results greater than the health-based guideline value (0.02 mg/L) specified in the *ADWG* were reported for five water quality samples collected from these five water sampling localities. Extensive investigations could find no cause for these one-off high results.
4. A routine sample collected from the Harcourt water sampling locality returned a Bromate result of 0.027 mg/L, which exceeded the health-based guideline value (0.02 mg/L) specified in the *ADWG*. The follow-up test result was below the guideline value in the *ADWG*. The exceedance appears to be an unexplainable anomaly and no ongoing issue was identified.
5. A routine sample collected from the Junortoun water sampling locality returned a lead result of 0.023 mg/L, which exceeded the health-based guideline value (0.01 mg/L) specified in the *ADWG*. The likely cause was corrosion in the sample tap fitting, which has been replaced. The follow up test results were below the guideline value in the *ADWG*.

WATER TREATMENT PROCESS

The following table shows how Coliban Water treats water to make it safe to drink.

SYSTEM (WATER TREATMENT PLANT) WATER SAMPLING LOCALITY		TREATMENT PROCESS							ADDED SUBSTANCES									
		COAGULATION	CLARIFICATION	FILTRATION	TASTE / ODOUR / ALGAE TOXIN REMOVAL	PH CORRECTION	DISINFECTION	DESALINATION	ALUM / ACH / POLYMER BLEND	POLYELECTROLYTE	ACTIVATED CARBON	OZONE	ULTRAVIOLET	LIME/SODA ASH/CAUSTIC SODA CARBON DIOXIDE SULPHURIC ACID	CHLORINE	AMMONIA	FLUORIDE	
Bendigo	Axedale Northern Spring Gully Southern Raywood Sebastian Big Hill Epsom – Huntly Junortoun Maiden Gully – Marong Strathfieldsaye	✓	✓	M	✓	✓	✓		✓		✓	✓		✓	✓	✓	✓	
Boort	Boort	✓	✓	✓		✓	✓		✓	✓				✓	✓			
Bridgewater	Bridgewater Inglewood	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓		
Castlemaine	Castlemaine Fryerstown Guildford Harcourt Maldon Newstead Taradale – Elphinstone	✓	✓	M	✓	✓	✓		✓		✓	✓		✓	✓	✓	✓	
Cohuna	(Rural) (Urban)	✓	✓	✓	✓	✓	✓		✓	✓	✓			✓	✓			
Echuca	Echuca	✓	✓	✓	✓	✓	✓		✓	P	✓			✓	✓		✓	
Elmore	Elmore					✓	✓						✓	✓	P			
Goornong	Goornong	✓	✓	✓	✓	✓	✓		✓		P			✓	✓			
Gunbower	Gunbower	✓ ⁽²⁾	✓	M	✓	✓	✓		✓		✓		✓	✓	✓			
Heathcote	Heathcote Tooborac	✓	✓	✓	✓	✓	✓		✓	✓	P			✓	✓	✓		
Korong Vale	Korong Vale Wedderburn	✓	✓	✓	✓	✓	✓		✓	✓	P			✓	✓	✓		
Kyneton	Kyneton Malmesbury Tylden	✓	✓	M	✓	✓	✓		✓		✓	✓		✓	✓	✓ ⁽¹⁾	✓	
Laanecoorie	Bealiba Dunolly Laanecoorie Tarnagulla	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓		
Leitchville	(Rural) (Urban)	✓	✓	M	✓	✓	✓		✓		✓		✓	✓	✓			
Lockington	Lockington	✓	✓	✓	✓	✓	✓		✓	P	✓			✓	✓			
Pyramid Hill	Pyramid Hill	✓	✓	✓	✓	✓	✓		✓	✓	P			✓	✓			
Rochester	Rochester	✓	✓	M	✓	✓	✓		✓		✓			✓	✓			
Serpentine	Serpentine	✓	✓	✓	✓	✓	✓		✓	✓	P			✓	✓			
Trentham	Trentham			M	✓		✓		✓		✓			✓	✓			

Legend: **P** = periodic, as required; **M** = membrane filtration

Notes:

1. Ammonia dosing turned off from March 2017.
2. Magnetic Ions Exchange (MIEX) is periodically used to remove organics/colour from the water.

WATER, WASTEWATER CUSTOMERS AND WATER USAGE BY SYSTEM

WATER SUPPLY SYSTEM	WASTEWATER			TREATED WATER								
	CONNECTIONS			CONNECTIONS			USAGE (ML)				USAGE (KL/CONNECTION)	
	RESIDENTIAL	NON RESIDENTIAL	TOTAL	RESIDENTIAL	NON RESIDENTIAL	TOTAL	RESIDENTIAL	NON RESIDENTIAL	TOTAL	5 YEAR AVERAGE	RESIDENTIAL	NON RESIDENTIAL
CAMPASPE												
Goornong	0	0	0	159	24	183	35	10	45	42	220	417
Total	0	0	0	159	24	183	35	10	45	42	220	417
COLIBAN NORTHERN												
Bendigo *	41,537	3,255	44,792	43,868	3,461	47,329	8,639	3,021	11,660	10,976	197	873
Heathcote	766	105	871	1,084	129	1,213	147	80	227	232	136	620
Axedale	113	11	124	118	17	135	24	5	29	27	203	294
Raywood	0	0	0	83	15	98	21	5	26	24	253	333
Sebastian	0	0	0	72	5	77	18	13	31	28	250	2,600
Tooborac	0	0	0	48	6	54	7	3	10	10	146	500
Total	42,416	3,371	45,787	45,273	3,633	48,906	8,856	3,127	11,983	11,296	196	861
COLIBAN SOUTHERN												
Castlemaine	4,103	375	4,478	4,826	418	5,244	808	742	1,550	1,466	167	1,775
Kyneton	2,380	386	2,766	2,585	431	3,016	432	413	845	758	167	958
Maldon	650	86	736	948	121	1,069	161	70	231	210	170	579
Newstead	305	31	336	348	38	386	59	16	75	66	170	421
Chewton	263	16	279	332	18	350	53	10	63	58	160	556
Malmsbury	282	21	303	298	23	321	44	24	68	61	148	1,043
Harcourt	208	16	224	268	25	293	53	10	63	60	198	400
Taradale	0	0	0	132	11	143	24	13	37	29	182	1,182
Guildford	0	0	0	125	9	134	21	2	23	22	168	222
Tylden	148	9	157	119	11	130	17	10	27	28	143	909
Fryerstown	0	0	0	92	4	96	14	0	14	13	152	0
Elphinstone	0	0	0	80	6	86	14	1	15	16	175	167
Total	8,339	940	9,279	10,153	1,115	11,268	1,700	1,311	3,011	2,787	167	1,176
GOULBURN												
Rochester	1,215	142	1,357	1,352	175	1,527	380	338	718	956	281	1,931
Boort	382	68	450	395	91	486	103	32	135	134	261	352
Pyramid Hill	244	36	280	251	49	300	53	29	82	82	211	592
Lockington	188	24	212	192	32	224	43	12	55	51	224	375
Serpentine	0	0	0	64	21	85	14	3	17	17	219	143
Mitiamo **	0	0	0	43	8	51	9	3	12	12	209	375
Dingee **	0	0	0	29	11	40	4	3	7	8	138	273
Macorna **	0	0	0	8	2	10	1	0	1	1	125	0
Mysia **	0	0	0	8	1	9	0	0	0	0	0	0
Jarklin **	0	0	0	6	1	7	1	0	1	1	167	0
Total	2,029	270	2,299	2,348	391	2,739	608	420	1,028	1,262	259	1,074
GROUNDWATER												
Trentham	539	61	600	587	63	650	76	21	97	88	129	333
Elmore	344	46	390	380	59	439	66	28	94	106	174	475
Total	883	107	990	967	122	1,089	142	49	191	194	147	402
LODDON												
Dunolly	335	51	386	398	58	456	55	18	73	68	138	310
Inglewood	327	35	362	401	42	443	61	17	78	84	152	405
Bridgewater	173	26	199	193	32	225	32	30	62	54	166	938
Tarnagulla	0	0	0	108	14	122	10	3	13	14	93	214
Bealiba	0	0	0	76	12	88	9	3	12	14	118	250
Laanecoorie	0	0	0	37	4	41	4	0	4	5	108	0
Total	835	112	947	1,213	162	1,375	171	71	242	239	141	438
MURRAY												
Echuca	5,986	807	6,793	6,209	867	7,076	1,699	1,333	3,032	2,961	274	1,537
Cohuna	982	136	1,118	1,124	362	1,486	320	268	588	584	285	740
Leitchville	141	28	169	161	116	277	46	115	161	161	286	991
Gunbower	145	21	166	146	30	176	33	13	46	48	226	433
Total	7,254	992	8,246	7,640	1,375	9,015	2,098	1,729	3,827	3,754	275	1,257
WIMMERA												
Wedderburn	395	54	449	446	62	508	67	31	98	97	150	500
Korong Vale	0	0	0	113	8	121	15	2	17	18	133	250
Borong **	0	0	0	20	2	22	3	0	3	4	150	0
Wychitella **	0	0	0	11	3	14	1	1	2	2	91	333
Total	395	54	449	590	75	665	86	34	120	121	146	453
Grand Total	62,151	5,846	67,997	68,343	6,897	75,240	13,696	6,751	20,447	19,694	200	979

*Includes the areas of Eaglehawk, Huntly, Kangaroo Flat, Maiden Gully, Marong and Strathfieldsaye.

**Indicates non-treated water supply.

PER CAPITA DAILY RESIDENTIAL DRINKING WATER CONSUMPTION

We provided drinking water to a population of around 162,000*. The total consumption of water was 13,696 megalitres across this population of our region which averages out to 231.6 litres per person, per day.

*The population estimate is based on total residential connections multiplied by the household density in each town (based on data from the 2011 Census).

RECYCLED WATER AND CUSTOMER USAGE

We supply recycled water to third-pipe customers in the Bendigo region.

In 2017/18 we supplied 31 megalitres to residential customers and 328 megalitres to non-residential customers.

WATER SUPPLY SYSTEM	RECYCLED WATER					
	CONNECTIONS			USAGE (MEGALITRES)		
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL	RESIDENTIAL	NON-RESIDENTIAL	TOTAL
Bendigo	610	26	636	31	328	359

AVERAGE RESIDENTIAL BILL

Average household water consumption in 2017/18 was 200 kilolitres. This is higher than in previous years due to drier and warmer conditions. Based on this, the average home owner's bill was \$1,366.22. The average tenant's bill was \$451.08.

NON-REVENUE WATER

WATER SUPPLY SYSTEM	TREATED WATER (MEGALITRES)		NON-REVENUE WATER (MEGALITRES)
	SUPPLIED	USAGE	
Campaspe	47	45	2
Coliban Northern	13,351	11,983	1,368
Coliban Southern	3,380	3,011	369
Goulburn	1,104	1,028	76
Groundwater	220	191	29
Loddon	321	242	79
Murray	4,426	3,827	599
Wimmera	215	120	95
TOTAL	23,064	20,447	2,617

The term non-revenue water is the difference between the volume of bulk water that leaves our treatment plants (treated water supplied) and the volume of water for which we bill customers (treated water usage). It has also been known as unaccounted for water.

We cannot accurately quantify the breakdown for Unbilled Authorised Consumption (such as fire-fighting) or Unauthorised Consumption (such as illegal use) as it is not metered.

Non-revenue water for 2017/18 was calculated to be 2,610 megalitres (11.3 per cent). The Essential Services Commission target of less than or equal to 15 per cent non-revenue water was achieved.

MAJOR NON-RESIDENTIAL WATER USERS

We had eight non-residential water users within the range of annual reporting.

MAJOR NON-RESIDENTIAL CUSTOMERS BY VOLUME RANGE		NUMBER OF CUSTOMERS
USAGE RANGE – MEGALITRES (ML) PER YEAR		
Equal to or greater than 100 ML and less than 200 ML		3
Equal to or greater than 200 ML and less than 300 ML		3
Equal to or greater than 300 ML and less than 400 ML		0
Equal to or greater than 400 ML and less than 500 ML		1
Equal to or greater than 500 ML and less than 750 ML		1
Equal to or greater than 750 ML and less than 1,000 ML		0
Greater than 1,000 ML		0
TOTAL		8

MAJOR NON-RESIDENTIAL CUSTOMERS

- › Hardwicks Meatworks Pty Ltd
- › Hazeldenes Chicken Farm Pty Ltd
- › Kagome Foods Australia Pty Ltd
- › Saputo Dairy Australia Pty Ltd
- › N & C Enterprises Pty Ltd
- › Parmalat Australia Ltd*
- › Parmalat Australia YD Pty Ltd*
- › Simplot Australia (Properties) Pty Ltd

We work with all our major water users to develop and implement water conservation plans and principles.

There were no other formal water efficiency programs to report for the year.

*Listed separately as they are two separate operating sites in Bendigo and Echuca.

WASTEWATER SYSTEM

WATER RECLAMATION – SEWAGE INFLUENT AND TREATED EFFLUENT VOLUMES

Our Water Reclamation Plants (WRPs) treat sewage to a specified quality and then discharge the treated water for either reuse, as recycled water, or to waterways, except Cohuna WRP, where the treated water is stored in evaporation lagoons.

The following volumes were treated and reused or discharged during 2017/18.

TOWN	SEWAGE INFLUENT (MEGALITRES)	TOTAL EFFLUENT DISCHARGED (MEGALITRES)	EFFLUENT DISCHARGED TO WATERWAYS (MEGALITRES)	EFFLUENT DISCHARGED FOR REUSE (MEGALITRES)
Axedale	14.4	16.5	0.0	16.5
Bendigo	7,559.5	6,128.8	4,683.7	1,720.6
Boort	81.8	0.0	0.0	0
Bridgewater	30.3	0.0	0.0	0
Castlemaine	1,064.3	1,257.4	1,236.6	20.8
Cohuna	272.1	0.0	0.0	0
Dunolly	28.6	14.1	0.0	14.1
Echuca	1,840.6	1,718.4	0.0	1,718.4
Elmore	34.8	0.0	0.0	0
Gunbower	60.3	0.0	0.0	0
Heathcote	147.9	127.9	0.0	127.9
Kyneton	816.7	793.3	477.8	315.5
Lockington	19.3	0.0	0.0	0
Pyramid Hill	53.5	0.0	0.0	0
Rochester	197.6	-	-	-
Wedderburn	27.1	24.6	0.0	24.6
TOTAL	12,248.7	10,081.0	6,398.2	3,958.5

Approval to discharge effluent from a storage lagoon at the Bendigo WRP directly into Bendigo Creek, under Section 30A of the *Environment Protection Act 1970*, was received in order to carry out works on the effluent discharge pipeline at the Bendigo WRP. The approved discharge commenced in the second week of June 2017 and ceased in mid-August 2017.

The effluent discharged from the Bendigo WRP to waterways for the year 2017/18 is based on the amended Environment Protection Authority (EPA) licence for the Bendigo WRP and represents the combined discharge of effluent from both the Bendigo WRP and treated water from the New Moon Groundwater Treatment Plant (GWTP).

We provide wastewater services to 67,997 properties in our region and with our partners we operate 16 water reclamation plants.

Under our EPA licence for wastewater treatment operations, we are permitted to discharge treated wastewater to the Campaspe River from the Kyneton WRP during periods of natural river flow, as part of normal plant operations. During 2017/18, wet weather events and a significant increase in wastewater inflows, resulted in the need to undertake non-compliant releases of treated water to the Campaspe River via the licensed discharge point. Discharge from the Kyneton WRP was more than 20 per cent of the flow rate of the Campaspe River for a short period of time, which caused non-compliance with one of the licence conditions. Additionally, some of the licensed effluent quality parameters exceeded their licence limits during this period.

The EPA was notified, and, in response, water quality in the Campaspe River was monitored to ensure that there was no significant adverse impact on the environment. We are currently working on a long-term plan to identify necessary future capital works for the Kyneton WRP to ensure that ongoing compliance with licence conditions is achieved.

Class C recycled water from the Heathcote WRP was discharged into Mclvor Creek, as a preventive measure. This was to avoid the uncontrolled release of excess treated water from the WRP due to stormwater infiltration to the sewer network that services the WRP and a lack of irrigation opportunities due to wet weather. The discharge commenced on 11 June 2017 and ceased on 22 August 2017. The EPA was notified, and, in response, water quality in Mclvor Creek was monitored to ensure that there were no significant adverse impacts on the environment. We are currently working on an upgrade project to ensure that ongoing compliance with licence conditions is achieved at this site.

This year, some of the major WRP improvement works included:

- › Implementing electricity demand management at the Bendigo WRP which enables temporary shutdown of the aeration system during periods of high regional energy demand to increase supply of locally available electricity for households and other users
- › Installed metering to measure the energy usage of individual processes at Bendigo WRP to enable optimisation of energy use at the site
- › Prepared Master Plans for the next 25 years for operation at the Echuca and Rochester WRPs
- › Reuse of the entire biosolids stockpile that was at Bendigo WRP which equated to around five years of historical production. The biosolids were reused on farms in the Campbells Forest and Bridgewater areas which will boost agricultural productivity at the receiving farms
- › Acquisition of new inlet screens for the Bendigo WRP
- › Re-commenced cropping of farmland at the Bendigo WRP to enable reuse of recycled water and improve the quality of the site soils.

CUSTOMERS SERVICE OBJECTIVES – SEWERAGE COLLECTION

Compliance was achieved for all five of the Essential Services Commission (ESC) service standards that we report on. These standards are in our Customer Charter and relate to sewerage blockages (number per 100 kilometres), average time to attend sewer spills and blockages, average time to rectify blockages, percentage of sewage spills contained within five hours and number of customers receiving more than three sewer blockages in a year. We have seen an overall improvement in system performance.

	SERVICE STANDARD	ACTUAL
Sewerage blockages (per 100 kilometres)	43	29.6
Average time to attend sewer spills and blockages (minutes)	30	27.5
Average time to rectify a sewer blockage (minutes)	80	70.7
Spills contained within five hours (per cent)	99	100%
Customers receiving more than three sewer blockages in the year (number)	2	0

In the aim of improving sewer performance and reducing service interruptions and overflows, we have continued to invest resources into gravity sewer preventative maintenance programs, including:

- › Preventative sewer cleaning, approximately 3,802 sewer mains (roughly 143 kilometres of sewer). This is one of the largest preventative cleaning programs we have undertaken
- › Closed Circuit Television (CCTV) condition assessment of around 794 poor performing sewer mains (roughly 44 kilometres)
- › Rapid condition assessment of over 160 sewer mains using innovative acoustic technology
- › Sewer manhole inspections of roughly 2,000 sewer manholes of which 106 were raised to the surface
- › Undertaking relining works on poor performing mains, discussed further below.

SEWER BLOCKAGES

Blockage rates typically follow a seasonal trend, lowering over summer and peaking during winter. The blockage trend that occurred in 2017/18 has significantly improved when compared with performance in recent years. The reduction in the blockage rate is likely due to the enhanced/increased gravity sewer preventative maintenance program which has included sewer cleaning, condition assessment and manhole inspections.

We are continuing to implement improved and increased preventative maintenance programs and are well placed to further improve the sewer blockage performance during 2018/19.

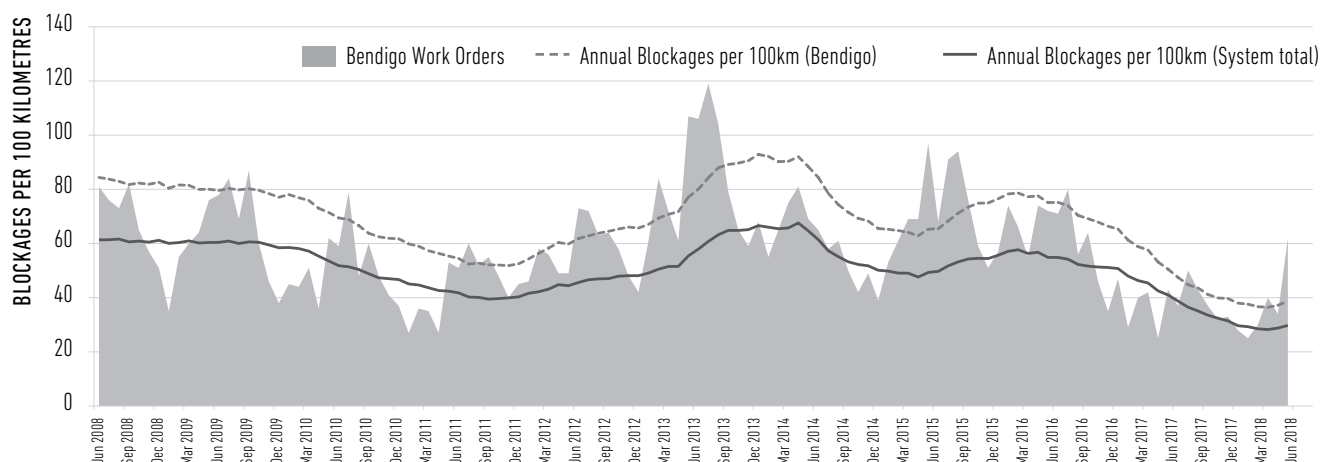
SEWER MAIN RENEWAL

Our program for sewer main condition assessment and renewal has continued this year, prioritised based on criticality (risk), age and structural condition.

We assessed and inspected around 2,000 sewer manholes and during the year and renewed a total of 99 sewer main sections which is equivalent to approximately 5.2 kilometres of sewer main.

Works included the relining of a 100 metre section of 750 millimetre sewer main in White Hills.

BLOCKAGE RATE CHART (BLOCKAGES PER 100 KILOMETRES)



ODOUR MANAGEMENT

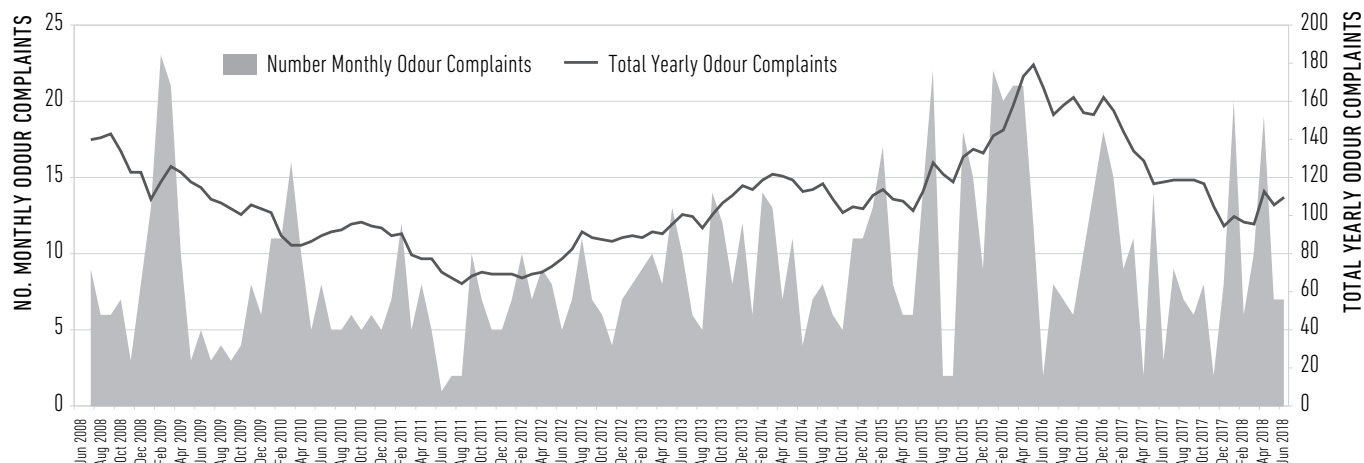
In 2017/18 we received 109 odour complaints, this is approximately 7 per cent less than 2016/17. Complaints were made up of approximately:

- › 4 per cent preventative and follow up conversations with customers regarding a previous complaint
- › 17 per cent identified as non-Coliban Water assets
- › 15 per cent could not be confirmed.

Odour complaints confirmed to be the result of a Coliban Water asset were made up of:

- › 32 per cent the result of blockages in the gravity sewer network or in house drains
- › 17 per cent from Sewer Pump Stations and rising mains
- › 6 per cent from Water Reclamation Plants.

ODOUR COMPLAINTS



TRADE WASTE

As part of our active program to maintain control of potential impacts on our wastewater network and Water Reclamation Plants (WRPs) from trade waste customers, we have:

- › Reviewed our trade waste customer classification system
- › Commenced a review of our trade waste prices
- › Conducted additional trade waste monitoring.

ODOUR AND CORROSION STRATEGY IMPLEMENTATION

We continued to operate and enhance our existing Odour and Corrosion Control Systems and monitor odour at critical sites within our sewer networks. During the year we have also:

- › Replaced corroding air valve fittings
- › Undertaken a liquid and gas sampling program
- › Assessed the condition of rising main outfalls
- › Installed 12 corrosion monitoring sites
- › Trialed Magnesium Hydroxide Liquid dosing in Echuca
- › Purchased new odour loggers
- › Rehabilitated 20 corroded sewer manholes
- › Installed a new odour control system in Cohuna

INFLOW AND INFILTRATION STRATEGY IMPLEMENTATION

The entry of stormwater and groundwater into the sewer systems is known as Inflow and Infiltration. Our sewerage network and Water Reclamation Plant's performance is impacted by the additional flows. During 2017/18 we have:

- › Continued flow monitoring
- › Undertaken sewer manhole rehabilitation
- › Installed alarming on 11 Emergency Relief Structures and 13 other manholes
- › Duplicated a gravity sewer main to reduce the likelihood of wet weather spills in Bendigo
- › Relined gravity sewer mains with some of the infiltration highest rates in the Kyneton system.

SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA) UPGRADES FOR SEWER NETWORK

SCADA upgrades have continued with the upgrade of an additional 47 Sewer Pump Stations (SPSs) this financial year. To date, a total of 159 SPSs have been upgraded. The upgrades bring higher quality data and greater control and operation of the site using the latest SCADA hardware on the market.

Works are ongoing for the development of a new SCADA Human Machine Interface (HMI) that models the sewer network, giving greater insight into the operation of the network. Sewer manhole level sensing has been implemented at 12 sites to monitor sewer network performance. Remote monitoring has been upgraded at 15 Emergency Relief Structures for early detection of potential spills.

PEOPLE AND DEVELOPMENT

WORKING AT COLIBAN WATER

OUR TRADEMARK BEHAVIOURS

Our trademark behaviours guide our interactions with each other, our customers and our stakeholders. Our trademark is:

- › **Trust** – the team and the people within Coliban Water
- › **Honesty** – always be honest, good or bad
- › **Unified** – one consistent message
- › **Committed** – do what it takes to achieve the outcomes

WORKFORCE INCLUSION

We are committed to providing a workplace that is inclusive, flexible, empowering and safe, where the diversity of our people is embraced. We have a rich cultural diversity with 14* per cent of our workforce not born in Australia and 10* per cent who speak languages other than English at home. With a focus on gender equity, our workforce demographics for females, has increased over the past year from 38 per cent to 41 per cent. In July 2017, a Leadership Team was established, with the now ten person Leadership Team comprising of equal representation of males and females. We also have strong gender equity in our Senior Management Team, with 44 per cent female representation. In 2017/18 we have continued to implement our *Diversity and Inclusion Policy and Action Plan*, including the implementation of a range of training initiatives to support diversity and inclusion.

Coliban Water is developing key performance indicators to measure performance against workforce inclusion metrics.

*Data based on demographics collected via 2018 People Matter Survey where staff participation rate was 85 per cent.

DEVELOPING OUR PEOPLE

Our commitment to delivering in-sourced education and professional development programs has continued this year, including a range of leadership, business skills and technical training.

Employees continue to actively participate in a range of professional development opportunities within the water industry and their areas of professional expertise.

In addition to providing role based training, we have continued to support employees to undertake accredited training and further study at undergraduate and postgraduate levels. We currently have staff working towards achieving Certificate Practising Accountants (CPA) and Chartered Professional Engineer qualifications.

We continue to build engineering talent within our organisation and the broader Water Industry through the continuation and expansion of our Graduate Program. The program involves graduate engineers rotating through up to nine different positions across the organisation. This allows Graduates commencing their career to build their skills and knowledge across a range of engineering areas and gain valuable experience. The program also includes an external placement and provides the opportunity for participants to work towards becoming a Chartered Professional Engineer.

Our corporate structure can be found on page 34.

WORKFORCE STATISTICS

		2018							2017						
		ALL EMPLOYEES		ONGOING			FIXED TERM AND CASUAL		ALL EMPLOYEES		ONGOING			FIXED TERM AND CASUAL	
		HEADCOUNT	FTE	FULL TIME HEADCOUNT	PART TIME HEADCOUNT	FTE	HEADCOUNT	FTE	HEADCOUNT	FTE	FULL TIME HEADCOUNT	PART TIME HEADCOUNT	FTE	HEADCOUNT	FTE
DEMOGRAPHIC DATA	Gender														
	Female	79	73	55	17	67	7	6	73	69	55	14	65	4	4
	Male	114	113	107	3	109	4	4	117	116	104	5	108	8	8
	Self-described	n	n	n	n	n	n	n	*	*	*	*	*	*	*
	Age														
	15-24	7	7	4	0	4	3	3	5	5	4	0	4	1	1
	25-34	49	48	44	3	46	2	2	47	47	40	2	42	5	5
	35-44	43	40	35	7	40	1	0	50	47	41	8	46	1	1
	45-54	68	66	58	7	63	3	3	59	58	51	5	55	3	3
CLASSIFICATION DATA	55-64	24	23	21	2	22	2	2	26	26	22	2	24	2	2
	65+	2	2	0	2	2	0	0	3	2	1	2	2	0	0
	Classification⁽ⁱⁱ⁾														
	Band 1	16	16	14	0	14	2	2	^	^	^	^	^	^	^
	Band 2	40	38	29	6	33	5	5	^	^	^	^	^	^	^
	Band 3	45	43	34	8	40	3	3	^	^	^	^	^	^	^
	Band 4	46	44	42	3	44	1	0	^	^	^	^	^	^	^
	Band 5	24	23	21	3	23	0	0	^	^	^	^	^	^	^
	Band 6	15	15	15	0	15	0	0	^	^	^	^	^	^	^
	Executives⁽ⁱⁱⁱ⁾														
	Executives ^(iv)	7	7	7	0	7	0	0	6	6	1	0	1	5	5
TOTAL EMPLOYEES		193	186	162	20	176	11	10	190	185	159	19	173	12	12

Notes:

- * Due to this being a new reporting requirement, this data was not reported in 2016/17
- n Denotes that not data has been collected
- ^ Due to changes in reporting requirements, this data was not reported in 2016/17
- (i) All figures reflect employment levels during the last full pay period in June each year

- (ii) Employees are classified as a Band 1 to 6 under the Coliban Water Enterprise Agreement 2017
- (iii) Executives refers to a person employed under a Government Sector Executive Remuneration Panel (GSERP) contract.
- (iv) Due to changes in reporting requirements Executives engaged on a standard GSERP contract are reported as ongoing employees in 2017/18.

Our employees have expertise and experience in a variety of disciplines including Engineering, Water Quality, Environmental Science, Project Management, Customer Support, Accounting, Economics, Human Resources, Corporate Communications, Governance and Risk, Information Technology and Administration.

SALARY ANALYSIS

Annualised total salary, by \$20,000 bands, for executives and other senior non-executive staff.

SALARY RANGES	SENIOR EMPLOYEES	EXECUTIVES
\$154,000 – \$173,999	6 [^]	3*
\$174,000 – \$193,999	0	2
\$194,000 – \$213,999	0	1
\$214,000 – \$233,999	0	0
\$234,000 – \$253,999	0	0
\$254,999 – \$273,999	0	1

Notes:

The salaries reported above is for the full financial year, at a 1 – FTE rate, and excludes superannuation.

The Senior employees and Executives included in the above table have annualised total salaries above the VPS Band 6 max as at 30 June 2018 of \$154,076.

*One Executive was employed on a part-time basis at a 0.8 FTE rate for seven months of the financial year.

[^]All senior employees reported in this salary range are reported in the Classification Band 6 of the Workforce Statistics.

EMPLOYEE RELATIONS

In May 2018 we implemented a new four year Enterprise Agreement. The *Coliban Water Enterprise Agreement 2017* provides the employment terms and conditions for most Coliban Water employees. The Enterprise Agreement includes new provisions for family violence leave and improved parental leave. A new Employee Consultative Committee that includes representatives from staff and management will be established to ensure the new Enterprise Agreement encourages and enables our workforce to achieve improved business performance. There was no time lost due to industrial issues or disputes during the year.

EMPLOYEE TRAINING AND DEVELOPMENT

All employees participate in our Performance Development Program (PDP). This process aligns individual expectations with business objectives and enables staff and managers to identify opportunities for training and professional development.

PROFESSIONAL DEVELOPMENT ACTIVITIES	2017/18	2016/17
Total training hours	5,067	6,188
Total training investment	\$671,614	\$644,342

MAJOR CHANGES

In November 2017 we undertook a restructure of our Service and Infrastructure Group to deliver better outcomes for our customers and stakeholders and align teams for high performance to deliver on our vision and purpose.

In May 2018 we undertook a restructure of our Finance and Pricing Group to enable opportunities for continued professional development, improve the work/life balance of staff and to align the structure to better deliver on business objectives and efficiency targets.

ATTRACTION AND RETENTION

We have adopted the Victorian Public Sector employment principles of:

- › Fair and reasonable treatment
- › Equal opportunity
- › Merit in employment
- › Reasonable avenue of redress against unfair and unreasonable treatment

These principles underpin our human resources policies and practice.

Employers must ensure that:

- › Decisions are based on merit
- › Employees are treated fairly and reasonably
- › Equal employment opportunity is provided
- › Reasonable avenues of redress against unfair or unreasonable treatment

Employees must:

- › Act with impartiality
- › Display integrity, including avoiding real or apparent conflicts of interest
- › Be accountable for their actions
- › Provide responsive service

We continue to actively promote our commitment to diversity and inclusion as part of our recruitment process and encourage people from a diverse range of backgrounds to apply. To further support a diverse workforce and contribute to an inclusive work environment we offer a range of flexible working arrangements.

Together with our business partners, we provide employment for around 280 people throughout the region.

OUR BUSINESS PARTNERS

On 1 July 2013 Coliban Water's new Operations and Maintenance Services Contract commenced. This contract was awarded to Lendlease Services Pty Ltd and was extended for a period of five years on 1 July 2017, with a further option of an additional five years. The scope of this contract includes operations and maintenance of water and wastewater assets in our region, excluding water treatment at Bendigo, Castlemaine and Kyneton, and wastewater treatment at Echuca and Rochester.

We also manage two public private partnerships:

AQUA 2000 – BENDIGO WATER SERVICES PTY LTD (BWS)

BWS is owned by Veolia Water Australia. The company owns and operates water treatment plants for Bendigo, Castlemaine and Kyneton areas under a 25 year Build Own Operate Transfer (BOOT) contract that started in June 2002.

CAMPASPE WATER RECLAMATION SCHEME – ETE COLIBAN PTY LTD (ETEC)

ETEC is owned by Pentair Water Operations Australia Pty Ltd. The company owns and operates the Echuca and Rochester Water Reclamation Plants under a 25 year Build Own Operate Transfer (BOOT) contract that commenced in September 2004.

We also have a joint venture with Central Highlands Water (CHW) to operate and maintain the Goldfields Superpipe, constructed from Colbinabbin – Bendigo – Ballarat in 2007/08. Veolia Water is contracted to operate the Superpipe on the joint venture's behalf.

ENVIRONMENT AND SUSTAINABILITY

We are committed to being an active leader in sustainability performance across our region.

Our operations is underpinned by our certified Environmental Management System which ensures and maintains our commitment to environmental sustainability. The delivery of positive environmental outcomes is what we strive for and work to and manage any impacts associated with our activities.

We actively engage the stakeholders within our region Department of Environment, Land, Water and Planning (DELWP), Environment Protection Authority (EPA), North Central Catchment Management Authority (North Central CMA), Goulburn-Murray Water (G-MW), Parks Victoria, traditional land owners and the nine local government areas covering our region.

Key initiatives for the year includes:

- › Delivering the Energy and Carbon Management Strategy
- › Developing and submitting a Carbon Reduction Pledge in response to a Victorian Government policy
- › Promotion and support of Integrated Water initiatives in the region, including active participation in the Coliban Integrated Water Forums.

SUSTAINABLE WATER USE

We are continuing to manage for sustainable water use across our region. In March 2017, we developed our *Urban Water Strategy 2017* (UWS). The UWS uses climate and population growth projections provided by DELWP. The climate baselines were based on the guidance notes prepared by DELWP. The baselines confirm a reduction in rainfall and a significant reduction in inflow. We manage our water resources consistent with the *Annual Water Outlook and Annual Operating Plan*, as well as relevant operational plans, prepared at the commencement of each financial year and finalised by the end of November. The objective is to ensure that water is appropriately stored for future years and to minimise the risk of restrictions being imposed.

Likewise, our water allocation accounts with external water storage managers are managed to ensure the long term sustainability of our water supplies.

Our water supply leak detection and water mains replacement program continues, as does the program to minimise the loss of water at water treatment plants, including the implementation of backwash water recycling.

SUSTAINABLE AND RESILIENT WATER SERVICES SYSTEMS

The Harcourt Rural Pipe System continued successful operation during the 2017/18 irrigation season. This project is part of our broader rural services efficiency program. We continue to investigate alternative options including potential piping to reduce leakage and inefficiencies from our rural system. Decommissioning may be considered as an appropriate solution in some circumstances.

We supported the Victorian Government's Bendigo Groundwater Project to minimise impacts and maximise benefits of Bendigo's rising groundwater. Works for the interim solution were completed and treated water production commenced in August 2017. We continue to work with developers and other stakeholders to investigate options for integrated provisioning of water and wastewater services to ensure sustainable and resilient water services systems.

In 2016, we provided \$75K of funding to the North Central CMA to undertake environmental improvement works along Long Gully

Creek, as a result of a Magistrate's ruling in relation to a 2013 sewer spill to Long Gully Creek that was our responsibility. The North Central CMA engaged Dja Dja Wurrung to implement the works through their Wanyarram Dhelek partnership, delivering a project rich in environmental values and in stream habitat creation. Further to these works, during 2017/18, we provided additional funding to complete follow-up weed management and watering of the revegetation works in order to improve plant survival rates through the 2017/18 summer period, and to maximise the value of the initial environmental investment.

INTEGRATED WATER MANAGEMENT

Following the release of the *State Government Integrated Water Management Framework for Victoria* in 2017, we have been working with the department to establish the Coliban Integrated Water Forum. The forum was initially chaired by Mick Bourke and involves representatives from all nine councils, North Central CMA, Local DELWP, Victorian Planning Authority, GMW, GWM Water and Dja Dja Wurrung. Jeff Rigby stepped in as interim chair in early 2018.

The forum has identified project opportunities for the region that can deliver on a number of integrated water objectives. A key deliverable is the development of a Strategic Directions Statement which establishes the direction and focus of the forum.

As part of a national first we have partnered with the CRC for Water Sensitive Cities (Monash University) and the City of Greater Bendigo (CoGB) to develop the *Vision and Transition Strategy for a Water Sensitive Bendigo*. The project commenced in late 2017 and successfully delivered the strategy in June 2018. The strategy outlines the broad steps Bendigo should take to enable a transition toward a water sensitive city. It is the outcome of nine months research, analysis and engagement with 31 community champions and 47 leading thinkers from across water, planning, development and the environment in Bendigo.

We continue to work with all nine councils across the region with the development of innovative solutions for integrated water management. We also completed master plans for the water treatment plants and water reclamation plants, giving us comprehensive long term plans and a detailed overview of infrastructure augmentation requirements for the next 25 years.

BIODIVERSITY

Many of the sites we manage support important and rare native species and ecological communities. Our Threatened Biodiversity Register includes 23 threatened plant and 29 threatened fauna species.

Recognising the need to minimise our impact on biodiversity and native vegetation through delivery of our operational activities and projects, we have been actively contributing to the implementation of the *Victoria's Biodiversity Strategy – Protecting Victoria's Environment – Biodiversity 2037*, through participation at regional forums and events, as well as implementing the recently released, revised *Native Vegetation Regulations* throughout the business.

Biodiversity protection and conservation continues to be considered through both capital works planning and approval processes and in the planning of operational tasks across the organisation. At the Bendigo Water Reclamation Plant, implementation of a *Site Environmental Works Plan* to mitigate potential impacts of a large dam decommissioning on the federally listed Growling Grass Frog (*Litoria raniformis*) has also facilitated enhanced protection of other native species. Exclusion fencing required through the Plan to protect core habitat areas has significantly aided regeneration of Whirrakee Wattle (*Acacia williamsonii*) and other native flora at the site.

The installation of exclusion fencing around the federally listed vegetation community Grey Box (*Eucalyptus microcarpa*), Grassy Woodlands and derived Native Grasslands of South-eastern Australia, at Korong Vale Water Treatment Plant will assist in preventing operational activities inadvertently impacting on the vegetation community. Modification to other existing fencing has also enhanced wildlife movement opportunities.

Implementation of three year land rehabilitation plans developed and implemented as part of the Coliban Main Channel Renewals project and at Castlemaine Water Reclamation Plant, has continued with a focus on revegetation using local indigenous species. Tough climatic conditions during the last year have impacted on seed germination and seedling establishment, however a high proportion of seedlings have survived at all sites. We consult with adjoining Landcare groups and landowners to ensure these works are complementary to works already being implemented and will deliver the best possible habitat outcome for native fauna whilst working in with operational constraints.

LAND AND CATCHMENT MANAGEMENT

Our catchments and operational areas are closely managed to ensure we monitor our land for fire and tree hazards, manage our pest plant obligations, whilst also protecting water quality in our storages. We also work to enhance river health and support biodiversity across our lands and catchments. Further to this, we give consideration to the principles set out in the *Regional Catchment Strategy*, *Victorian Waterway Management Strategy* and the *State Environmental Protection Policy (SEPP)*.

As part of our pest plant management programs, we continued to manage land around the Malmsbury, Lauriston and Upper Coliban Reservoirs, as well as along our rural channel network and around our minor storages. This program focusses on invasive terrestrial weeds, such as Gorse, Patterson's Curse and Blackberries, that impact on adjoining landowners and natural environments. The program also controls aquatic weeds, such as nut-grass and umbrella sedge, on earthen channels, which can restrict flows to our customers. Over the last year we have consolidated an extensive pest plant control program undertaken on the Coliban Main Channel in 2016/17, through follow up activities, across more than 40 hectares of land. A further 250 hectares of land surrounding the main Reservoirs has received pest plant control via chemical foliar spray or mechanical grooming.

Through our fire hazard management programs, we take a proactive approach to reducing fuel loads to minimise risks to adjacent landowners' high value assets, as well as public areas. We also continue to undertake a tree hazard management program to reduce risks to staff, public and assets at our Coliban River Reservoirs, and across our various land assets. We engage specialist consultants and contractors to assess and prune trees to minimise the risk of limb shedding and retain habitat for fauna wherever possible. Tree hazard management has been a significant area of focus during 2017/18, following summer storms, which caused extensive tree damage throughout central Victoria.

After completing the Pines Removal Project, rehabilitation of nine harvested stands in recreational and visitor areas has continued. During 2017/18 areas closed to the public at Malmsbury and Lauriston Reservoirs reopened, with significant progress also made towards reopening areas at the Upper Coliban Reservoir. Rehabilitation efforts, including revegetation, pest plant and Pine wildling control, and access track enhancement, will continue into the near future to ensure restoration provides enjoyable visitor experiences and meets community expectations.

Since the release in February 2015 of our *Drinking Water Storages and Land Management Plan*, 20 Catchment Works Agreements have been entered into with adjoining landowners, effectively removing stock access from adjoining private property to raw water supplies around the Malmsbury and Upper Coliban Reservoirs.

Achievements under these agreements include around 27 kilometres of fencing and approximately \$146K in off storage watering incentives at Malmsbury, Lauriston and Upper Coliban Reservoirs. We are continuing to negotiate with landowners adjoining Lauriston Reservoir to complete fencing to minimise risks to water quality. In order to achieve this, we explored creating a Landowner Reference Group to assist with the process and support informed decision-making around land management issues.

Additional notable achievements which have occurred since release of the Plan include:

- › Commencement of revegetation works of foreshore lands at Malmsbury Reservoir and Upper Coliban Reservoir, now that livestock exclusion fencing has been completed
- › Development and implementation of a signage strategy at recreational areas adjoining the Coliban River Reservoirs to deliver enhanced visitor experiences
- › Work with partner agencies and the Upper Campaspe Landcare Network to support the delivery of land and property planning workshops.

CATCHMENT PLANNING AND PROTECTION

We are responsible for providing statutory and strategic land use planning engagement with municipalities where sewerage is not connected, and we are a determining referral authority under section 55 of the *Planning and Environment Act 1987*. As part of our role in declared water supply catchments, we provided responses to planning permit applications referred to us by local government under clause 66.02-5 – '*Special Water Supply Catchment*' of the *Victorian Planning Provisions* and relevant municipal planning schemes.

Our responses provide support to local government, by recommending conditions to applications for the use and development of privately-owned land in open water supply catchments, so as to ensure minimal impacts on the quality and quantity of water available to the environment and for use in water supply to the townships that we service. On occasions, we have also objected to the issuing of a planning permit, where we consider there is potential for adverse impacts.

The Memorandum of Understanding (MoU) between Coliban Water and the North Central Catchment Management Authority (North Central CMA), which was originally signed by the two organisations in late 2015 was reviewed and renewed in 2018 for a further two years. The MoU enables the protection and/or enhancement of the beneficial uses of catchment areas and the environment, with a focus on risks to water security from climate change and land-use change. A key action outlined in the MoU addendum Action Plan was the continued development and implementation of the *Upper Coliban Catchment Integrated Catchment Management Plan*.

UPPER COLIBAN INTEGRATED CATCHMENT MANAGEMENT PLAN

The *Upper Coliban Catchment Integrated Catchment Management Plan (ICMP)* was developed from work that commenced in 2015/16, in response to various threats facing the Upper Coliban catchment. Through active participation by range a stakeholders, including landholders within the catchment, local Landcare groups, local and Victorian government agencies, and Goulburn-Murray Water, the *ICMP* is a comprehensive analysis of the benefits and costs of protecting and enhancing the Upper Coliban catchment.

The *ICMP* will enable provision of a safe and secure water supply for communities in central and northern Victoria, along with enhanced river, biodiversity and catchment health outcomes. The Plan has a 20 year horizon and has been developed around three specific, measurable, achievable, realistic and time-bound goals which address future development pressures, waterway protection and habitat connectivity goals.

The Plan involves a range of on-ground actions (stock exclusion from waterways, riparian regeneration and revegetation, willow removal) and additional municipal planning scheme amendments through the development of Environmental Significance Overlays to protect raw water supplies. In addition, it proposes supporting community education, extension and compliance activities. A parallel program of research and monitoring will help fill knowledge gaps and assess the effectiveness and efficiency of implementation.

The *ICMP* was included as part of our *Pricing Submission (PS18)* to the Essential Services Commission (ESC) in September 2017 and will be delivered through an operational plan, which will be jointly managed by ourselves and the North Central CMA. The delivery of catchments works through partnerships between water corporations and catchment management authorities is a key element of the *Our Catchments, Our Communities* policy framework, which is a state-wide strategy for integrated catchment management in Victoria.

Discussions have been had with Dja Dja Wurrung Enterprises (DDW Enterprises), following the completion of an Aboriginal Waterways Assessment (AWA) in the Upper Coliban Catchment area, regarding opportunities for DDW Enterprises to engage, partner and support AWA outcomes within the *ICMP* implementation program. The tool used to conduct AWAs was developed by the Murray Darling Basin Authority to help Traditional Owner groups assess the cultural health of waterways, in order assist them to participate in the planning and management of waterways, and develop culturally-informed management objectives.

STATE ENVIRONMENTAL PROTECTION POLICY (SEPP) (WATERS) REVIEW

During 2017/18 we continued to participate through the Victorian Water Industry Association (VicWater) on industry-wide engagement on the State Environment Protection Policy (SEPP) (Waters) review. The draft SEPP (Waters) document was released for public review in mid-2018, and the finalised policy document is expected to be released in either late 2018 or early 2019.

ENVIRONMENT PROTECTION AUTHORITY (EPA) CORPORATE LICENCE AND COMPLIANCE

Planning for projects that will increase the service and performance capacities at our water reclamation plants (WRP) continued through 2017/18, and specific funding has been allocated to undertake various works to address EPA Licence compliance issues at our Heathcote and Kyneton WRPs.

In addition to this project planning, we have investigated two innovative options to assist in improving WRP capacity and performance; these being environmental offsets and water treatment plant (WTP) supernatant environmental discharge.

A proposal has been developed, and is under internal consideration, for the implementation of environmental offsets for the Kyneton WRP via the funding of an extension to the North Central CMA's Caring for Campaspe Project. The North Central CMA project scope includes invasive willow removal, stock fencing, off-stream watering and native riparian revegetation, resulting in increased waterway health and biodiversity. By funding sites in the Kyneton area, we can potentially offset contaminant discharges from the Kyneton WRP in order to achieve compliance until such time that infrastructure upgrades are completed; the estimated timeframe for the completion of these upgrades is 2023.

We are also preparing to submit a proposal to the EPA for approval for supernatant environmental discharges, following six months of monitoring and internal data review. In summary, the proposal is to seek approval to discharge supernatant water from our WTPs that would otherwise be discharged to the sewer system to local waterways, as a form of additional flow to the waterway.

The results of the internal review indicate that at several locations there is minimal risk of water quality or environmental impacts. The implementation of supernatant environmental discharges maximises the beneficial uses of WTP process water, increases WTP resource use efficiency, and, in many cases, increases the life of sewer network and WRP treatment infrastructure by removing WTP process water and other flows from the sewer system.

Additionally, we have increased maintenance activities on our sewer networks, resulting in improved performance and a significant reduction in dry weather sewer spills to the environment.

ENVIRONMENTAL COMPLIANCE

We manage sewage treatment services at 14 Water Reclamation Plants (WRPs), 12 of which were regulated in 2017/18 under EPA amalgamated Licence 74405. A further two WRPs are managed by contractors operating under Build Own Operate Transfer (BOOT) schemes.

In 2017/18, the Bendigo Groundwater Treatment Plant, located at the New Moon mine site in Sailor's Gully, began operation and was added to our amalgamated Licence 74405.

Our 2017/18 Annual Performance Statement (APS) to the EPA will report that licence compliance was achieved at eight WRPs, with seven non-compliances being recorded in relation to the Bendigo WRP, Kyneton WRP, Cohuna WRP and Heathcote WRP. A summary of the seven non-compliances is listed below.

REQUIREMENT	LOCATION	DATE	DESCRIPTION
LI_G1 LI_DL1	Cohuna WRP	01/07/2017	Discharge to groundwater resulting in impacts to neighbouring property
LI_G1 DW_2.8	Heathcote WRP	11/07/2017	Non-compliant discharge to McIvor Creek due to capacity constraints; discharge beyond premises boundary via spillway erosion
LI_A1	Bendigo WRP	14/02/2018	Offensive odours emitted from Winter Storage Brine Lagoon
LI_A1	Heathcote WRP	04/04/2018	Offensive odours emitted from Lagoon 1 due to aerator failure
LI_A1	Bendigo WRP	08/04/2018	Offensive odours emitted from Winter Storage Brine Lagoon
LI_G1 LI_DW2	Kyneton WRP	28/05/2018	Discharge water quality parameters exceeded median requirements
LI_G1 LI_DW2.10	Kyneton WRP	31/05/2018	Discharge ratio of 1:5 exceeded

During 2017/18, in accordance with EPA's notification protocol, the EPA was notified of 14 high priority sewer spills from our sewer catchment systems. This is an improvement on the 22 high priority sewer spills that were reported in 2016/17. In such cases, we provide immediate response and priority clean-up, particularly in areas of unrestricted public access or sensitive land uses. Our Operations and Maintenance operational partner utilises standard operating procedures to respond to high priority sewer spills that are designed to protect public health and minimise the environmental impact of spills.

ENERGY AND CARBON MANAGEMENT

The development of our *Energy and Carbon Management Strategy* has been a key strategic focus for the corporation. We aim to minimise our impact on the environment through the reduction of carbon emissions and to reduce operational costs associated with the purchase of grid electricity.

We continue to strengthen our approach to energy management through a 'portfolio' approach that encompasses procurement, demand management, renewable generation and energy efficiency.

We will reduce our carbon emissions by 13 per cent to our pledged target 29,304 tonnes CO₂-e in 2024/25, against the baseline of 33,604 tonnes CO₂.

In addition to this 4,300 tonnes CO₂-e, reduction, we have a further 'stretch' target to reduce emissions by an additional 8,000 tonnes CO₂-e.

To this end, we are among the 13 Victorian water corporations that have been participating in the development of the sector's proposed Large Scale Renewable Energy initiative.

We have been responsive to community energy security needs. We are participating in the combined Australian Energy Market Operator (AEMO)/ Australian Renewable Energy Agency (ARENA) Demand Management Program and Frequency Control Ancillary Services Program. This initiative is contributing to grid stability, as well as providing options for energy management across the business.

To increase energy understanding across our asset base, we are participating in a number of industry-wide energy projects, which includes sub-metering and developing training materials to assist staff.

GREENHOUSE GAS EMISSIONS AND NET ENERGY CONSUMPTION

PERFORMANCE INDICATOR	TONNES CO ₂ -EQ			VARIANCE (%)	COMMENTARY (INTERIM TARGETS ARE RELATED TO THE BASELINE)
	BASELINE	2017/18 TARGET	2017/18 RESULT		
Water Treatment and Supply	8,936	8,936	5,220	-41.6	The Goldfields Superpipe has not been operational in 2017/18
Sewerage Treatment and Management	23,019	23,019	22,369	-2.8	Sewerage related electricity has reduced slightly due to lower treated volumes
Transport	980	980	792	-19.2	Operations and maintenance fuel usage has decreased
Other	669	669	517	-22.8	Compared to the baseline usage not all office space has been utilised compared to previous years
Offsets	0	0	0	0.0	Not applicable
Total	33,604	33,604	28,897		

PERFORMANCE INDICATOR	(A) TOTAL ENERGY USE (MWH)	RENEWABLE ENERGY USE (MWH)							(I) RENEWABLE ENERGY USE (%) ((H)/(A)) *100	RENEWABLE ENERGY GENERATED FOR EXPORT (MWH)	RENEWABLE ENERGY USE TARGET (%)	COMMENTARY
		(B) SOLAR PANELS	(C) HYDRO- ELECTRIC	(D) WIND POWER	(E) BIOGAS	(F) GREEN- POWER	(G) OTHER	(H) TOTAL				
Water Treatment and Supply	4,833.0	—	—	—	—	—	—	—	0		N/A	30kW System at Korong Vale. Data will be available for 2018/19
Sewerage Treatment and Management	18,348.7	—	—	—	—	—	—	—	0		N/A	
Other (office, workshops, depots etc)	478.4	—	—	—	—	—	—	—	0		N/A	
Total	23,660.0	—	—	—	—	—	—	—	0		N/A	

ENERGY GENERATED OR EXPORTED

At the end of June 2016, we installed our first solar panels (Photovoltaic Energy System) at our Korong Vale Water Treatment Plant. The 30 kilowatt system has led to a 50 per cent reduction in grid electricity consumption at the plant.

We did not create, sell or surrender Renewable Energy Certificates (RECs) during the reporting period.

CORPORATE WATER CONSUMPTION

At our Bendigo head office, we consumed 4.8 kilolitres per year per Full-Time Equivalent (FTE) staff member working.

HEAD OFFICE WATER CONSUMPTION	2017/18	2016/17	2015/16
Total water consumption (kilolitres)	890	777	732
Full-time equivalent (FTE) staff	186	185	187.17
Volume per FTE (kilolitres)	4.8	4.2	3.91

Total water consumption applies to 30 & 37-45 Bridge Street Bendigo

SOCIAL SUSTAINABILITY

MANAGEMENT OF SOCIAL AND ECONOMIC IMPACTS

We have a *Coliban Assist Program (CAP)* which was developed to identify and assist customers in genuine financial hardship. Engagement with welfare agencies in our region to seek their input helps us to assess and develop our program. We are committed to ensuring our program is relevant and effective for our customers and to do this we actively maintain and build continual relationships with welfare agencies in and around our region.

Our payment arrangement process is in place to continue to assist customers. We accepted 8,570 requests for payment arrangements from customers this financial year. This is lower than last year's total of 9,362 which is attributed to our continued focus of entering into long term sustainable arrangements with customers.

We understand that every customer's situation is different and we work with our customers to empower them to select the most appropriate option whilst setting up their payment arrangement that suits their circumstances and capacity to pay. Our CAP is committed to assisting and supporting our customers through financial difficulties and protecting those customers that are victims of family violence.

In September 2017, we submitted our *Pricing Submission 2018* to the Essential Services Commission which included more assistance and support to vulnerable customers that may have difficulty paying bills. This included an additional \$0.4 million over five years.

COMMUNITY REBATES PROGRAM

This year we commenced a joint initiative with the Victorian Government to assist low income and vulnerable customers to better understand their water usage through undertaking a water audit. This water audit assists customers to reduce water bills by supporting them to be more efficient and sustainable in their consumption of their water resource. A key element of the program is educating and empowering vulnerable and hardship customers so they can control their current and future water use through better understanding their water usage. Assistance is also provided by repairing leaks by a registered plumber at no cost to eligible customers. This program has assisted 50 customers at a total cost of \$23,664.

COMMUNITY SERVICE OBLIGATIONS

The Victorian Government makes available concessions and rebates for eligible customers within our region. The table below summarises the value of concessions and rebates we have processed over the past three years. Eligible concession holders are provided a 50 per cent deduction off the water and sewerage charges up to a maximum of \$313.10 per annum. If a household is billed for water usage only, the concession is capped at a maximum of \$156.55 per annum. This year the concession increased by \$7.60. We have approximately 21,780 customers in our region who are eligible for this payment.

The Utility Relief Grant (URGs) support eligible customers who are unable to pay their account due to a temporary financial crisis. Over the past 12 months we have continued our focus on actively providing information to eligible customers with regard to the URG.

The *Essential Services Commission's 2016/17 Performance Report of all Water Entities* noted Coliban Water as again having the highest uptake of URGs per 1,000 customers in Victoria. We are pleased that we have been able to maintain this assistance to customers again in 2017/18.

CONCESSIONS AND REBATES	2017/18	2016/17	2015/16
Not for profit rebates	\$425,035	\$416,525	\$372,355
Pension concession	\$5,721,023	\$5,617,845	\$5,438,061
Utility Relief Grants	\$148,675	\$251,494	\$209,814
Water concession:			
Life support machines and haemodialysis	\$162	\$221	\$33
Hardship relief grant scheme (Coliban Assist Program)	\$76,099	\$137,408	\$79,795
Community Rebates Program	\$23,664	N/A*	N/A*

*We commenced the joint initiative in 2017/18

GOVERNANCE AND RISK

BOARD RESPONSIBILITIES

Our Board comprises nine Directors, eight Non-Executive Directors that are appointed by the Victorian Minister for Water, and a Managing Director appointed by the Board.

The Board is responsible for the overall strategy and corporate governance of the business, which includes:

- › setting the strategic direction for the business
- › monitoring the performance of the business against objectives and targets
- › monitoring the strategic risks of the business
- › setting the executive remuneration policy.

The Board also establishes policies and procedures to ensure we meet all of our regulatory and legal responsibilities.

A Statement of Obligations outlining the service, accountability and reporting obligations of our Board is available from our website.

The Board meets formally, and convenes informally as required to discuss specific issues and projects.

Andrew Cairns and April Merrick ceased their appointments on the Board in 30 September 2017.

Nigel McGuckian and Helen Symes commenced their appointment to the Board on 1 October 2017.

Lucy Roffey, Marika McMahon and Robert (Bob) Cameron were all reappointed to the Board on 1 October 2017. Lucy Roffey was appointed as Chairperson from 1 October 2017. Nigel McGuckian was appointed as Deputy Chairperson on 20 October 2017.

BOARD DIRECTORS AS AT 30 JUNE 2018

CHAIRPERSON

LUCY ROFFEY

B Com, Grad Dip Mngt, GAICD, FCA

Lucy Roffey was appointed to the Board on 1 October 2015, and was appointed as Chairperson on 1 October 2017. Ms Roffey is Chief Executive Officer of Goldfields Shire Council. She was previously Chief Executive Officer of Buloke Shire Council and has held other executive roles in Local and State Government.

Ms Roffey's expertise includes Finance and Corporate Governance, Strategic Planning, Stakeholder Management and Commercial Operation. Ms Roffey is a member of Chartered Accountants Australia and New Zealand's Public Sector Panel and the Victorian Inclusion and Diversity Group.

DEPUTY CHAIRPERSON

NIGEL MCGUCKIAN

B. Ag. Science (Hons), Grad Dip Education, FAICD

Mr McGuckian is Chair of the Loddon Campaspe Regional Partnership, and the Otis Foundation. He was a cofounder of RM Consulting Group – an environmental and agricultural consulting business and worked as a consultant with the business for 28 years. Mr McGuckian has a broad range of experience in agriculture, environment, economics and community development.

MANAGING DIRECTOR

JEFF RIGBY

BEng (Civil), MEngSc, MBA, CPEng, FIEAust, EngExec, NER, FAICD, FGIA, FCIS, MIPAA

Jeff Rigby was appointed by the Board and commenced at Coliban Water in December 2011.

Mr Rigby has 34 years of experience working in the water industry in regional Victoria. He was the Managing Director of Grampians Wimmera Mallee Water from 2007 prior to joining Coliban Water.

Mr Rigby is a Board Director of the national peak body for the urban water sector, the Water Services Association of Australia, representing the Association's regional water utility members. Since 2017, he has been a Board Director of VicWater, the State association for the water utility sector. Mr Rigby also serves as a Board Director of Castlemaine Health, a regional public hospital.

Mr Rigby is a chartered professional engineering executive and chartered secretary.

ROWAN O'HAGAN

B AgSc (Hons), M AgSc, MAcc, PhD, FAICD

Dr Rowan O'Hagan was appointed to the Board on 1 October 2015. Dr O'Hagan was a Director of North East Water from 2011 to 2015. She is also a Member of Charles Sturt University Council. Dr O'Hagan is the Principal of Rowan O'Hagan Consulting and the National Manager of the Australian Pork Industry Benchmarking Project.

MARIKA MCMAHON

BA, LLB

Marika McMahon was appointed to the Board on 1 October 2015. Ms McMahon is a lawyer (Accredited Family Law Specialist) and Director of O'Farrell Robertson McMahon. Marika is the Chair of Be.Bendigo and was previously a board member at at Bendigo Health, Rural Ambulance Victoria and Ambulance Victoria.

BOB CAMERON

LLB FAICD

Bob Cameron was appointed to the Board on 1 October 2015. Mr Cameron is a Bendigo lawyer. He was a Victorian Cabinet Minister for 11 years, holding portfolios of Local Government, Workcover, TAC, Agriculture, Police, Emergency Services and Corrections.



DAVID RICHARDSON

BA, MBA, GAICD

David Richardson was appointed to the Board in May 2014.

Mr Richardson has extensive experience in strengthening engagement with industry, government and the community and has held a wide number of executive management roles.

Mr Richardson is the Partnerships Manager for Deakin University Bendigo and was Chief Executive Officer of Strategem Financial Group (2007–16). Mr Richardson is an Independent Director of Victorian Chamber of Commerce & Industry (2016–present), CVGT Australia Pty Ltd (2016–present) and is a member of the Victorian Government's Regional Partnership for Loddon Campaspe (2016–present).

Mr Richardson holds a Bachelor of Arts, a Masters of Business Administration and is a Diploma graduate of the Australian Institute of Company Directors program.

WILLIAM (BILL) O'NEIL

BA (Urban and Regional Studies), MAICD

William O'Neil was appointed to the Board on 1 October 2015.

Mr O'Neil is the owner and Director of O'Neil Pollock and Associates Pty Ltd, a sole practitioner town planning and regional economic development consulting firm based in Harcourt. In addition to his consulting business Mr O'Neil is a Senior Sessional Member with Planning Panels Victoria.

Mr O'Neil is a Director of Loddon Mallee Housing Services (trading as Haven; Home, Safe), Bendigo Affordable Housing Company Ltd, Mount View Properties (VIC) Pty Ltd and WOMP Pty Ltd.

He served three terms as a Director on the Board of the Bendigo Health Care Group (2007 – 2015).

HELEN SYMES

BBus (Accounting), Dip Financial Planning, CPA

Helen Symes was appointed to the Board on 1 October 2017.

Helen is a Certified Practising Accountant and has over 25 years of diverse accounting experience across corporate agriculture, healthcare, emergency services, media and public practice. She has held senior finance roles for both private and Government organisations, including Ambulance Service Victoria, Warakirri Pty Ltd, and Wimmera Health Care Group. She is also a partner in a dryland farming business. Helen was the Independent External Member on the Audit, Governance and Risk Committee for GWMWater from 2016 to 2017.

COMMITTEES OF THE BOARD

Committees of the Board are established to provide advice to Management and recommendations to the Board within their delegated areas of responsibility. Each committee has a charter detailing its role and responsibilities consistent with best practice corporate governance principles.

AUDIT COMMITTEE

The Audit Committee meets quarterly and at other times as required. It is responsible for making recommendations to the Board on matters including:

- › Oversight of annual budgeting and forecasting processes
- › Financial accounts and external reporting
- › Audit activities (internal and external)
- › Key financial policies and systems of internal control.

From 1 July 2017 until 30 September 2017 members of the committee were Rowan O'Hagan (Chair), Lucy Roffey, Bill O'Neil and David Richardson.

From 1 October 2017 until 30 June 2018 members of the committee were Rowan O'Hagan (Chair), Bill O'Neil, Helen Symes, David Richardson and Bob Cameron.

All committee members are independent.

RISK AND COMMUNITY COMMITTEE

The Risk and Community Committee is responsible for:

- › Risk management framework, systems and performance
- › Asset management system and performance against objectives
- › Customer engagement including advice on key initiatives and projects
- › Stakeholder engagement including the health and performance of key relationships.

From 1 July 2017 until 30 September 2017 members of the committee were Bob Cameron (Chair), Marika McMahon and April Merrick.

From 1 October 2017 until 30 June 2018 members of the committee were Bob Cameron (Chair), Marika McMahon, Helen Symes, Bill O'Neil and Nigel McGuckian.

All committee members are independent.

PEOPLE AND REMUNERATION COMMITTEE

The People and Remuneration Committee meets on at least two occasions per year, and is responsible for making recommendations to the Board on:

- › Managing Director's performance objectives and assessment
- › Succession planning for the Managing Director
- › Executive remuneration (compliance and benchmarking)
- › Diversity strategy and targets
- › Contemporary workplace of choice
- › Health, safety and wellbeing culture.

From 1 July 2017 until 30 September 2017 members of the committee were Andrew Cairns (Chair), April Merrick and Lucy Roffey.

From 1 October 2017 until 30 June 2018 members of the committee were Lucy Roffey (Chair), Marika McMahon, David Richardson and Nigel McGuckian.

All committee members are independent.

As a public sector organisation, it is important that we promote and instill a culture of openness, transparency and good governance.

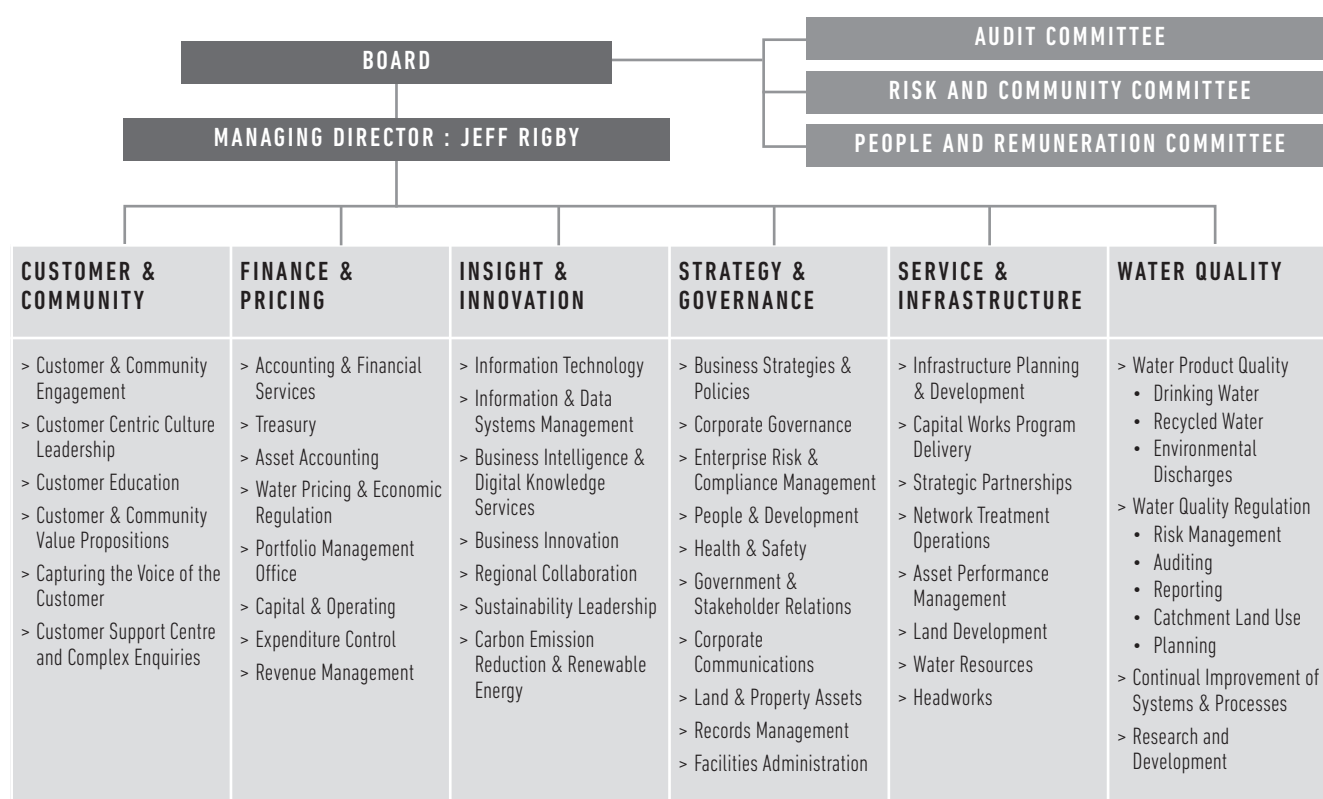
BOARD AND COMMITTEE MEETINGS	BOARD OF DIRECTORS		AUDIT		RISK AND COMMUNITY		PEOPLE & REMUNERATION	
			COMMITTEE		COMMITTEE		COMMITTEE	
DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
Andrew Cairns ⁽¹⁾	5	5	—	—	—	—	1	1
Jeff Rigby	12	12	—	—	—	—	—	—
April Merrick ⁽¹⁾	5	5	—	—	2	2	1	1
David Richardson	12	12	5	5	—	—	4	4
Bob Cameron	12	11	3	3	5	5	—	—
Marika McMahon	12	12	—	—	5	3	3	3
William (Bill) O'Neil	12	9	5	4	3	3	—	—
Rowan O'Hagan	12	12	5	5	—	—	—	—
Lucy Roffey	12	12	2	2	—	—	4	4
Helen Symes ⁽²⁾	7	7	3	3	3	3	—	—
Nigel McGuckian ⁽²⁾	7	7	—	—	3	3	3	3

Note: The number of meetings includes ordinary meetings, special meetings and resolutions outside of meetings.

1. Term ceased 30 September 2017

2. Term commenced 1 October 2017

CORPORATE STRUCTURE



LEADERSHIP TEAM

Customer and Community

Kerry Noonan

General Manager Customer Experience and Community Relations

Strategy and Governance

Roslyn Wai

General Manager Corporate Strategy and Governance (Corporate Secretary)

Finance and Pricing

Peter Leersen

General Manager Finance and Pricing (Chief Financial Officer)

Policy, Risk and Compliance

Jude Holt

Manager Governance

Information, Digital and Cyber

Amanda Finnis

Manager Information and Systems

Insight and Innovation

Jon Anstey

General Manager Insight and Innovation

People and Safety

Gretel Bowman-Farr

Manager People and Development

Service and Infrastructure

Neville Pearce

General Manager Service Delivery and Infrastructure (Chief Operating Officer)

Water Quality

David Sheehan

General Manager Water Quality Performance and Regulation

FINANCIAL MANAGEMENT COMPLIANCE ATTESTATION STATEMENT

I, Lucy Roffey, on behalf of the Board, certify that the Coliban Region Water Corporation has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



LUCY ROFFEY, CHAIRPERSON

Date: 24 August 2018

OUR EMERGENCY MANAGEMENT SYSTEM

Coliban Water emergency management systems provides a consistent framework for managing all types of hazards and incidents.

Coliban Water actively participates to build community resilience through discussing and addressing vulnerabilities and operational interdependencies at municipal and regional emergency management planning committee meetings where Coliban Water's has asset located.

At a state and national level Coliban Water also participates in two water network groups to build sector-wide resilience, they are the: Security & Continuity Network, facilitated by the Department Environment, Land, Water and Planning (DELWP); Water Sector Services Group facilitated by the Attorney Generals Department.

In the past 12 months Coliban Water has validated its readiness by undertaking emergency management exercises that test our policies, procedures and the competency of staff.

HEALTH, SAFETY AND WELLBEING CULTURE

The Health, Safety and Wellbeing Committee includes employees from across the organisation. Together with Management representatives, the Committee focuses on driving continuous improvement and empowering the business to proactively manage health, safety and wellbeing.

EXTERNAL AUDIT – INTEGRATED MANAGEMENT SYSTEM

In July 2017 BSI Group conducted a formal assessment of our three certified systems:

- AS/NZS 4801:2001: Occupational Health and Safety
- AS/NZS 14001:2004 Environmental Surveillance Audit
- AS/NZS ISO 9001:2008: Quality

Coliban Water achieved compliance and certification in all three systems, which subject successful completion of an annual surveillance audit will continue through until August 2020.

INCIDENT AND HAZARD REPORTING

To ensure the health, safety and wellbeing of our employees and contractors it is important for them to report all hazards, near misses and incidents to prevent recurrence. In addition to this we continue to work strategically to manage the Water Industry Fatal Risk Guidelines (WIFRG); areas of focus and activities included:

- Safety culture – successful completion of year two of the five year OH&S Strategy; building individual capacity for greater business resilience
- Contractor Management – Introduction of an online contractor induction program to complement the robust tender process of contractor engagement and the works audit program
- Hazardous materials – Review of asbestos register and commencement of the 5 year asbestos management program
- Working in remote locations – Effective use of the StaySafe app

We have promoted the proactive reporting of hazards this year which has contributed to the reduction of reported incidents across the business.

- Driving – In addition to a continued focus and employee engagement on driver safety, trialing of dash cameras to improve employee safety in and outside of vehicles
- Working collaboratively with our strategic partners to share information and collectively learn from safety incidents and events
- Violence or aggression – Conflict management and complaint management training for employees to assist in dealing with violent or aggressive customers and the development of a Family Violence policy and procedures to support employees and customers experiencing or exposed to domestic violence
- The introduction of Contact Officers to assist employees understand workplace harassment, bullying and discrimination and the support options available
- Utilising a risk based approach to determine priorities for OH&S remedial works on assets

HEALTH AND WELLBEING

In 2017/18 the organisation successfully completed year two of the three year Health and Wellbeing Strategy. The focus for year two was physical health and involved employees participating in a range of assessments. Information from the assessments provided employees and the organisation with greater awareness of existing and potential physical health risks. With a focus on building physical resilience, the assessments included health checks and function movement screenings which provided important information about key health measures and levels of fitness and physical degeneration.

To compliment the assessments and in support of our employees' health, safety and welfare, a range of associated wellbeing initiatives and activities were undertaken:

- 6 week mindfulness program
- Employer funded immunisations (Influenza and Hepatitis B)
- Continued engagement of an Employee Assistance Program
- Participation in the annual Men's health initiative
- Offering of Quit Smoking program
- Providing healthy snack options in the workplace
- Participation in 'Active April'
- Provided a range of training, awareness seminars and guidance

OH&S PERFORMANCE MEASUREMENT AND REPORTING

	2017/18	2016/17	2015/16	2014/15	2013/14
Number of reported incidents for the year (Per 100 FTE)	36.56	45.41	34.73	29.93	32.95
Number of reported hazards for the year (Per 100 FTE)	19.89	15.68	N/A	N/A	N/A
Number of lost time standard claims (Per 100 FTE)	0	0	1.60	0.53	0.55
Average cost per claim for the year	0	0	\$54,650	\$22,373	\$16,530

N/A = Data not available

STATUTORY PERFORMANCE

FREEDOM OF INFORMATION (FOI)

The *Freedom of Information Act 1982* allows public access to documents held by government entities. All requests must be in writing to the Authorised Officer at Coliban Water PO Box 2770, Bendigo DC 3554, or via email at foi@coliban.com.au and accompanied by a fee of \$28.90 as of 1 July 2018.

The following officers have been appointed under the *Freedom of Information Act 1982*:

- Principal Officer – Managing Director
- Authorised Officer – Corporate Secretary

During 2017/18 Coliban Water received six FOI applications. These applications were processed in accordance with the *Freedom of Information Act 1982* and Freedom of Information (Access Charges) Regulations 2014.

Coliban water met all its obligations under the *Freedom of Information Act 1982*.

The table below shows the outcome of each FOI application. One request was from a supplier (in progress from 2016/17) and six requests from customers.

OUTCOME	NUMBER
Full Access Granted	2
Partial Access Granted	5*
No Access Granted	–
Application withdrawn	–
Not Yet Finalised (in progress)	–
Provided outside the FOI Act	–
Reviews and complaints received by the FOI Commissioner	–
Number of appeals to VCAT by FOI applicants	–
*includes an in progress application from 2016/17	

COMPETITIVE NEUTRALITY POLICY

We have implemented our Competitive Neutrality Policy. We have had ‘pay for use’ water pricing, consisting of a fixed and a variable (volumetric) charge for many years, and cross subsidies between business units are transparent and are disclosed through the Annual Report.

Vertical structural and financial separation of business functions has been in place for several years and the performance of business functions is reported separately in our annual financial statements. We have introduced competition in service delivery by the involvement of the private sector through competitively bid Public-Private Partnership contracts for infrastructure projects and by outsourcing other functions. We continue to monitor developments in the Competitive Neutrality Policy.

TAXATION

In common with the rest of the water industry, we are subject to a National Tax Equivalent Regime. This means we are subject to the *Income Tax Assessment Act 1997*, managed through the Australian Taxation Office, to ensure we do not gain a competitive advantage over the private industry in relation to taxation matters.

EXTERNAL FINANCING

Under the *Borrowing and Investment Powers Act 1987*, we may only source debt funding from Treasury Corporation Victoria and we are subject to a Financial Accommodation Levy (FAL). As a Victorian Government Agency our borrowings carry an implicit State Government guarantee that commands lower borrowing prices in financial markets. To offset this advantage, a FAL is levied on all borrowings, using a formula based on business credit ratings to ensure we do not obtain an unfair advantage when compared against the private sector.

PERFORMANCE BENCHMARKING

We participate in annual performance benchmarking studies through:

- Essential Services Commission (ESC) – Service standards auditing and reporting
- Department of Health and Human Services – Water Quality
- Water Services Association of Australia (WSAA) – Asset Management, Customer Service, Civil Maintenance and Mechanical and Electrical Maintenance
- Customer Service Benchmarking Australia – Customer Service

These processes measure the successful implementation of improvements and practices using risk management frameworks, standards of service and encourage continuous improvement. All these activities help identify areas where performance can be improved.

During 2017/18 we participated in the WSAA Customer Perception Survey. The study included 8,916 water utilities users in Australia and New Zealand. Coliban Water results included:

- Overall satisfaction – 6.1/10, above average for all respondents (5.9)
- Efficient and well managed – 6.6/10, above average for all respondents (6.4)
- Reliable service – 7/10, above average for all respondents (6.8)

We also participated in benchmarking with Customer Service Benchmarking (SenseCX) where we continuously improved our performance over the year, measured on a quarterly basis. The ESC utilise the same benchmarking methodology and our customer contact center was benchmarked against other water corporations, utilities and various other organisations.

MEMBERSHIP OF INDUSTRY ASSOCIATIONS

Our industry and business association memberships contribute to our organisational capability through collaboration, benchmarking, networking and training. Involvement in these groups also allows us to participate in the review and development of industry codes of practice and to share our knowledge and expertise with others:

Some of our key membership associations include:

- › Water Services Association of Australia (WSAA)
- › Victorian Water Industry Association (VWIA)
- › Institute of Water Administration (IWA)
- › International Water Association (IWA)
- › Australian Water Association (AWA)
- › Water Services Sector Group (WSSG)
- › Australian National Committee on Large Dams (ANCOLD)
- › Water Industry Operators Association of Australia (WIOA)
- › CRC for Water Sensitive Cities
- › Australian Institute of Project Management (AIPM)
- › Australian Institute of Company Directors (AICD)
- › Water Quality Research Australia (Water RA)
- › Diversity Council of Australia (DCA)

PRIVACY AND DATA PROTECTION ACT 2014

The *Privacy and Data Protection Act 2014* came into effect on 17 September 2014. It is the Act that provides for responsible collection and handling of personal information in the Victorian public sector. Our employees receive ongoing information and training on importance of privacy and what is required to comply with *Coliban Water's Privacy Policy* and the Act.

BUILDING ACT 1993

We met all relevant compliance provisions of the *Building Act 1993* in our building and maintenance activities during the year.

GOVERNMENT ADVERTISING EXPENDITURE

We did not produce any advertising campaigns valued at \$100,000 or greater during the year.

PROTECTED DISCLOSURE ACT 2012

Coliban Water is not able to receive disclosures under section 13 of the Act. However, the Act requires us to establish procedures under section 58 of the Act setting out how we will protect people against detrimental action that might be taken against them in reprisal for making a protected disclosure.

We have not received any complaints or disclosures considered to be Protected Disclosures in accordance with the Act.

For further information and how to make a protected disclosure contact:

Roslyn Wai
Corporate Secretary – Coliban Water
PO Box 2770 Bendigo VIC 3554
Phone: 1300 363 200 | Website: www.coliban.com.au

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria
Level 1, North Tower, 459 Collins Street Melbourne VIC 3000 |
Phone: 1300 735 135 | Website: www.ibac.vic.gov.au

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2017/18 reporting period, we had a total ICT expenditure of \$5.5 million, with the details shown below.

BUSINESS AS USUAL (BAU) ICT EXPENDITURE (\$'000)	NON BUSINESS AS USUAL (NON BAU) ICT EXPENDITURE (\$'000) (TOTAL = OPERATIONAL EXPENDITURE AND CAPITAL EXPENDITURE)	OPERATIONAL EXPENDITURE (\$'000)	CAPITAL EXPENDITURE (\$'000)
\$3,786.56	\$1,755.07	-	\$1,755.07

ICT expenditure refers to costs of providing business enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non Business As Usual (Non BAU) ICT expenditure. Non BAU ICT expenditure relates to extending or enhancing our current ICT capabilities.

The \$1.7 million includes expenditure from multiple projects delivered under the capital program.

BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

LOCAL JOBS FIRST – VICTORIAN INDUSTRY PARTICIPATION POLICY (LOCAL JOBS FIRST – VIPP)

In accordance to the *Victorian Industry Participation Policy Act 2003*, we are required to apply the *Local Jobs First – Victorian Industry Participation Policy (Local Jobs First – VIPP)* in all procurement activities valued at \$1 million and above as we are located in regional Victoria.

During 2017/18 there were seven small to medium sized businesses that prepared a *Local Jobs First – VIPP Plan* and two prepared by large businesses.

During 2017/18 we commenced two *Local Jobs First – VIPP* contracts totalling \$8.0 million. One contract totalling \$4.5 million occurred in regional Victoria representing 56 per cent of the estimated local content. The outcomes expected from the implementation of the *Local Jobs First – VIPP* to these projects, where information was provided, are as follows:

- › an average of 99 per cent of local content commitment was made; and
- › a total of 18 jobs were committed, including the creation of four new jobs, one new apprenticeship and the retention of 13 existing jobs.

During 2017/18 we also completed one *Local Jobs First – VIPP* applicable project, collectively valued at \$1.6 million. The outcomes reported from the implementation of the policy, where information was provided, was as follows:

- › an average of 100 per cent of local content outcome was recorded;
- › a total of four positions were created.

MAJOR CONSULTANCIES

A consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through provision of expert analysis and advice and/or development of a written report or other intellectual output.

During 2017/18 we engaged 51 separate consultants with a value over \$10,000*. The total cost, excluding GST, incurred during this period for major capital consultancies was \$2,420,033 (2016/17: \$4,350,205) and major operational consultancies was \$1,981,198 (2016/17: \$1,768,885).

OPERATIONAL CONSULTANT	PURPOSE OF CONSULTANCY	TOTAL APPROVED (EXC GST) (\$'000)	EXPENDITURE (EXC GST) (\$'000)	FUTURE EXPENDITURE (EXC GST) (\$'000)
AFS & Associates Pty Ltd	Financial assessments and advice	\$31.68	\$31.54	\$0.14
Arbor Survey Pty Ltd	Arboriculture health and condition assessments	\$11.68	\$11.68	–
Arboricultural Consultants Australia Pty Ltd	Professional tree management advice	\$44.54	\$43.49	\$1.05
Atura Pty Ltd	Liquid gypsum risk analysis	\$19.26	\$19.26	–
Australasian Corrosion Consultants	Corrosion testing	\$37.00	\$28.30	\$8.70
Australian Water Quality Centre	Analytical and consulting services	\$11.14	\$11.14	–
Benbow Consulting	Review of business planning	\$12.92	\$12.92	–
Biosis Pty Ltd	Environmental management advice	\$48.19	\$47.75	\$0.44
CIS Services Pty Ltd	Site inspections	\$40.77	\$40.77	–
CMP Consulting Group Pty Ltd	Risk review and general consulting services	\$19.21	\$19.21	–
Core HR Services	Change management support	\$35.61	\$28.56	\$7.05
Customer Service Benchmarking Australia	Research and development	\$13.02	\$13.02	–
Department of Environment Land Water & Planning	Property valuations	\$52.29	\$52.29	–
E-Centric Innovations Pty Ltd	Web-based collaborative software implementation	\$122.04	\$122.04	–
Engage Squared Pty Ltd	Information technology solutions	\$288.88	\$221.11	\$67.77
ESS Earth Sciences	Seismic monitoring services	\$29.31	\$21.71	\$7.60
GHD Pty Ltd	Engineering, architecture, environmental and construction services	\$728.76	\$376.60	\$352.16
Grant Thornton	Tax review	\$17.40	\$10.60	\$6.80
Holding Redlich Lawyers & Consultants	Strategic advice	\$10.50	\$10.13	\$0.37
Information Management Services Pty Ltd	Information technology advice	\$28.02	\$28.02	–
Innovative Thinking IT Pty Ltd	Supporting activities	\$17.99	\$17.99	–
Insync Surveys Pty Ltd	Stakeholder forums	\$31.18	\$31.18	–
Integrity Governance Pty Ltd	Board performance review	\$19.03	\$19.03	–
Landair Surveys	Surveying and planning	\$55.34	\$55.34	–
Leah Walls Consulting Pty Ltd	Coaching and training	\$22.61	\$22.61	–
Obviate Pty Ltd	SCADA engineering support	\$22.46	\$22.46	–
P3 Outcomes Pty Ltd	System reviews	\$47.14	\$47.14	–
PBJ & Associates Pty Ltd	Augmentation and model review	\$215.98	\$175.17	\$40.81
PH Water Consultants Pty Ltd	Master plan peer review	\$23.72	\$23.72	–
Plato Group	Management consulting	\$14.00	\$14.00	–
Precise Value Pty Ltd	Growth advisory services	\$40.00	\$40.00	–
Protecht ERM Pty Ltd	Risk management advice	\$20.37	\$20.37	–
RMCG Consulting Group Pty Ltd	Agricultural assessment	\$104.02	\$95.39	\$8.63
secureworks Australia Pty Ltd	Security and risk consulting	\$12.77	\$12.77	–
SMEC Australia Pty Ltd	Environmental supervision services	\$49.93	\$49.93	–
SMS Consulting Group Ltd	Stakeholder Relationship Management system	\$28.05	\$28.05	–
Spiire Australia Pty Ltd	Project management services	\$13.79	\$13.79	–
Sublime Business Solutions	Contract management review	\$17.06	\$17.06	–
Tamar Hydro Pty Ltd	Hydro feasibility study	\$21.11	\$21.11	–
Vilridge Pty. Limited	Independent reviews	\$91.64	\$91.64	–
WaterQPlus Pty Ltd	Water risk management services	\$16.35	\$12.30	\$4.05
		\$2,486.76	\$1,981.19	\$505.57

CAPITAL		TOTAL		
CONSULTANT	PURPOSE OF CONSULTANCY	APPROVED (EXC GST) (\$'000)	EXPENDITURE (EXC GST) (\$'000)	FUTURE EXPENDITURE (EXC GST) (\$'000)
AJ Forbes & Associates	Engineering services	\$18.85	\$18.85	–
Alluvium Consulting Australia Pty Ltd	Planning and design advice	\$191.98	\$112.42	\$79.56
Arboricultural Consultants Australia Pty Ltd	Professional tree management advice	\$14.36	\$10.86	\$3.50
ASG Group Ltd	Business and information technology advice	\$518.05	\$165.36	\$352.69
Ashurst Australia	Contract advice	\$10.45	\$10.45	–
CEE Pty Ltd	Risk assessment	\$44.20	\$36.60	\$7.60
Cruse Partnership Australia Pty Ltd	Consulting and system audits	\$30.24	\$27.44	\$2.80
Denis Bunworth Consulting	Information management consulting services	\$34.78	\$34.78	–
GHD Pty Ltd	Project management and engineering services	\$1,934.93	\$1,407.16	\$527.77
K J Ross & Associates Pty Ltd	Digital advancement advice	\$13.12	\$13.12	–
Obviate Pty Ltd	SCADA engineering support	\$195.27	\$183.83	\$11.44
PBJ & Associates Pty Ltd	Technical advice	\$37.23	\$32.85	\$4.38
RMCG Consulting Group	Audit and reporting	\$71.83	\$28.06	\$43.77
SAFE Group Automation Pty Ltd	Engineering and SCADA services	\$82.92	\$47.13	\$35.79
Spiire Australia Pty Ltd	Planning, surveying and urban design	\$37.13	\$33.15	\$3.98
SMEC Australia Pty Ltd	Dam safety structural support	\$12.84	\$12.84	–
SMS Consulting Group Ltd	Data modelling and system review	\$229.54	\$229.54	–
Taungurung Clans Aboriginal Corporation	Heritage consultation	\$40.58	\$15.58	\$25.00
		\$3,518.30	\$2,420.02	\$1,098.28

MINOR CONSULTANCIES

During the year there were 41 minor consultancies at a cost of less than \$10,000 each*. The total cost, excluding GST, of these minor consultancies was \$164,709 (2016/17: \$184,575).

*Further information about these consultants can be requested under the *Freedom of Information Act 1982*, see page 36 for details.

DISCLOSURE OF MAJOR CONTRACTS

Coliban Water did not award any major contracts valued \$10 million or more during 2017/18.

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

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

- current and previous Annual Reports, the Customer Charter, *Pricing Submission 2018* and other publications produced by Coliban Water about itself
- details of any major external reviews carried out on Coliban Water
- details of major research and development activities undertaken by Coliban Water
- details of major promotional, public relations and marketing activities undertaken by Coliban Water to develop community awareness of the entity and its services
- details of changes in prices, fees, charges, rates and levies charged
- details of overseas visits undertaken

Also available on our website:

- › *Reconciliation Action Plan 2018*
- › *Diversity and Inclusion Plan 2018*
- › *Community Engagement Plan 2016–2019*

THE INFORMATION IS AVAILABLE ON REQUEST FROM:

Authorised Officer – Corporate Secretary, Coliban Water
Phone: 1300 363 200
Email: coliban@coliban.com.au

ADDITIONAL INFORMATION INCLUDED IN THIS ANNUAL REPORT

Details in respect of the following items have been included in Coliban Water's Annual Report, on the pages indicated below:

- assessments and measures undertaken to improve the occupational health and safety of employees (on page 35)
- a statement on industrial relations within Coliban Water (on page 26)
- a list of Coliban Water's major committees, the purposes of each committee, and the extent to which the purposes have been achieved (on pages 33–35)
- a statement of completion of declarations of pecuniary interests by relevant officers (on page 91)

INFORMATION THAT IS NOT APPLICABLE TO COLIBAN WATER

The following information is not relevant to Coliban Water for the reasons set out below:

- a declaration of shares held by senior officers
(No shares have ever been issued in Coliban Water)

PERFORMANCE REPORT

FOR THE REPORTING PERIOD ENDED 30 JUNE 2018

DIRECTORS CERTIFICATION

We certify that the accompanying Performance Report of Coliban Region Water Corporation in respect of the reporting period ended 30 June 2018 is presented fairly in accordance with the *Financial Management Act 1994*.


The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister for Water, and as set out in the *2017/18 Corporate Plan*. We have reported our actual and comparative results achieved for the financial year against predetermined performance targets and these indicators. We have reported an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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.

Signed at Bendigo on 24 August 2018, on behalf of the Board.



Lucy Roffey
Chairperson
Coliban Region Water Corporation



Jeff Rigby
Managing Director
Coliban Region Water Corporation



Peter Leersen
Chief Financial Officer
Coliban Region Water Corporation

FINANCIAL PERFORMANCE INDICATORS

KPI NO.	KEY PERFORMANCE INDICATOR	2016/17 RESULT	2017/18 RESULT	2017/18 TARGET	VARIANCE TO PRIOR YEAR	NOTES	VARIANCE TO TARGET	NOTES
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest	2.3 times	2.1 times	2.1 times	-8.7%		0.0%	
F2	Gearing Ratio Total debt (including finance leases) / total assets * 100	27.9%	27.3%	27.5%	-2.2%		-0.7%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	133.6%	154.6%	122.6%	15.7%	1a	26.1%	2b
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.3 times	1.5 times	1.1 times	15.4%	3a	36.4%	4b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	2.3%	2.6%	2.1%	13.0%	5a	23.8%	6b
F6	Return on Equity Net profit after tax / average total equity * 100	0.5%	1.1%	0.4%	120.0%	7a	175.0%	8b
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue * 100	52.2%	50.8%	48.2%	-2.7%		5.4%	

Reasons for variations greater than 10 per cent compared to that budgeted or significant variations to prior year actual result

- 1a Our internal financing ratio has favourably exceeded the previous years result due to net capital expenditure decreasing \$9.7 million compared to an \$8.8 million decrease in net operating cash flows. The decrease in net capital payments for the year is due to more capital accruals at year end and a \$2.7 million capital contribution payment to GWMWater for the South West Loddon project from net operating cashflows. The decrease in net operating activities can be attributed to a decrease in receipts from Government as it relates to lower milestone payments for the Bendigo Groundwater Transitional Solution during 2017/18 as the construction of works has been completed.
- 2b Our internal financing ratio has favourably exceeded budget due to net capital expenditure decreasing \$6.1 million compared to a \$0.1 million decrease in net operating cash flows. The decrease in net capital payments for the year is due to more capital accruals at year end and a \$2.7 million capital contribution payment to GWMWater for the South West Loddon project from net operating cashflows.
- 3a & 4b Our current ratio has favourably exceeded the previous years result and budget due to a significant increase in cash and cash equivalents resulting from an increase in water consumption income with the extended summer conditions, and a \$2.2 million deposit balance increase of Government funding for the Bendigo Groundwater Project Transitional Solution held at the end of the financial year, now totalling \$7.9 million. Refer Note 10.1 in the Financial Statements.
- 5a Our return on assets ratio has favourably exceeded the previous years due to the improved earnings before net interest and tax of \$5.9 million resulting from an increase in water consumption income with the extended summer conditions. Average assets also increased during the year due to the recognition of a \$6.3 million managerial revaluation on land compared to prior year.
- 6b Compared to budget our return on assets ratio has favourably exceeded the target due to the improved earnings before net interest and tax of \$8.8 million resulting from an increase in water consumption income as a result of the extended summer and an increase in contributions and gifted assets than anticipated. Average assets also increased during the year due to the recognition of a \$6.3 million managerial revaluation on land that was not budgeted.
- 7a Our return on equity ratio has favourably exceeded the previous years result due to a \$6.0 million increase in the net profit after tax as a result of an increase in water consumption income from the extended summer and a decrease in borrowing costs from favourable interest rates and the commencement of our debt repayment program in 2016/17. Average total equity also increased \$8.6 million during the year due to the recognition of a \$6.3 million managerial revaluation on land.
- 8b Compared to budget our return on equity ratio has favourably exceeded the target due to a \$7.6 million increase in the net profit after tax as a result of an increase in water consumption income from the extended summer and a decrease in borrowing costs from favourable interest rates for refinanced loans. Average total equity also increased \$3.8 million during the year due to the recognition of a \$6.3 million managerial revaluation on land that was not budgeted.

WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

KPI NO.	KEY PERFORMANCE INDICATOR	2016/17 RESULT	2017/18 RESULT	2017/18 TARGET	VARIANCE TO PRIOR YEAR	NOTES	VARIANCE TO TARGET	NOTES
WS1	Unplanned water supply interruptions⁽¹⁾ No. of customers receiving >5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100	0.00%	0.00%	0.01%	0.0%		-100.0%	9b
WS2	Interruption time Average duration of unplanned water supply interruptions	104.2 minutes	103.5 minutes	112.0 minutes	-0.7%		-7.6%	10b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within (5) hours / total unplanned water supply interruptions * 100	98.3%	100.0%	98.0%	1.7%		2.0%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers * 100	100.0%	100.0%	99.0%	0.0%		1.0%	
SS2	Sewer spill interruptions⁽²⁾ No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	99.1%	98.3%	99.2%	-0.8%		-0.9%	

⁽¹⁾As per the MRD, the 2016/17 result has been amended to reflect customers receiving greater than the target number of unplanned interruptions as per the Customer Service Code (>5).

⁽²⁾Sewer interruptions have reduced significantly from 1,005 in the previous year to 576 in 2017/18 due to the ongoing and targeted efforts over the last three years to address sewer issues, including increased sewer maintenance and targeted renewals of known pipelines of concern via the Stop the Block program.

Reasons for variations greater than 5 per cent compared to that budgeted or significant variations to prior year actual result

- 9b There were no customers receiving more than five unplanned interruptions in the year compared to five budgeted, which has resulted in a favourable variance for the year. The current year result is the same as the previous year.
- 10b The favourable variance to target for the average duration of unplanned water supply interruption is due to the targeted water main renewal program as well as the continued work by our operational and maintenance service providers to improve response times. Of a total 292 interruptions during 2017/18 all were restored within five hours and this was a slight improvement on the previous year.

CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

KPI NO.	KEY PERFORMANCE INDICATOR ⁽¹⁾	2016/17 RESULT	2017/18 RESULT	2017/18 TARGET	VARIANCE TO PRIOR YEAR	NOTES	VARIANCE TO TARGET	NOTES
CR1	Water quality complaints (colour, taste, odour, other) No. of complaints per 1,000 customers	6.10	2.57	3.50	-57.9%	11a	-26.6%	12b
CR2	Sewerage service quality complaints No. of complaints per 1,000 customers	0.04	0.00	0.06	-100.0%	13a	-100.0%	14b
CR3	Sewerage odour complaints No. of complaints per 1,000 customers	1.80	1.65	1.90	-8.3%	15a	-13.2%	16b
CR4	Billing complaints No. of complaints per 1,000 customers	0.10	0.03	0.28	-70.0%	17a	-89.3%	18b

⁽¹⁾As per the MRD, complaints have been rescaled from number per 100 customers to number per 1,000 customers. The figures above, including prior year and target, have been restated to reflect this.

Reasons for variations greater than 5 per cent compared to that budgeted or significant variations to prior year actual result

- 11a & 12b There were significantly less water quality complaints in 2017/18 with only 193 recorded compared to 450 the previous year with no significant water quality issues experienced across the region compared to two significant events the previous year in Echuca and Heathcote. Sufficient rainfalls and inflows during spring improved our water storages which allowed the upper Coliban system to be used as the primary water source to meet customer water demand, which is a higher quality water source. There were no significant blue green algae outbreaks on the Murray River during the year, which impacted Echuca the previous year, and the water quality improvement works at Heathcote were completed.
- 13a & 14b There were no sewerage service complaints made by customers during the year compared to three the previous year and four budgeted which has resulted in the favourable variances for the year. Ongoing and targeted efforts over the last three years to address sewer issues, including increased sewer maintenance and targeted renewals of known pipelines of concern via the Stop the Block program, have led to the improved performance.
- 15a & 16b There were 112 sewer odour complaints for 2017/18 compared to 121 the previous year and 129 budgeted, and this has resulted in a favourable variance for the year. The ongoing and targeted efforts over the last three years to address sewer issues, including improved sewer maintenance, increased investment in the Stop the Block program and capital upgrades to the control functions of the sewer pump stations, have led to the improved performance.
- 17a & 18b During 2017/18 there were only two Billing complaints compared to five the previous year and 15 budgeted, resulting in a favourable variance. Contributing to the improved result for the year were minimal tariff changes, clearer information provided on bills and the increased customer and community engagement in our region via the Your Town community program and engagement for the 2018 Pricing Submission to the Essential Services Commission.

ENVIRONMENTAL PERFORMANCE INDICATORS

KPI NO.	KEY PERFORMANCE INDICATOR	2016/17 RESULT	2017/18 RESULT	2017/18 TARGET	VARIANCE TO PRIOR YEAR	NOTES	VARIANCE TO TARGET	NOTES
E1	Effluent re-use volume (end use) Percentage recycled for each category	24.9%	39.3%	39.0%	57.8%	19a	0.8%	
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	33,453	28,898	39,634	-13.6%	20a	-27.1%	21b

Reasons for variations greater than 5 per cent compared to that budgeted or significant variations to prior year actual result

- 19a Compared to the prior year, customer demand for recycled water increased due to the drier conditions experienced over the prolonged summer. Demand for recycled water is significantly impacted by weather conditions which can vary greatly from year to year. The increased demand for recycled water led to a favourable variance to the recycled water target for the year.
- 20a & 21b Net tonnes of CO₂ equivalent were lower than the previous year and to budget due to minimal pumping incurred during 2017/18. Sufficient rainfalls and inflows during spring filled storages and enabled water demand to be met from the upper Coliban system and gravity-fed channels. This minimised the need to pump water via the Goldfields Superpipe, resulting in significantly reduced electricity usage and associated CO₂ emissions.

Independent Auditor's Report

To the Board of the Coliban Region Water Corporation

Opinion	<p>I have audited the accompanying performance report of the Coliban Region Water Corporation (the corporation) for the year ended 30 June 2018, which comprises the:</p> <ul style="list-style-type: none"> • financial performance indicators • water and sewage service performance indicators • customer responsiveness performance indicators • environmental performance indicators • directors' certification. <p>In my opinion, the performance report of the corporation for the year ended 30 June 2018 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>
Auditor's responsibilities for the audit of the performance report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists.</p>

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

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

MELBOURNE
31 August 2018



Paul Martin
as delegate for the Auditor-General of Victoria

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FINANCIAL PERFORMANCE SUMMARY

Financial Result	Plan 2017/18	Actual 2017/18	Actual 2016/17	Actual 2015/16	Actual 2014/15	Actual 2013/14
REVENUE						
Service charges	71,803	71,870	69,026	67,537	65,899	61,185
Usage charges	46,531	52,838	45,605	46,517	44,796	40,909
Contributions & gifted assets	10,888	14,367	10,365	11,835	14,566	11,880
Government funding	4,784	5,725	6,235	4,561	26	0
Interest income	74	77	74	52	83	74
Other income	1,904	2,118	2,162	3,853	1,599	1,449
Total revenue	135,985	146,995	133,468	134,355	126,969	115,497
EXPENSES						
Operations, administration & employee	62,254	66,624	58,750	59,392	54,184	53,655
Expenditure of Government funding	4,784	2,010	1,624	1,300	0	0
Depreciation & amortisation	31,125	30,645	29,991	31,637	32,705	33,141
Borrowing & finance Charges	29,123	28,831	30,052	30,557	31,022	29,753
Environmental Contribution	3,272	3,272	3,272	3,272	3,272	3,272
Total expenditure	130,558	131,382	123,689	126,158	121,183	119,821
Net result before tax	5,427	15,613	9,778	8,197	5,786	(4,324)
Net result for the year	3,741	11,360	5,389	4,094	4,931	(4,700)
ASSETS						
Total current assets	31,349	41,201	35,243	36,120	32,189	28,423
Total non-current assets	1,627,685	1,631,358	1,629,008	1,627,031	1,332,020	1,323,061
Total assets	1,659,033	1,672,559	1,664,251	1,663,151	1,364,209	1,351,484
LIABILITIES						
Total current liabilities	30,603	30,689	29,902	29,336	20,150	23,090
Total non-current liabilities	578,896	583,876	588,152	593,007	501,178	490,294
Total liabilities	609,499	614,565	618,054	622,343	521,328	513,384
Net assets	1,049,534	1,057,994	1,046,197	1,040,808	842,881	838,100
Net cash inflows from operations	32,627	30,716	39,548	29,546	24,878	20,942
Payments for assets	(26,620)	(19,870)	(29,595)	(47,400)	(29,161)	(42,138)
Performance Indicator	Plan 2017/18	Actual 2017/18	Actual 2016/17	Actual 2015/16	Actual 2014/15	Actual 2013/14
Interest Cover (Cash)	2.1	2.1	2.3	2.0	1.8	1.7
Gearing Ratio	27.5%	27.3%	27.9%	28.4%	33.9%	33.3%
Internal Financing Ratio	122.6%	154.6%	133.6%	62.3%	85.3%	49.7%
Current Ratio	1.1	1.5	1.3	1.3	1.8	1.3
Return on Assets	2.1%	2.6%	2.3%	2.4%	2.7%	1.9%
Return on Equity	0.4%	1.1%	0.5%	0.4%	0.6%	(0.6%)
EBITDA Margin	48.2%	50.8%	52.2%	51.5%	54.5%	49.6%

FINANCIAL OVERVIEW

Coliban Water achieved a net result for the year of an \$11.4 million profit, which is the fourth consecutive year of positive results. This continued strengthening of our financial performance and position since 2013 is pivotal to financing our capital works and underscores the importance to our region of Coliban Water being a financially sustainable corporation.

We achieved our financial sustainability goal during 2017/18 to fully fund our capital investment program from operating cash flows by scaling back on planned capital works. We also maintained a \$3.5 million repayment toward our debt in line with our financial strategy.

Our water resources were secure throughout the year, with Permanent Water Savings Rules in place for all urban supplies and our rural customers received full allocations for the 2017/18 season.

Our performance indicators summarise our improvement over the years in financial performance. Indicators that varied significantly to plan or the previous year are explained in the Performance Report section of the Annual Report.

SIGNIFICANT CHANGES OR FACTORS AFFECTING OUR FINANCIAL PERFORMANCE – COMPREHENSIVE OPERATING STATEMENT

The net result for the year was a profit of \$11.4 million compared to the \$3.7 million budgeted, and \$5.4 million achieved last year.

Total revenue increased \$13.5 million compared to the previous year, with material movements in revenue components comprising:

- An increase in service charges of \$2.8 million due to more growth in customer connections and the approved price path for rates and charges;
- An increase in usage charges of \$7.2 million due to a combination of lower than average rainfall over the peak spring and summer periods, causing consumption to increase from 185kl per household in 2016/17 to 199kl in 2017/18, together with an increase in temporary water sales of \$1.5 million;
- An increase in contributions and gifted assets of \$4.0 million with customer growth improved from the previous year; and
- A decrease in Government funding of \$0.5 million due to the phasing of funding received from the Department of Environment, Land, Water and Planning (DELWP) for the Bendigo Groundwater Project: Transitional Solution.

Total revenue increased \$11.0 million compared to the Corporate Plan budget for 2017/18, with material movements in revenue components including:

- An increase in usage charges of \$6.3 million due to water consumption being 14kl per household higher than budgeted as a result of the dryer summer and bulk water sales increasing by \$2.7 million;
- An increase in contributions and gifted assets of \$7.6 million as customer growth exceeded expectations; and
- An increase in Government funding of \$0.9 million relating to \$0.6 million received from Department of Health and Human Services (DHHS) to partially fund the delivery of fluoridation facilities at targeted water treatment plants and the balance from DELWP for the Bendigo Groundwater Project: Transitional Solution.

Total expenditure increased \$7.7 million compared to the previous year, with material movements in expenditure components including:

- An increase in operations, administration and employee expenses of \$7.9 million resulting from:
 - › higher electricity costs of \$2.4 million;
 - › project contribution of \$2.7 million to the South West Loddon Rural Pipeline project;
 - › increase in outsourced operations, maintenance and BOOT contracts of \$1.3 million; and
 - › an increase of \$1.2 million in employee costs due to the implementation of the approved 2017 Enterprise Agreement.
- An increase in expenditure of Government funding of \$0.4 million, reflecting the increase in operational costs relating to the Bendigo Groundwater Project: Transitional Solution;
- An increase in depreciation and amortisation of \$0.7 million reflecting the impact of additional assets being commissioned during the year; and
- A decrease in borrowing and finance charges of \$1.2 million due to more favorable interest rates over the year for refinanced loans and the impact of loan repayments that commenced in 2016/17.

Total expenditure increased \$0.8 million compared to the Corporate Plan budget for 2017/18, with material movements in expenditure components including:

- An increase in operations, administration and employee expenses of \$4.5 million resulting from an increase in electricity costs of \$1.6 million and a project contribution of \$2.7 million to the South West Loddon Rural Pipeline project;
- A decrease in Government funding expenditure of \$2.8 million, reflecting changes in the planned operational costs relating to the Bendigo Groundwater Project: Transitional Solution;
- A decrease in depreciation and amortisation of \$0.5 million reflecting less commissioning than anticipated; and
- A decrease in borrowing and finance charges of \$0.3 million due to favorable interest rates over the year.

SIGNIFICANT CHANGES IN OUR FINANCIAL POSITION – BALANCE SHEET

Total assets increased by \$8.3 million compared to the previous year, with material movements in asset components of the balance sheet being as follows:

- An increase in current assets of \$6.0 million due to an increase in receivables of \$1.9 million reflecting the higher water consumption during the year and an increase in cash held of \$6.3 million as a result of positive cash flows for the year. Of this increase \$2.2 million is being held to fund the Bendigo Groundwater Project: Transitional Solution. These increases are offset by a \$2.9 million decrease in assets held for sale as the Echuca West land was sold the previous year; and
- An increase in non-current assets of \$2.4 million due to the recognition of a \$6.3 million land managerial revaluation offset with a decrease in works in progress relating to our capital spend for the year.

FINANCIAL OVERVIEW

Total assets increased by \$13.5 million compared to the Corporate Plan budget for 2017/18, with material movements in asset components of the balance sheet being as follows:

- An increase in current assets of \$9.9 million due to \$11.6 million additional cash held, \$6.9 million of which relates to funds held for the Bendigo Groundwater Project: Transitional Solution. This is offset by a decrease in assets held for sale and receivables of \$2.9 million and increases in inventory and prepayments of \$1.1 million; and
- A decrease in non-current assets of \$3.7 million reflecting less capital spend, predominately due to the reallocation of a \$2.7 million project contribution for the South West Loddon Rural Pipeline project as operating expenditure, offset against the unplanned \$6.3 million land managerial revaluation.

Total liabilities increased by \$3.5 million compared to the previous year, with material movements in liability components of the balance sheet being as follows:

- An increase in current liabilities of \$0.8 million due to an increase in interest bearing liabilities of \$0.9 million reflecting the increased loan repayment anticipated for 2018/19, offset with a net decrease in payables and employee benefits of \$0.1 million.
- A decrease in non-current liabilities of \$4.3 million due to an increase of \$5.4 million in deferred taxes relating to the net result and the managerial revaluation, offset by a reduction in loans and finance lease liabilities of \$9.3 million, a decrease in payables of \$0.2 million and employee benefits of \$0.1 million.

Total liabilities on the Balance Sheet increased by \$5.1 million compared to the Corporate Plan budget for 2017/18, with current liabilities in line with the Corporate Plan and material movements in non-current liabilities including an increase in non-current liabilities of \$5.0 million due to deferred tax liabilities increasing by \$3.9 million more than anticipated, and \$1.5 million more than planned held as fixed term liabilities.

Our improvement in total net assets (equity) compared to last year of \$11.8 million is attributed to the accumulated funds increasing due to our improved operating performance for the year. This also applies to the increase in total net assets (equity) of \$8.5 million when comparing against the Corporate Plan budget for 2017/18.

SIGNIFICANT CHANGES IN OUR CASH FLOW STATEMENT

Net cash flows from operations decreased by \$8.8 million compared to the previous year due to an increase of \$2.8 million in receipts, offset with an increase in payments to suppliers and borrowing costs of \$11.6 million during the year.

Net cash flows from operations decreased by \$1.9 million compared to the 2017/18 Corporate Plan budget mainly due to the net impact of higher receipts in service and usage charges resulting from the higher consumption per household offset by increased payments to suppliers as a result of higher expenditure for electricity, operating and maintenance costs, and the project contribution made to the South West Loddon Rural Pipeline project.

Payments for assets decreased by \$9.7 million due to the planned scaling back on capital works to ensure that cash flows from operating activities would meet commitments.

Payments for assets decreased by \$6.8 million compared to the 2017/18 Corporate Plan budget reflecting the reduction of the capital portfolio by \$2.7 million to contribute to the South West Loddon Rural Pipeline project along with other movements in the planned capital works.

POST BALANCE DATE EVENTS

There are no post balance date events that materially affect Coliban Water's 2017/18 financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

COMPREHENSIVE OPERATING STATEMENT

The Comprehensive Operating Statement measures our performance over the year and shows if a surplus or deficit has been made in delivering products and services. The statement includes all sources of income less all expenses incurred in earning that income.

For the year ending 30 June 2018, Coliban Water made a net profit for the year of \$11.4 million.

BALANCE SHEET

The Balance Sheet sets out our net accumulated financial worth at the end of the financial year. It shows the assets we own as well as liabilities or claims against those assets.

Both assets and liabilities are expressed as current or noncurrent. Current assets or current liabilities are expected to be converted to cash receipts or outlays within the next twelve months. Non-current assets or liabilities are longer-term.

Equity is total capital, and reserves and accumulated profits that have been reinvested in the business over the years.

STATEMENT OF CHANGES IN EQUITY

The Statement of Changes in Equity shows the changes in equity from last year to this year.

The total overall change in equity during a financial year comprises the net result for the year after tax items charged directly to the equity account from revaluation of assets.

CASH FLOW STATEMENT

The Cash Flow Statement summarises our cash receipts and payments for the financial year and the net cash position at the end of the year. It differs from the Comprehensive Operating Statement in that it excludes non-cash expenses such as depreciation and the accruals taken into account in the Comprehensive Operating Statement. It includes, payments or receipts in relation to capital items and any financing activities such as movements in borrowings.

For the year ending 30 June 2018, we had a net cash flow from operating activities of \$30.7 million.

NOTES TO THE ACCOUNTS

The Notes to the Accounts provide further information about how the Financial Statements are prepared as well as additional information and detail about specific items within them.

The Notes also describe any changes to accounting standards, policy or legislation that may affect the way the statements are prepared. Information in the Notes is particularly helpful if there has been a significant change from the previous year's comparative figures.

STATUTORY CERTIFICATE AND AUDITOR GENERAL'S REPORT

These provide the reader with a written undertaking that the Financial Statements fairly represent our financial position and performance for 2017/18. The Report from the Auditor General provides an independent view and outlines any issues of concern.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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STATUTORY CERTIFICATION

FOR THE YEAR ENDED 30 JUNE 2018

We certify that the attached financial statements for Coliban Region Water Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and applicable Financial Reporting Directions, applicable Australian Accounting Standards including interpretations and other mandatory professional reporting requirements.

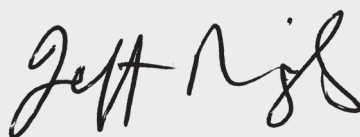
We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the accompanying notes, presents fairly the financial transactions during the financial year ended 30 June 2018 and the financial position of Coliban Region Water Corporation as at 30 June 2018.

At the date of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 24 August 2018.



Lucy Roffey
Chairperson
Coliban Region Water Corporation



Jeff Rigby
Managing Director
Coliban Region Water Corporation



Peter Leersen
Chief Financial Officer
Coliban Region Water Corporation

COMPREHENSIVE OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 (\$'000)	2017 (\$'000)
REVENUE			
Service charges	2.2.1	71,870	69,027
Usage charges	2.2.2	52,838	45,605
Contributions and gifted assets	2.2.3	14,367	10,365
Government funding	10.1	5,725	6,235
Interest income		77	74
Other income		2,118	2,162
Total revenue		146,995	133,468
EXPENSES			
Operating and administration expenses	3.2	49,615	42,921
Employee benefits	3.3.1	17,009	15,830
Expenditure of Government funding	10.1	2,010	1,624
Depreciation	4.1.1	29,032	28,589
Amortisation	4.2	1,613	1,402
Borrowing and finance charges	6.1.2	28,831	30,052
Environmental contributions	8.2	3,272	3,272
Total expenses		131,382	123,690
Net result before tax and other economic flows		15,613	9,778
Income tax (expense)/benefit	8.1.1	(3,705)	(2,903)
Net result before other economic flows		11,908	6,875
OTHER ECONOMIC FLOWS INCLUDED IN THE NET RESULT			
Net gain/(loss) on disposal of assets	4.1.3	(441)	(1,829)
Fair value increase/(decrease) in other financial instruments		–	(1)
Other gains/(losses) from other economic flows		(341)	(262)
Income tax benefit relating to components of other economic flows	8.1.1	234	606
Total other economic flows net of tax		(548)	(1,486)
Net result for the year		11,360	5,389
OTHER COMPREHENSIVE INCOME			
Change in asset revaluation reserves	4.1.1	6,288	–
Income tax (expense)/income relating to components of other comprehensive income	8.1.1	(1,886)	–
Total other comprehensive income for the year	9.1.2	4,402	–
Total comprehensive result for the year		15,762	5,389

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

BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018 (\$'000)	2017 (\$'000)
ASSETS			
Current assets			
Cash and cash equivalents	6.2, 10.1	15,141	8,797
Receivables	5.1	22,749	20,808
Inventories	4.4	2,376	1,922
Prepayments		773	747
Assets held for sale	7.3.2	162	2,969
Total current assets		41,201	35,243
Non-current assets			
Receivables	5.1	797	914
Infrastructure, property, plant and equipment	4.1	1,563,197	1,560,635
Intangible assets	4.2	67,364	67,459
Total non-current assets		1,631,358	1,629,008
TOTAL ASSETS		1,672,559	1,664,251
LIABILITIES			
Current liabilities			
Payables	5.2	16,748	17,179
Interest bearing liabilities	6.1	9,275	8,382
Employee benefits	3.3.2	4,666	4,341
Total current liabilities		30,689	29,902
Non-current liabilities			
Payables	5.2	62	306
Interest bearing liabilities	6.1	447,278	456,552
Net deferred tax	8.1.2	135,930	130,573
Employee benefits	3.3.2	606	721
Total non-current liabilities		583,876	588,152
TOTAL LIABILITIES		614,565	618,054
NET ASSETS		1,057,994	1,046,197
EQUITY			
Contributed capital	9.1.1, 10.1	304,464	308,429
Asset revaluation reserves	9.1.2	387,203	382,801
Accumulated funds		366,327	354,967
TOTAL EQUITY		1,057,994	1,046,197

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Contributed Capital (\$'000)	Asset Revaluation Reserves (\$'000)	Accumulated Funds (\$'000)	Total (\$'000)
Balance at 1 July 2016	308,429	382,801	349,578	1,040,808
Net result after income tax	–	–	5,389	5,389
Balance at 30 June 2017	308,429	382,801	354,967	1,046,197
Net result after income tax	–	–	11,360	11,360
Other comprehensive income for the year after tax	–	4,402	–	4,402
Transactions with the State in its capacity as owner:				
Contributions by owners	9.1.1, 10.1 (3,965)	–	–	(3,965)
Balance at 30 June 2018	304,464	387,203	366,327	1,057,994

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 (\$'000)	2017 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Service and usage charges		123,290	111,586
Other customer revenue		5,582	9,229
Receipts from Government		5,725	9,416
GST received from the ATO ⁽ⁱ⁾		5,883	7,482
Interest received		77	74
		140,557	137,787
Payments			
Payments to suppliers and employees		(77,501)	(64,915)
Borrowing costs and finance charges		(29,068)	(30,052)
Environmental contribution		(3,272)	(3,272)
		(109,841)	(98,239)
Net cash inflows from operating activities	6.2.1	30,716	39,548
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for infrastructure, property, plant and equipment		(18,352)	(28,080)
Payments for intangible assets		(1,518)	(1,515)
Proceeds from sale of investments		–	50
Proceeds from sale of infrastructure, property, plant and equipment		3,880	499
Net cash outflows from investing activities		(15,990)	(29,046)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(3,500)	(3,500)
Repayment of finance lease liabilities		(4,882)	(4,518)
Net cash outflows from financing activities		(8,382)	(8,018)
Net increase in cash and cash equivalents		6,344	2,484
Cash and cash equivalents at the beginning of the financial year		8,797	6,313
Cash and cash equivalents at the end of the financial year	6.2, 10.1	15,141	8,797

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

⁽ⁱ⁾Goods and Services Tax paid to the ATO is presented on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: ABOUT THIS REPORT

INTRODUCTION	STRUCTURE
This note outlines the basis of preparation and compliance information relating to the financial statements.	1.1 Basis of Accounting

1.1 BASIS OF ACCOUNTING

General

This financial report of Coliban Region Water Corporation (Coliban Water) 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. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

Coliban Water is a not-for-profit entity for the purpose of preparing the financial statements. Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

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

The annual financial statements were authorised for issue by the Board of Coliban Water on 24 August 2018.

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. Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which Coliban Water operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Coliban Water's functional and presentation currency.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being Coliban Water's operational cycle.

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollar.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and all classes of infrastructure assets, 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.

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 AASs that have significant effects on the financial statements and estimates relate to:

- > fair value determination of non-financial physical assets (Note 7.3.1);
- > estimation of useful life (Note 4.1.2);
- > impairment of assets (Note 4.1.1);
- > recognition of deferred tax balances (Note 8.1.2);
- > employee benefits provisions (Note 3.3);
- > contingent assets and contingent liabilities (Note 7.2);
- > actuarial assumptions of the defined benefits superannuation (Note 9.7); and
- > accrued revenue and expenses (Note 5.1, Note 5.2).

NOTE 2: FUNDING DELIVERY OF OUR SERVICES

INTRODUCTION

This note presents the sources and amounts of income raised by Coliban Water, and the accounting policies that are relevant for an understanding of the items reported in the financial statements.

Income is recognised to the extent it is probable the economic benefits will flow to Coliban Water and the income can be reliably measured at fair value. The income generated from these services we provide and the associated usage are Coliban Water's key sources of funding.

STRUCTURE

2.1 Summary of income that funds the delivery of our services

2.2 Income from transactions

2.2.1 Service charges

2.2.2 Usage charges

2.2.3 Contributions and gifted assets

	Notes	2018 (\$'000)	2017 (\$'000)
2.1 SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES			
Service charges	2.2.1	71,870	69,027
Usage charges	2.2.2	52,838	45,605
Contributions and gifted assets	2.2.3	14,367	10,365
Government funding	10.1	5,725	6,235
Interest income		77	74
Other income		2,118	2,162
		146,995	133,468
Income is recognised net of goods and services tax (GST) to the extent it is probable the economic benefits will flow to Coliban Water 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 CHARGES			
Water service charges		19,046	18,402
Rural water service charges		2,574	2,494
Wastewater service charges		46,364	44,748
Recycled water service charges		100	95
Trade waste service charges		3,786	3,288
		71,870	69,027
Service charges are recognised as revenue when services have been provided or when a rate levy has been charged.			
2.2.2 USAGE CHARGES			
Water usage charges		44,344	39,488
Rural water usage charges		1,269	865
Wastewater usage charges		1,384	1,285
Recycled water usage charges		636	463
Trade waste usage charges		1,319	1,151
Temporary water sales		3,886	2,353
		52,838	45,605
Water, rural, wastewater and recycled water usage charges are recognised as revenue when the service has been supplied.			
Trade waste usage charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied in accordance with the trade waste agreements. Major trade waste customer meters are read monthly or quarterly with accounts sent at the end of the service delivery period and accrued at year end based on actual usage.			
Temporary water sales are recognised as revenue when the sale occurs. Temporary water is sold on the open trading market when it is determined that the water allocation is in excess of Coliban Water's requirements.			
2.2.3 CONTRIBUTIONS AND GIFTED ASSETS			
Developer contributions and gifted assets		10,852	6,675
New customer contributions		3,515	3,690
		14,367	10,365
Developer contributions and gifted assets are recognised at their fair value as revenue upon Coliban Water obtaining control for maintenance in perpetuity. Water, recycled water and wastewater mains within estate developments are often constructed and financed by property developers and on completion, the ownership of the mains are transferred to Coliban Water as a gifted asset.			
New customer contributions paid by developers to connect new developments to existing water supply and wastewater systems are recognised as revenue when the contributions are received.			

NOTE 3: THE COST OF DELIVERING OUR SERVICES

INTRODUCTION	STRUCTURE
This note provides information about how Coliban Water's funding is applied in delivering services and outputs, and the accounting policies that are relevant for an understanding of the items reported in the financial statements.	3.1 Summary of expenses incurred in the delivery of our services 3.2 Operating and administration expenses 3.3 Employee benefits 3.3.1 Employee benefits – comprehensive operating statement 3.3.2 Employee benefits – balance sheet

	Notes	2018 (\$'000)	2017 (\$'000)
3.1 SUMMARY OF EXPENSES INCURRED IN THE DELIVERY OF OUR SERVICES			
Operating and administration expenses	3.2	49,615	42,921
Employee benefits	3.3.1	17,009	15,830
Expenditure of Government funding	10.1	2,010	1,624
		68,634	60,375
Expenses are recognised net of goods and services tax (GST), except where the amount of GST is not recoverable from the ATO. In these circumstances, the GST is recognised as part of an item of expense.			
3.2 OPERATING AND ADMINISTRATION EXPENSES			
Partnership contract expenses		16,829	16,027
General services		8,931	8,993
Finance lease (BOOT toll) service payments		7,711	7,191
Electricity		5,644	3,183
Project contributions		2,981	244
Water purchases		1,738	2,036
Other operating and administration expenses		5,781	5,247
		49,615	42,921

Partnership contract expenses refer to the costs incurred in operating and maintaining both water and wastewater treatment plants and reticulation networks under the current contract with Lendlease. Refer to Note 6.3.2.

General services includes costs incurred in information technology services, legal, consultant and contractor costs incurred outside of the operations and maintenance agreement.

Finance lease Build Own Operate Transfer (BOOT) toll service payments represent the BOOT operating costs incurred to operate the Bendigo, Castlemaine and Kyneton water treatment plants and the Echuca and Rochester water reclamation plants.

Electricity costs are expensed as incurred. These costs include the electricity for office administration buildings and costs associated with operating all Coliban Water assets, excluding those operated under the BOOT contracts.

Project contributions refer to funds contributed by Coliban Water to external parties to deliver projects. In 2017/18 Coliban Water contributed \$2.7 million to Grampians Wimmera Mallee Water Corporation to assist in the delivery of the South West Loddon Rural Water Supply Project which will benefit the water quality of the Bridgewater and Laanecoorie treatment plants. These are expensed as incurred.

Water purchases are expensed as incurred. These costs relate to long term entitlement licenses held by Coliban Water with neighbouring water corporations and include a fixed fee associated with the volume of the license and a variable component based on volumes utilised.

Other operating and administration expenses include general operating costs, general maintenance, repair costs and minor renewal costs relating to corporate buildings that are expensed as incurred.

NOTE 3: THE COST OF DELIVERING OUR SERVICES continued...

	Notes	2018 (\$'000)	2017 (\$'000)
3.3 EMPLOYEE BENEFITS			
3.3.1 EMPLOYEE BENEFITS – COMPREHENSIVE OPERATING STATEMENT			
Employee benefits in the Comprehensive Operating Statement are a major component of operating costs and include all costs related to employment, including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and WorkCover payments. The majority of employee expenses in the Comprehensive Operating Statement are salaries and wages.			
Salaries and wages		13,334	12,321
Annual leave		1,212	1,223
Accrued days off		562	542
Long service leave		255	210
Superannuation	9.7	1,646	1,534
		17,009	15,830
The amount recognised in the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Coliban Water to the relevant superannuation plans in respect to the services of Coliban Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Coliban Water is required to comply with.			
3.3.2 EMPLOYEE BENEFITS – BALANCE SHEET			
As part of annual operations, Coliban Water provides for benefits accruing to employees but payable in future periods in respect of annual leave, accrued days off, time in lieu, long service leave and related on-costs for services rendered to the reporting date.			
Current provisions			
Employee benefits – annual leave:			
Unconditional and expected to be wholly settled within 12 months		1,321	1,245
Employee benefits – accrued days off and time in lieu:			
Unconditional and expected to be wholly settled within 12 months		162	156
Employee benefits – long service leave:			
Unconditional and expected to be wholly settled within 12 months		217	195
Unconditional and expected to be wholly settled after 12 months		2,432	2,180
		4,132	3,776
On-costs relating to employee benefits:			
Unconditional and expected to be wholly settled within 12 months		217	235
Unconditional and expected to be wholly settled after 12 months		317	330
		534	565
Total current provisions for employee benefits		4,666	4,341
Non-current provisions			
Employee benefits – long service leave		536	626
On costs relating to employee benefits		70	95
Total non-current provisions for employee benefits		606	721
Total provision for employee benefits		5,272	5,062
		2018	2017
Employee numbers at end of financial year		198	194

NOTE 3: THE COST OF DELIVERING OUR SERVICES continued...

3.3.2 EMPLOYEE BENEFITS – BALANCE SHEET (CONTINUED)

Wages and salaries, annual leave and accrued days off

Liabilities for wages, salaries, annual leave and accrued days off to be wholly settled within 12 months of the reporting date are measured at their nominal values. Employee benefits which are not expected to be wholly settled within 12 months are measured at the present value. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

Long service leave

Current liability – unconditional Long Service Leave (LSL) (representing 7 or more years of continuous service) is disclosed as a current liability even where Coliban Water does not expect to wholly settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability for LSL are measured at:

- > Present value – component that Coliban Water does not expect to wholly settle within 12 months; and
- > Nominal value – component that Coliban Water expects to wholly settle within 12 months.

Non-current liability – conditional LSL (representing less than 7 years of continuous service) 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 required years of service. Conditional LSL is required to be measured at present value.

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Employee benefit on-costs

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

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

INTRODUCTION	STRUCTURE
Coliban Water 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 Coliban Water to be utilised for delivery of those outputs.	4.1 Infrastructure, property, plant and equipment <ul style="list-style-type: none"> 4.1.1 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment 4.1.2 Depreciation 4.1.3 Net gain/(loss) on disposal of assets 4.1.4 Capital commitments 4.2 Intangible assets 4.3 Joint operations 4.4 Inventories

4.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

4.1.1 RECONCILIATION OF MOVEMENTS IN CARRYING VALUES OF INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

Movements in infrastructure, property, plant and equipment can occur under a number of circumstances. These include the addition of new works or assets, disposals, transfers between asset categories, depreciation or amortisation, impairment assessments and the five yearly scheduled revaluation. All movements are shown below.

2017–2018	Opening WDV at 1 July 2017 (\$'000)	Additions (\$'000)	Disposals / Writeoffs (\$'000)	Transfers in(out) of assets under construction (\$'000)	Transfers between categories (\$'000)	Fair value of assets received free of charge (\$'000)	Depreciation (\$'000)	Impairments (\$'000)	Revaluation (\$'000)	Closing WDV at 30 June 2018 (\$'000)
Land										
At fair value	37,785	–	(44)	1,280	265	–	–	–	6,288	45,574
Buildings										
At fair value	1,718	–	–	140	–	–	(101)	–	–	1,757
Buildings – Leasehold										
At fair value	1,363	–	–	43	–	–	(269)	–	–	1,137
Plant and Equipment										
At fair value	1,746	–	(32)	299	–	–	(487)	–	–	1,526
Infrastructure										
At fair value	1,357,056	–	(1,650)	24,085	(255)	–	(23,474)	–	–	1,355,762
Finance Leases										
At fair value	142,425	–	–	786	–	–	(4,701)	–	–	138,510
Works in Progress^①										
At cost	18,542	20,355	–	(26,618)	(4,200)	10,852	–	–	–	18,931
Totals	1,560,635	20,355	(1,726)	15	(4,190)	10,852	(29,032)	–	6,288	1,563,197

2016–2017	Opening WDV at 1 July 2016 (\$'000)	Additions (\$'000)	Disposals / Writeoffs (\$'000)	Transfers in(out) of assets under construction (\$'000)	Transfers between categories (\$'000)	Fair value of assets received free of charge (\$'000)	Depreciation (\$'000)	Impairments (\$'000)	Revaluation (\$'000)	Closing WDV at 30 June 2017 (\$'000)
Land										
At fair value	37,673	–	(1)	113	–	–	–	–	–	37,785
Buildings										
At fair value	1,681	–	–	133	–	–	(96)	–	–	1,718
Buildings – Leasehold										
At fair value	1,624	–	–	5	–	–	(266)	–	–	1,363
Plant and Equipment										
At fair value	2,466	–	(122)	(144)	(12)	–	(442)	–	–	1,746
Infrastructure										
At fair value	1,353,359	–	(2,134)	29,130	(214)	–	(23,085)	–	–	1,357,056
Finance Leases										
At fair value	147,125	–	–	–	–	–	(4,700)	–	–	142,425
Works in Progress^①										
At cost	14,747	26,380	–	(29,237)	(23)	6,675	–	–	–	18,542
Totals	1,558,675	26,380	(2,257)	–	(249)	6,675	(28,589)	–	–	1,560,635

^① Refer note 10.1 for amounts relating to the Bendigo Groundwater Project: Transitional Solution

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY continued...

4.1.1 RECONCILIATION OF MOVEMENTS IN CARRYING VALUES OF INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Initial recognition and measurement of assets

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water and wastewater infrastructure assets, plant, equipment, motor vehicles and finance lease infrastructure used by Coliban Water in its operations. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include wastewater systems.

Items of infrastructure, property, plant and equipment are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103F.

Items with a cost value in excess of \$1,000 (2016/17: \$1,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed. Where assets are constructed by Coliban Water, the cost at which they are recorded includes an appropriate share of overheads. Assets acquired at no cost or for nominal consideration by Coliban Water are recognised at fair value at the date of acquisition.

Subsequent measurement

In accordance with FRD 103F, at both the entity reporting level and whole of government reporting level, infrastructure assets, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment.

Revaluation of infrastructure, property, plant and equipment

The Valuer-General Victoria (VGV) is Coliban Water's independent valuation agency in relation to the valuation of infrastructure, property, plant and equipment.

Coliban Water, in conjunction with VGV, monitors changes in the fair value of infrastructure, property, plant and equipment through relevant data sources to determine whether a revaluation is required.

A fair value assessment for infrastructure occurred as at 30 June 2016 and was undertaken with involvement from VGV. Further details of the valuation exercise are provided in Note 7.3.1.

For the plant, equipment and motor vehicle asset classes, where Coliban Water is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exists for these assets, depreciated cost is used to represent fair value.

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluations are undertaken every five years with an annual assessment of fair value to determine if it is materially different to the carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an approved valuer (usually the VGV) to perform a 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 the carrying amounts.

Revaluation increments are credited directly to equity in the asset revaluation reserve, except when 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 then recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as expenses 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 then debited to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure and property 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 funds on derecognition of the relevant asset.

Impairment

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

- > inventories;
- > deferred tax assets;
- > financial instrument assets; and
- > non-current assets held for sale.

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

The recoverable amount for non-financial assets is measured at the higher of value in use (VIU) and fair value less costs of disposal. As Coliban Water is a not-for-profit entity, VIU is based on depreciated replacement cost where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate cash inflows and where in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading asset revaluation reserve. 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. However, to the extent that an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement, a reversal of that impairment loss is recognised in the Comprehensive Operating Statement.

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY continued...

Finance Leases

Coliban Water has entered into contractual arrangements with Bendigo Water Services Pty Ltd to build, own and operate water treatment facilities in Bendigo, Castlemaine and Kyneton and with ETE Coliban Pty Ltd to build, own and operate a wastewater treatment facility in Echuca and Rochester, over a 25 year period, in exchange for a stream of payments. At the end of the contract period, the assets are transferred to Coliban Water at no cost. As ownership of the asset is transferred to Coliban Water at the end of the contractual term, and this term is for the major part of the economic life of the asset, Coliban Water accounts for the asset under the BOOT Scheme as a finance lease.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each stream of lease payment is allocated between the liability and finance costs. The interest element of the finance cost is charged to the Comprehensive Operating Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired in a BOOT Scheme that meet the classification of a finance lease are depreciated over the asset's useful life. Refer Note 6.3.1.

4.1.2 DEPRECIATION

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

Leasehold improvements are recognised at fair value and are depreciated over the unexpired period of the lease or the estimated useful life of the improvement, whichever is shorter. At balance date:

- > building leasehold improvements are depreciated over a 20 year and 3 year period consistent with the terms of the two leases (2016/17: 20 year and 3 year period); and
- > infrastructure leasehold improvements are depreciated over a 15 to 40 year period which is the shorter of the expected asset life and the 70 year lease (2016/17: 15 to 40 year period).

Land is not depreciated. Depreciation on all infrastructure, buildings, plant and equipment, and other non-current physical assets is calculated using the straight line method to allocate their costs or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is available and ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Useful lives used are listed below and include a comparison to the prior year.

Asset	2017/18 Useful life	2016/17 Useful life
Buildings and leasehold improvements	3 to 100 years	3 to 50 years
Plant and equipment	1 to 40 years	1 to 40 years
Infrastructure and leasehold improvements	2 to 400 years	2 to 400 years
Finance lease infrastructure	25 to 100 years	25 to 100 years

4.1.3 NET GAIN/(LOSS) ON DISPOSAL OF ASSETS

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

Proceeds from disposal of assets	3,880	499
Written down value of assets disposed	(4,321)	(2,328)
Net gain/(loss) on disposal	(441)	(1,829)

4.1.4 CAPITAL COMMITMENTS

Capital expenditure commitments in nominal terms

Not later than one year	9,026	4,857
Later than one year and not later than five years	53	63
Total capital expenditure commitments (inclusive of GST)	9,079	4,920
Less GST recoverable	825	447
Total capital expenditure commitments (exclusive of GST)	8,254	4,473

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY continued...

4.2 INTANGIBLE ASSETS

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

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.

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

	Permanent Water Entitlements 2017/18	Software 2017/18
Useful lives	Indefinite	Finite
Amortisation method used	Not amortised or revalued	1 to 10 years
Internally generated or acquired	Acquired	Both
Impairment test or recoverable amount testing	Reviewed annually for indicators of impairment.	Amortisation method reviewed at each financial year-end and reviewed annually for indicators of impairment.

2017/2018	Water Entitlements (\$'000)	Software (\$'000)	Works in Progress (\$'000)	Total (\$'000)
Opening WDV at 1 July 2017	60,052	6,981	426	67,459
Additions	—	—	1,518	1,518
Transfers	93	756	(849)	—
Amortisation	—	(1,613)	—	(1,613)
Closing WDV at 30 June 2018	60,145	6,124	1,095	67,364

2016/2017	Water Entitlements (\$'000)	Software (\$'000)	Works in Progress (\$'000)	Total (\$'000)
Opening WDV at 1 July 2016	60,052	5,978	1,316	67,346
Additions	—	—	1,515	1,515
Transfers	—	2,405	(2,405)	—
Amortisation	—	(1,402)	—	(1,402)
Closing WDV at 30 June 2017	60,052	6,981	426	67,459

Permanent water entitlements

Permanent water entitlements purchased are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 *Intangible Assets* and FRD 109 *Intangible Assets*), and it has been determined there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for Coliban Water, therefore the entitlements will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements will be tested annually for impairment.

Permanent water entitlements are tested for impairment at the cash generating unit (CGU) level by comparing the assets or CGU's recoverable amount with its carrying amount annually. Whenever there is an indication that the impairment exists, any excess of the carrying amount over the recoverable amount is recognised as an impairment loss in the Comprehensive Operating Statement.

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY continued...

In accordance with AASB 136 *Impairment of Assets*, Coliban Water has reviewed the carrying value of water entitlements at 30 June 2018. The VIU at the CGU level has been applied in determining the recoverable amount as at 30 June 2018 on the basis that the future economic benefits of the asset are primarily dependent on the asset's ability to generate cash flows consistent with the prior year. Where the VIU of the CGU is higher than its carrying value, the fair value less costs to sell is not required to be calculated. As the VIU at CGU is higher than the carrying amount as at 30 June 2018 no impairment of the permanent water entitlements has been recognised for the financial year ended 30 June 2018 (30 June 2017: no impairment recognised).

In determining VIU, the permanent water entitlements have been allocated to the Echuca CGU and Bendigo CGU. The recoverable amount of each CGU has been determined based on a VIU calculation using cash flow projections from the five year approved Corporate Plan. Cash flows beyond the final year forecast period in the Corporate Plan have been extrapolated using a 2.5% growth rate (2016/17: 2.5% growth rate).

The carrying amount of the intangible asset with an indefinite useful life allocated to each CGU and the significant assumptions used in the calculation of the VIU is as follows:

	Bendigo CGU	Echuca CGU
Permanent water entitlements allocated to the CGU (\$ million)	59.85	0.29
Pre-tax discount rate (%)	6.88	8.38
Water use per customer (kilolitres)	188	188
Growth rate (%)	2.50	2.50
Headroom (\$ million)	132.29	12.36

Discount Rate: Represents the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have been incorporated into the cash flow estimates. The weighted average cost of capital discount rate calculation is based on specific circumstances relating to Coliban Water.

Growth rate: Estimates are based on CPI level price rises.

Water use per customer: Based on historical averages of water usage for customers within the regions covered by the CGUs.

Sensitivity to key assumptions: Management has performed an assessment and consider that no reasonable possible change in a key assumption would cause either the Bendigo CGU or the Echuca CGU carrying amount to exceed its recoverable amount.

4.3 JOINT OPERATIONS

Joint operations are contractual arrangements between the entity and one or more other parties to undertake an economic activity that is subject to joint control. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Jointly controlled operations and assets are accounted for using proportionate consolidation.

For all investments in jointly controlled operations and assets, in respect of any interest in jointly controlled assets, Coliban Water recognises in the financial statements:

- > its share of jointly controlled assets;
- > any liabilities that it had incurred;
- > its share of liabilities incurred jointly by the joint operation;
- > any income earned from the selling or using of its share of the output from the joint operation; and
- > any expenses incurred in relation to being an investor in the joint operation.

Coliban Water recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

On 6 May 2008, Coliban Water established with Central Highlands Water (CHW) a joint operation for the development, operation and maintenance of the pipelines and infrastructure associated with the Goldfields Superpipe. The joint operation involves the use of assets and other resources of both parties. Each party uses its own assets and incurs its own expenses and liabilities.

Under the agreement, the assets are jointly owned as tenants in common in their respective percentage interests. Coliban Water's capital share has been determined by the total expenditure on the Goldfields Superpipe less the incremental proportion of capital expenditure that relates to the additional capacity required to service CHW. The incremental proportion has been funded by CHW.

Coliban Water's operational cost share is calculated on a combination of a fixed component based on capacity share, a variable component based on volumes of water pumped and an energy charges share based on volumes stored or pumped from Lake Eppalock.

NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY continued...

4.3 JOINT OPERATIONS (CONTINUED)

Principal Activity 2017/18	Interest ⁽ⁱ⁾	Water Distribution ⁽ⁱⁱ⁾ (\$'000)	Operational Costs ⁽ⁱⁱⁱ⁾ (\$'000)
Waranga Channel to Lake Eppalock to Sandhurst Reservoir	2/3	43,856	1,168

Principal Activity 2016/17	Interest ⁽ⁱ⁾	Water Distribution ⁽ⁱⁱ⁾ (\$'000)	Operational Costs ⁽ⁱⁱⁱ⁾ (\$'000)
Waranga Channel to Lake Eppalock to Sandhurst Reservoir	2/3	44,407	908

⁽ⁱ⁾ Certain administration and operational costs are split 50/50 in line with agreement.

⁽ⁱⁱ⁾ Disclosed as Infrastructure Assets. Refer Note 4.1.

⁽ⁱⁱⁱ⁾ Disclosed as part of other operating and administration expenses. Refer to Note 3.2.

As at 30 June 2018, there were \$38,772 outstanding liabilities incurred by Coliban Water and the joint operation (as at 30 June 2017: \$115,197).

4.4 INVENTORIES

	2018 (\$'000)	2017 (\$'000)
Inventories held for distribution	2,376	1,922
Total inventories	2,376	1,922

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

NOTE 5: OTHER ASSETS AND LIABILITIES

INTRODUCTION

This section sets out other assets and liabilities that arise from Coliban Water's operations.

STRUCTURE

5.1 Receivables

5.1.1 Movement in provision for impaired receivables

5.1.2 Ageing analysis of contractual receivables

5.2 Payables

5.2.1 Ageing analysis of contractual payables

	2018 (\$'000)	2017 (\$'000)
5.1 RECEIVABLES		
Receivables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.		
Current receivables		
Contractual:		
Rates and charges receivables	8,291	7,495
Sundry customer receivables	340	195
Provision for impaired receivables	(345)	(144)
Statutory:		
Accrued revenue	12,640	11,816
Amount owing from the Victorian Government	1,066	1,043
GST receivables	757	403
	22,749	20,808
Non-current receivables		
Contractual:		
Customer receivables	797	914
	797	914
Total receivables	23,546	21,722

Receivables consist of:

- > contractual receivables, such as debtors in relation to goods and services supplied; and
- > statutory receivables, such as amounts owing from the Victorian Government and GST input tax credits recoverable.

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

Accrued revenue represents services supplied but not yet invoiced. Meter reading is scheduled quarterly and therefore an estimation is made at the end of each accounting period of services used that are recorded on meters which have not been read. Accrued revenue is estimated by multiplying the number of days since the last reading by an adjusted reading for an equivalent prior period, further adjusted for current climatic conditions.

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

Contractual receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method less any provision for impaired receivables. Trade receivables for water corporation debtors and other debtors are due for settlement no more than 28 days from the date of recognition.

Collectability of contractual receivables is reviewed for bad and impaired debts on a regular basis. A provision for impaired receivables is established when there is objective evidence that Coliban Water will not be able to collect all amounts due according to the original terms of receivables and bad debts are written off when identified. The amount of the provision is recognised as an expense in the Comprehensive Operating Statement.

NOTE 5: OTHER ASSETS AND LIABILITIES continued...

	2018 (\$'000)	2017 (\$'000)
5.1.1 MOVEMENT IN PROVISION FOR IMPAIRED RECEIVABLES		
As at 30 June 2018, receivables of Coliban Water, with nominal values as disclosed below, were impaired and a provision for impaired receivables has been raised for these amounts. The individually impaired receivables mainly relate to customers, which are in difficult economic situations and hence, assumed recoverability is low.		
Balance at the beginning of the year	(144)	(44)
Provision for impaired receivables recognised during the year	(341)	(277)
Receivables written off during the year as uncollectable	140	163
Unused provision amount reversed	–	14
Closing provision balance at 30 June	(345)	(144)

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.

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

Nature and extent of risk arising from receivables

Refer to Note 7.1.2 for the nature and extent of risks arising from receivables.

5.1.2 AGEING ANALYSIS OF CONTRACTUAL RECEIVABLES

The ageing at 30 June 2018 includes current rates and charges receivables, sundry customer receivables, and non-current customer receivables. Statutory receivables and provision for impaired receivables are excluded.

	Carrying Amount (\$'000)	Not past due and not impaired (\$'000)	Past due but not impaired			
			Less than one month (\$'000)	1 to 3 months (\$'000)	3 months to 1 year (\$'000)	1 to 5 years (\$'000)
2017/2018						
Rates and charges receivable	8,291	6,697	730	380	484	–
Other receivables	1,137	218	–	59	63	797
	9,428	6,915	730	439	547	797

	Carrying Amount (\$'000)	Not past due and not impaired (\$'000)	Past due but not impaired			
			Less than one month (\$'000)	1 to 3 months (\$'000)	3 months to 1 year (\$'000)	1 to 5 years (\$'000)
2016/2017						
Rates and charges receivable	7,495	5,915	796	176	608	–
Other receivables	1,109	76	44	75	–	914
	8,604	5,991	840	251	608	914

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

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

NOTE 5: OTHER ASSETS AND LIABILITIES continued...

	2018 (\$'000)	2017 (\$'000)
5.2 PAYABLES		
Payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.		
Current payables		
Contractual:		
Trade payables	3,439	2,900
Accrued expenses	13,102	13,134
Other payables	190	1,128
Statutory:		
FBT payable	17	17
	16,748	17,179
Non-current payables		
Contractual:		
Retention and advance deposits	62	306
	62	306
Total payables	16,810	17,485

Payables consists of:

- > contractual payables, such as accounts payable and accrued expenses. Accounts payable represent liabilities for goods and services provided to Coliban Water prior to the end of the financial year that are unpaid, and arise when Coliban Water becomes obliged to make future payments in respect of the purchase of those goods and services; and
- > statutory payables such as goods and services tax and fringe benefits tax payables.

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

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

Accrued expenses are recognised when Coliban Water, as a result of a past event, has a present obligation that can be estimated reliably, and it is probable that a payment will be required to settle the obligation.

The amount recognised as accrued expenses is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

5.2.1 AGING ANALYSIS OF CONTRACTUAL PAYABLES

	Carrying Amount (\$'000)	Nominal amount (\$'000)	Maturity dates			
			Less than one month (\$'000)	1 to 3 months (\$'000)	3 months to 1 year (\$'000)	1 to 5 years (\$'000)
2017/2018						
Supplies and services	12,342	12,342	10,717	1,623	2	—
Other payables	4,451	4,451	4,301	58	30	62
	16,793	16,793	15,018	1,681	32	62

	Carrying Amount (\$'000)	Nominal amount (\$'000)	Maturity dates			
			Less than one month (\$'000)	1 to 3 months (\$'000)	3 months to 1 year (\$'000)	1 to 5 years (\$'000)
2016/2017						
Supplies and services	11,599	11,599	9,579	2,020	—	—
Other payables	5,869	5,869	5,510	4	49	306
	17,468	17,468	15,089	2,024	49	306

NOTE 6: FINANCING OUR OPERATIONS

INTRODUCTION	STRUCTURE
This note provides information on the balances related to the financing of Coliban Water, including financial commitments at year-end. Coliban Water's recurrent operations are generally financed from cash flows from operating activities (see Cash Flow Statement). Asset investments are generally financed from a combination of surplus cash flows from operating activities, asset sales and loans from Treasury Corporation of Victoria (TCV).	6.1 Interest bearing liabilities 6.1.1 Maturity analysis of interest bearing liabilities 6.1.2 Borrowing and finance charges 6.2 Cash and cash equivalents 6.2.1 Reconciliation of net result to cash flow from operating activities 6.3 Commitments for expenditure 6.3.1 Finance lease commitments 6.3.2 Other commitments

	2018 (\$'000)	2017 (\$'000)
6.1 INTEREST BEARING LIABILITIES		
Current interest bearing liabilities		
Loans from Treasury Corporation of Victoria	4,000	3,500
Finance lease liabilities – BOOT Schemes	5,275	4,882
	9,275	8,382
Non-current interest bearing liabilities:		
Loans from Treasury Corporation of Victoria	376,832	380,832
Finance lease liabilities – BOOT Schemes	70,446	75,720
	447,278	456,552
Total interest bearing liabilities	456,553	464,934

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

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

Coliban Water has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with TCV pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*.

Refer to Note 6.3.1 for details relating to the BOOT Scheme finance leases and relevant accounting policy.

6.1.1 MATURITY ANALYSIS OF INTEREST BEARING LIABILITIES

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

As the financial assets and financial liabilities are at amortised value, the carrying amount equals fair value.

	Carrying Amount	Nominal Amount ⁽ⁱ⁾	Floating Amount	Fixed Interest Rate Maturing					
				1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
2017/2018	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Finance lease	75,721	–	–	5,275	5,727	6,200	6,700	7,239	44,580
Loans from TCV	380,832	409,334	5,332	–	30,000	28,000	32,000	33,000	252,500
Total	456,553	409,334	5,332	5,275	35,727	34,200	38,700	40,239	297,080
	Carrying Amount	Nominal Amount ⁽ⁱ⁾	Floating Amount	Fixed Interest Rate Maturing					
				1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
2016/2017	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Finance lease	80,602	95,572	–	4,882	5,275	5,727	6,200	6,700	51,818
Loans from TCV	384,332	417,335	4,832	–	25,000	30,000	25,000	32,000	267,500
Total	464,934	512,907	4,832	4,882	30,275	35,727	31,200	38,700	319,318

⁽ⁱ⁾ Nominal amount represents fair value.

NOTE 6: FINANCING OUR OPERATIONS continued...

	Notes	2018 (\$'000)	2017 (\$'000)
6.1.2 BORROWING AND FINANCE CHARGES			
Borrowing Costs:			
Borrowing Costs – Treasury Corporation of Victoria		17,242	18,269
Borrowing Costs – Financial Accommodation Levy		5,500	5,330
		22,742	23,599
Finance Charges:			
Finance lease interest charges		6,089	6,453
		6,089	6,453
Total borrowing and finance charges		28,831	30,052
<p>Borrowing costs are recognised as expenses in the financial period in which they are incurred. Borrowing costs include interest on short term and long term borrowings held with TCV and costs relating to the Financial Accommodation Levy (FAL) set by the Treasurer of the State of Victoria under section 40N(2) of the <i>Financial Management Act 1994</i>. The FAL is in place to remove the financial benefit obtained by Coliban Water in securing lower than market interest rates as a result of being guaranteed by the State of Victoria.</p> <p>Coliban Water has entered into two contractual arrangements to build, own and operate water and wastewater treatment facilities in the region (see Note 6.3.1). The interest element of finance leases is charged to the Comprehensive Operating Statement over the lease period.</p>			
6.2 CASH AND CASH EQUIVALENTS			
Cash at bank and cash on hand		1,109	3,104
Deposits at call	10.1	14,032	5,693
Total cash and cash equivalents		15,141	8,797
<p>Cash and cash equivalents recognised on the Balance Sheet comprise cash on hand, cash at bank and deposits at call which are held for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known amounts of cash with an insignificant risk of changes in value.</p> <p>The bank overdraft limit of Coliban Water is \$400,000. This facility is subject to annual review and at 30 June 2018 the amount of unused credit was \$400,000 (2016/17: \$400,000). The bank overdraft is secured by way of mortgage over the revenue of Coliban Water.</p> <p>Loan facilities from TCV have various maturity dates through to 30 April 2030 and may be extended by mutual agreement between Coliban Water and TCV.</p>			
6.2.1 RECONCILIATION OF NET RESULT TO CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the year		11,360	5,389
Add/(less) non-cash movements in net result			
Depreciation and amortisation		30,645	29,991
Net (gain)/loss on disposal of non-current assets		441	1,829
Fair value (increase)/decrease in other financial assets		–	1
Payments for fixed assets in payables movement		(1,580)	1,878
Non cash developer contributions & gifted assets		(10,852)	(6,675)
Income tax (expense)/benefit		3,471	2,297
		33,485	34,710
Movements in assets and liabilities			
Decrease/(increase) in receivables		(1,824)	4,068
Decrease/(increase) in inventories		(454)	(503)
Decrease/(increase) in prepayments		(26)	(159)
(Decrease)/increase in payables		(675)	1,268
(Decrease)/increase in employee benefits		210	164
Net cash inflows from operating activities		30,716	39,548
<p>Cash flows arising from operating activities are disclosed inclusive of GST.</p> <p>The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.</p>			

NOTE 6: FINANCING OUR OPERATIONS continued...

6.3 COMMITMENTS FOR EXPENDITURE

6.3.1 FINANCE LEASE COMMITMENTS

Coliban Water has signed two BOOT contracts.

Bendigo Water Services Pty Ltd

A contract deed was signed on 5 May 1999 with Bendigo Water Services Pty Ltd for the provision of water treatment services for Bendigo, Castlemaine and Kyneton. Commercial acceptance of this facility was granted on 1 June 2002.

ETE Coliban Pty Ltd

Coliban Water signed a contract deed on 26 November 2002 with ETE Coliban Pty Ltd for the provision of water reclamation and reuse services for Echuca and Rochester. Commercial acceptance of this facility was granted on 28 September 2004.

The above contracts, which comprise both fixed and variable components, commit Coliban Water to the payment of tolls over the 25 year contract periods.

As ownership of the asset(s) will be transferred to Coliban Water at the end of the contractual term and this term is for the major part of the economic life of the asset(s), Coliban Water accounts for the asset(s) under the BOOT Schemes as finance leases.

Commitments for minimum lease payments (excluding the GST of \$7.6 million as at 30 June 2018 and \$8.1 million as at 30 June 2017), in relation to finance leases are payable as follows:

Commissioned BOOT Schemes related to finance lease liabilities	Minimum future lease payments ⁽ⁱ⁾		Present value of minimum future lease payments	
	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)
Not later than one year	10,971	10,971	5,275	4,882
Later than one year and not later than five years	44,026	43,988	25,866	23,902
Later than five years	54,139	65,148	44,580	51,818
Minimum future lease payment	109,136	120,107	75,721	80,602
Less future interest charges	33,415	39,505	–	–
Present value of minimum lease payments	75,721	80,602	75,721	80,602
Included in the financial statements as:				
Current lease liability	–	–	5,275	4,882
Non-current lease liability	–	–	70,446	75,720
Total finance lease liabilities – BOOT Schemes	–	–	75,721	80,602

⁽ⁱ⁾ Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.

Commissioned BOOT operating commitments (not including future interest charges but including GST) contracted for but not recognised as liabilities.

Operating commitments represent the service component of the BOOT Schemes for the provision of wastewater and water treatment services.

	Nominal		Present Value	
	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)
Not later than one year	9,025	8,595	8,377	7,981
Later than one year and not later than five years	40,909	38,943	31,544	30,040
Later than five years	55,420	66,424	31,309	36,044
	105,354	113,962	71,230	74,065

NOTE 6: FINANCING OUR OPERATIONS continued...

6.3.2 OTHER COMMITMENTS

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

Operating leases are those where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Comprehensive Operating Statement when incurred during the period of the lease as this represents the pattern of benefits derived from the leased assets.

Operating commitments

Operating commitments in nominal values including GST as at 30 June 2018 totalled \$88.6 million (2016/17: \$117.7 million). This amount is represented by one major contract for the provision of operations and maintenance services, that was extended for a further five years from 1 July 2017. Operating expenditure commitments under this contract are due and payable as follows:

	2018 (\$'000)	2017 (\$'000)
Operating expenditure commitments		
Not later than one year	32,325	25,151
Later than one year and not later than five years	56,250	73,037
Later than five years	–	19,463
Total operating expenditure commitments	88,575	117,651
Less GST recoverable	8,052	10,696
Total operating expenditure commitments (excluding GST)	80,523	106,955
Operating vehicle lease expenditure commitments		
Operating lease commitments for motor vehicles, over the remaining periods of the leases including GST, are expected to be as follows:		
Not later than one year	383	412
Later than one year and not later than five years	152	436
Later than five years	–	–
	535	848
Operating lease on head office building and Lake Eppalock Pumping Station		
Coliban Water has two operating leases in place for the Head Office buildings in Bendigo that expire in 2019 and 2020, and an operating lease agreement to operate the Lake Eppalock Pumping Station until 2070.		
Expected lease payments, over the remaining periods of the leases including GST, are expected to be as follows:		
Not later than one year	323	398
Later than one year and not later than five years	197	515
Later than five years	342	297
	862	1,210

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

INTRODUCTION	STRUCTURE
<p>Coliban Water is exposed to risks from both its activities and external factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.</p> <p>This section presents information on financial instruments, contingent assets and liabilities, and fair value determinations on Coliban Water's assets and liabilities.</p>	<p>7.1 Financial instruments specific disclosures</p> <p>7.1.1 Financial instruments: categorisation</p> <p>7.1.2 Financial risk management objectives and policies</p> <p>7.2 Contingent assets and contingent liabilities</p> <p>7.3 Fair value determination</p> <p>7.3.1 Fair value determination of non-financial physical assets</p> <p>7.3.2 Fair value determination non-financial physical assets held for sale</p>

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.

Coliban Water 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.

Categories of financial instruments

The principal financial instruments comprise of cash assets, receivables (excluding statutory receivables), payables (excluding statutory payables), borrowings and finance lease liabilities.

Loans and receivables and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recorded at fair value plus any directly attributable transaction cost. Subsequent to initial measurement they are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss over the period of the interest bearing liability, using the effective interest rate method. Coliban Water recognises the following assets in this category:

- > cash and deposits; and
- > receivables (excluding statutory receivables).

Financial liabilities 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. Coliban Water recognises the following liabilities in this category:

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

Impairment of financial assets

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

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, Coliban Water applies professional judgement in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued...

7.1.1 FINANCIAL INSTRUMENTS CATEGORISATION

The carrying amounts of the contractual financial assets and financial liabilities by category are disclosed below:

2017/2018	Contractual financial assets – loans and receivables and cash (\$'000)	Contractual financial liabilities at amortised cost (\$'000)	Total (\$'000)
Contractual financial assets			
Cash and deposits	15,141	–	15,141
Receivables⁽ⁱ⁾			
Rates and charges and sundry customer receivables	9,083	–	9,083
Accrued revenue	12,640	–	12,640
Total contractual financial assets	36,864	–	36,864
Contractual financial liabilities			
Payables			
Trade payables and accrued expenses ⁽ⁱⁱ⁾	–	16,541	16,541
Other payables	–	252	252
Borrowings			
Finance lease liabilities	–	75,721	75,721
Loans from TCV	–	380,832	380,832
Total contractual financial liabilities	–	473,346	473,346

2016/2017	Contractual financial assets – loans and receivables and cash (\$'000)	Contractual financial liabilities at amortised cost (\$'000)	Total (\$'000)
Contractual financial assets			
Cash and Deposits	8,797	–	8,797
Receivables⁽ⁱ⁾			
Rates and charges and sundry customer receivables	8,460	–	8,460
Accrued revenue	11,816	–	11,816
Total contractual financial assets	29,073	–	29,073
Contractual financial liabilities			
Payables			
Trade payables and accrued expenses ⁽ⁱⁱ⁾	–	16,030	16,030
Amounts payable to Victorian Government and agencies	–	4	4
Other payables	–	1,434	1,434
Borrowings			
Finance lease liabilities	–	80,602	80,602
Loans from TCV	–	384,332	384,332
Total contractual financial liabilities	–	482,402	482,402

⁽ⁱ⁾ The total amounts disclosed exclude statutory receivables.

⁽ⁱⁱ⁾ The total amounts disclosed exclude statutory payables.

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued...

7.1.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The activities of Coliban Water expose it to a variety of financial risks, market risk, credit risk and liquidity risk. This note presents information about Coliban Water's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Board of Coliban Water has the overall responsibility for the establishment and oversight of the risk management framework. All borrowings are sourced through TCV and Coliban Water's total borrowing limit is regulated by the Department of Treasury and Finance (DTF) via approval from the Treasurer. Coliban Water operates within the risk management requirements that are imposed by TCV and DTF over these borrowings. The overall risk management program seeks to minimise potential adverse effects on the financial performance of Coliban Water. Coliban Water 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, other price risks and ageing analysis for credit.

Risk management is carried out by Coliban Water's management under policies approved by the Board of Directors. The finance department of Coliban Water identifies, evaluates and hedges financial risks in close co-operation with Coliban Water's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risks, credit risk and non-derivative financial instruments, and investment of excess liquidity.

The main risks that Coliban Water is exposed to through its financial instruments are as follows:

(a) Market risk

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

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

(i) Interest rate risk

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

Coliban Water minimises its exposure to interest rate changes on its borrowings by holding a mix of fixed and floating rate debt. Long term borrowings are fixed rate interest only loans. Short term borrowings are variable rate interest only loans. Debt is sourced from TCV as approved by the Treasurer and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

Coliban Water has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

(ii) Other price risk

Coliban Water has no significant exposure to other price risk.

(b) Credit risk

Credit risk is the risk of financial loss to Coliban Water as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from receivables.

Coliban Water minimises concentrations of credit risk by undertaking transactions with a large number of customers. The receivables balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Coliban Water is therefore not materially exposed to any individual customer. Receivable balances recognised on the balance sheet are the carrying amount net of any provision for impaired receivables.

	Financial Institutions (A-1+) ⁽ⁱ⁾ (\$'000)	Government Agencies (AAA) ⁽ⁱ⁾ (\$'000)	Other (\$'000)	Total (\$'000)
2017/2018				
Financial assets				
Cash and cash equivalents	1,108	14,032	1	15,141
Receivables (excl. statutory receivables)	—	—	21,723	21,723
Total financial assets	1,108	14,032	21,724	36,864

	Financial Institutions (A-1+) ⁽ⁱ⁾ (\$'000)	Government Agencies (AAA) ⁽ⁱ⁾ (\$'000)	Other (\$'000)	Total (\$'000)
2016/2017				
Financial assets				
Cash and cash equivalents	3,104	5,692	1	8,797
Receivables (excl. statutory receivables)	—	—	20,276	20,276
Total financial assets	3,104	5,692	20,277	29,073

⁽ⁱ⁾ Standard and Poor's Corporation credit rating

An analysis of the ageing of Coliban Water's receivables as at the reporting date has been provided in Note 5.1.2.

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued...

(c) Liquidity risk

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

Coliban Water manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Interest rate exposure of financial instruments

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Coliban Water minimises exposure to cash flow interest rate risks by managing cash and deposits, term deposits and bank overdrafts at floating rates. Coliban Water invests cash into maturities that reflect the best interest rate opportunities whilst ensuring that cash is available when required to meet projected expenditures.

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

	Weighted Av Interest Rate (%)	Carrying Amount (\$'000)	Fixed Interest Rate (\$'000)	Floating Interest Rate (\$'000)	Non-interest Bearing (\$'000)
2017/2018					
Financial assets					
Cash and cash equivalents	0.64%	15,141	–	15,140	1
Receivables (excl. statutory receivables)	n/a	21,723	–	–	21,723
Total financial assets		36,864	–	15,140	21,724
Financial liabilities					
Payables (excl. statutory payables)	n/a	16,793	–	–	16,793
Finance lease liabilities	7.77%	75,721	75,721	–	–
Loans from TCV	4.44%	380,832	375,500	5,332	–
Total financial liabilities		473,346	451,221	5,332	16,793
2016/2017					
Financial assets					
Cash and cash equivalents	0.98%	8,797	–	8,796	1
Receivables (excl. statutory receivables)	n/a	20,276	–	–	20,276
Total financial assets		29,073	–	8,796	20,277
Financial liabilities					
Payables (excl. statutory payables)	n/a	17,468	–	–	17,468
Finance lease liabilities	7.77%	80,602	80,602	–	–
Loans from TCV	4.64%	384,332	379,500	4,832	–
Total financial liabilities		482,402	460,102	4,832	17,468

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued...

7.1.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The interest rate sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The table below shows the impact before tax and only includes financial instruments subject to variable interest. Coliban Water believes that a movement between -1.0% and 1.0% in interest rates is reasonable over the next 12 months.

2017/2018	Carrying Amount (\$'000)	Interest Rate Risk			
		-1.0%		+1.0%	
		Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
Financial assets					
Cash and cash equivalents	15,140	(151)	(151)	151	151
Total financial assets	15,140	(151)	(151)	151	151
Financial liabilities					
Borrowings – floating interest rate loans	5,332	53	53	(53)	(53)
Total financial liabilities	5,332	53	53	(53)	(53)
Total Increase/(Decrease)		(98)	(98)	98	98

2016/2017	Carrying Amount (\$'000)	Interest Rate Risk			
		-0.5%		+1.0%	
		Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
Financial assets					
Cash and cash equivalents	8,796	(44)	(44)	88	88
Total financial assets	8,796	(44)	(44)	88	88
Financial liabilities					
Borrowings – floating interest rate loans	4,832	24	24	(48)	(48)
Total financial liabilities	4,832	24	24	(48)	(48)
Total Increase/(Decrease)		(20)	(20)	40	40

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

There were no material contingent assets or liabilities at 30 June 2018 (30 June 2017, \$nil).

7.3 FAIR VALUE DETERMINATION

Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of Coliban Water. 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*, Coliban Water 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 non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

There were no changes in valuation techniques throughout the period to 30 June 2018. Coliban Water conducted an assessment at 30 June 2018 with no material movement identified since the 2016 valuation in all classes except land. After applying the indices for land supplied by the VGV at 31 March 2018, land was assessed as increasing in value by 16.5%. As this exceeds 10%, Coliban Water undertook a managerial revaluation on 30 June 2018, increasing Coliban Water's land value and asset revaluation reserve by \$6.3 million.

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued...

Fair Value Hierarchy

All assets 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;
- > 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.

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.

Financial asset and liabilities classified as Level 1 include cash and cash equivalents. Receivables, payables, finance lease liabilities and loans from TCV are classified as Level 2.

Coliban Water 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.

Specialised land, specialised buildings and specialised buildings – leasehold

For Coliban Water's specialised buildings and specialised buildings – leasehold the depreciated replacement cost method is used, adjusted for associated depreciation. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

The market approach is used for specialised land, although is adjusted for the Community Service Obligation (CSO) to reflect the specialised nature of the land being valued.

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

An independent valuation of Coliban Water's specialised land, specialised buildings and specialised buildings – leasehold was performed by Egan National Valuers on behalf of the VGV. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation was 30 June 2016.

Non-specialised land

Non-specialised land is valued using the market approach. Under this valuation method, the land is compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

An independent valuation was performed by independent valuers Egan National Valuers 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 land being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2016.

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

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

Infrastructure

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

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

An independent valuation of Coliban Water's infrastructure was performed by KPMG on behalf of the VGV. The valuation was performed using the depreciated replacement cost of the assets, based on the condition assessment of aboveground assets, age and material for underground assets and remaining useful lives. The effective date of the valuation was 30 June 2016.

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued...

7.3 FAIR VALUE DETERMINATION (CONTINUED)

As depreciation adjustments are considered as significant unobservable inputs in nature, infrastructure assets are classified as Level 3 for fair value measurements.

Vehicles

Coliban Water acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers within Coliban Water who set relevant depreciation rates during use to reflect the utilisation of the vehicles. Coliban Water uses depreciated replacement cost for vehicles hence they are classified as Level 3 for fair value measurements.

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in its 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 hence they are classified as Level 3 for fair value measurements.

7.3.1 FAIR VALUE DETERMINATION OF NON-FINANCIAL PHYSICAL ASSETS

2017/2018	Carrying amount as at 30 June 2018 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
Land at fair value				
Specialised	27,364	–	–	27,364
Non-specialised	18,210	–	18,210	–
	45,574	–	18,210	27,364
Buildings at fair value				
Specialised	1,757	–	–	1,757
	1,757	–	–	1,757
Buildings – leasehold at fair value				
Specialised	1,137	–	–	1,137
	1,137	–	–	1,137
Plant and equipment at fair value				
Specialised	1,526	–	–	1,526
	1,526	–	–	1,526
Infrastructure at fair value				
Specialised Water Infrastructure	394,097	–	–	394,097
Specialised Water Distribution Assets	176,064	–	–	176,064
Specialised Water Distribution Assets – Leasehold	495	–	–	495
Specialised Wastewater Infrastructure	451,363	–	–	451,363
Specialised Recycling Infrastructure	33,860	–	–	33,860
Specialised Rural Infrastructure	139,727	–	–	139,727
Specialised Headworks Infrastructure	160,156	–	–	160,156
	1,355,762	–	–	1,355,762
Finance lease infrastructure at fair value				
Specialised	138,510	–	–	138,510
	138,510	–	–	138,510
Total assets at fair value (excluding works in progress)	1,544,266	–	18,210	1,526,056

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued...

2016/2017	Carrying amount as at 30 June 2017 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
Land at fair value				
Specialised	22,435	–	–	22,435
Non-specialised	15,350	–	15,350	–
	37,785	–	15,350	22,435
Buildings at fair value				
Specialised	1,718	–	–	1,718
	1,718	–	–	1,718
Buildings – leasehold at fair value				
Specialised	1,363	–	–	1,363
	1,363	–	–	1,363
Plant and equipment at fair value				
Specialised	1,746	–	–	1,746
	1,746	–	–	1,746
Infrastructure at fair value				
Specialised Water Infrastructure	396,609	–	–	396,609
Specialised Water Distribution Assets	175,985	–	–	175,985
Specialised Water Distribution Assets – Leasehold	520	–	–	520
Specialised Wastewater Infrastructure	449,905	–	–	449,905
Specialised Recycling Infrastructure	33,751	–	–	33,751
Specialised Rural Infrastructure	139,938	–	–	139,938
Specialised Headworks Infrastructure	160,348	–	–	160,348
	1,357,056	–	–	1,357,056
Finance Lease infrastructure at fair value				
Specialised	142,425	–	–	142,425
	142,425	–	–	142,425
Total assets at fair value (excluding works in progress)	1,542,093	–	15,350	1,526,743

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued...

7.3.1 FAIR VALUE DETERMINATION OF NON-FINANCIAL PHYSICAL ASSETS (CONTINUED)

Description of significant unobservable inputs to Level 3 valuations

Asset Class 2018 and 2017		Valuation technique	Significant unobservable inputs
Specialised land	Land	Market approach	Community Service Obligation (CSO) adjustment ⁽ⁱ⁾
Specialised buildings	Buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised assets
Specialised buildings – Leasehold	Buildings – Leasehold	Depreciated replacement cost	Direct cost per square metre Useful life of Leasehold Improvements
Plant and Equipment	Plant and Equipment	Depreciated replacement cost	Cost per unit Useful life of Plant and Equipment
Water Infrastructure	Water Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
	Water Treatment Plants	Depreciated replacement cost	Average cost per treatment plant Useful life of the Infrastructure
Wastewater Infrastructure	Wastewater Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
	Wastewater Treatment Plants	Depreciated replacement cost	Average cost per treatment plant Useful life of the Infrastructure
Water Distribution Infrastructure	Distribution Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
	Distribution Channel	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
Water Distribution Infrastructure – Leasehold	Infrastructure – Leasehold	Depreciated replacement cost	Cost per metre Useful life of Leasehold Improvements
Recycling Infrastructure	Recycled Water Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
	Recycled Water Factory	Depreciated replacement cost	Average cost per recycled water factory Useful life of the Infrastructure
Rural Infrastructure	Channels	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
	Mains	Depreciated replacement cost	Cost per metre Useful life of the Infrastructure
Headworks Infrastructure	Reservoirs & Basins	Depreciated replacement cost	Average cost per reservoir & basin Useful life of the Infrastructure
Finance Lease Infrastructure	Treatment Plants	Depreciated replacement cost	Average cost per treatment plant Useful life of the Infrastructure

⁽ⁱ⁾ CSO adjustments of 20% were applied to reduce the market approach value for Coliban Water's specialised land for Level 3 assets. Refer Note 7.3.

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued...

Reconciliation of Level 3 at fair value movements

	Specialised land (\$'000)	Specialised buildings (\$'000)	Specialised buildings – leasehold (\$'000)	Specialised plant and equipment (\$'000)	Specialised infrastructure (\$'000)	Specialised finance lease infrastructure (\$'000)
2017/2018						
Fair Value						
Opening WDV at 1 July 2017	22,435	1,718	1,363	1,746	1,357,056	142,425
Purchases (sales)	1,280	140	43	267	22,435	786
Transfers between categories	(162)	–	–	–	(255)	–
Transfers in (out) of level 3	(2)	–	–	–	–	–
Gains or losses recognised in net result						
Depreciation	–	(101)	(269)	(487)	(23,474)	(4,701)
	23,552	1,757	1,137	1,526	1,355,762	138,510
Revaluation	3,812	–	–	–	–	–
Closing WDV at 30 June 2018	27,364	1,757	1,137	1,526	1,355,762	138,510
	Specialised land (\$'000)	Specialised buildings (\$'000)	Specialised buildings – leasehold (\$'000)	Specialised plant and equipment (\$'000)	Specialised infrastructure (\$'000)	Specialised finance lease infrastructure (\$'000)
2016/2017						
Fair Value						
Opening WDV at 1 July 2016	22,263	1,681	1,624	2,466	1,353,359	147,125
Purchases (sales)	35	133	5	(266)	26,996	–
Transfers between categories	–	–	–	(12)	(214)	–
Transfers in (out) of level 3	138	–	–	–	–	–
Gains or losses recognised in net result						
Depreciation	–	(96)	(266)	(442)	(23,085)	(4,700)
Closing WDV at 30 June 2017	22,435	1,718	1,363	1,746	1,357,056	142,425

7.3.2 FAIR VALUE DETERMINATION OF NON-FINANCIAL PHYSICAL ASSETS HELD FOR SALE

	Carrying amount as at 30 June 2018 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
2017/2018				
Assets held for sale	162	–	162	–
Total current assets held for sale	162	–	162	–
	Carrying amount as at 30 June 2017 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
2016/2017				
Assets held for sale	2,969	–	2,969	–
Total current assets held for sale	2,969	–	2,969	–

Assets held for sale are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Coliban Water considers that the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification. Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets. An asset with a written down value of \$161,900 meets this classification.

In 2017/18 Coliban Water sold one parcel of land with a carrying amount of \$2,542,000. The remaining parcel of land with a carrying amount of \$427,000 is no longer expected to be sold within 12 months and has been transferred back to non-current assets.

NOTE 8: STATUTORY OBLIGATIONS

INTRODUCTION	STRUCTURE
This section provides information on the statutory obligations of Coliban Water.	8.1 Tax 8.1.1 Income tax 8.1.2 Deferred tax assets and liabilities 8.2 Environmental Contributions

	Notes	2018 (\$'000)	2017 (\$'000)
8.1 TAX			
8.1.1 INCOME TAX			
(a) Components of income tax (expense)/benefit:			
Current tax	8.1.2(a)	429	1,221
Deferred tax relating to temporary differences		(4,465)	(3,527)
Adjustments for current tax of prior periods	8.1.2(a)	565	9
		(3,471)	(2,297)
Income tax (expense)/benefit is attributable to:			
Loss/(profit) from continuing operations		(3,705)	(2,903)
Other economic flows included in net result		234	606
Aggregate income tax (expense)/benefit		(3,471)	(2,297)
Deferred tax (expense)/benefit included in income tax expense comprises:			
(Decrease)/increase in deferred tax assets	8.1.2(a)	(2,594)	14
Decrease/(increase) in deferred tax liabilities	8.1.2(b)	(1,871)	(3,541)
		(4,465)	(3,527)
(b) Prima facie tax payable			
Net result/(deficit) before tax		15,613	9,708
Prima facie tax calculated at 30% (2016/17: 30%)		(4,684)	(2,912)
Tax effect of non-deductible/(non-taxable) amounts in calculating taxable income			
> Assessable income		–	–
Previously not recognised tax losses now recognised to decrease current tax expense			
> Tax losses brought to account		566	9
Previously recognised tax losses now not recognised to increase current tax expense			
> Under/over Deferred Taxes		413	–
Income tax (expense)/benefit		(3,705)	(2,903)
Coliban Water will not pay income tax for 2017/18. Tax losses have been brought to account.			
(c) Income tax (expense)/benefit relating to components of other economic flows and other comprehensive income			
Net gain/(loss) on revaluation of infrastructure assets and property	8.1.2(b)	(1,886)	–
Net gain/(loss) on disposal of assets		132	527
Fair value increase/(decrease) in other financial assets		102	79
Total income tax benefit/(expense) relating to components of other economic flows and other comprehensive income		(1,652)	606

NOTE 8: STATUTORY OBLIGATIONS continued...

National Tax Equivalent Regime (NTER)

Coliban Water is subject to the National Tax Equivalent Regime (NTER) which is administered by the Australian Taxation Office (ATO). The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Coliban Water's deferred tax liabilities exceed the level of deferred tax assets and therefore it is required to bring to account tax expense, tax assets and tax liabilities in the Comprehensive Operating Statement, Balance Sheet and Statement of Changes in Equity as Coliban Water's projections show it is likely to generate tax profits in the foreseeable future against which unused tax losses can be utilised.

	Notes	2018 (\$'000)	2017 (\$'000)
8.1.2 DEFERRED TAX ASSETS AND LIABILITIES			
(a) Deferred tax assets			
The balance comprises temporary differences attributable to:			
<i>Amounts recognised in the Comprehensive Operating Statement</i>			
Doubtful receivables		104	44
Book differences in depreciable asset values		5	3
Low value asset pool		17	7
Accruals		2,758	2,870
Employee benefits		1,582	1,517
BOOT Scheme finance leases		22,716	24,181
Other		–	1,154
Tax losses		60,403	59,409
Total deferred tax assets		87,585	89,185
Movements			
Opening balance at 1 July		89,185	87,941
Credited/(debited) to the Comprehensive Operating Statement relating to deferred tax assets	8.1.1(a)	(2,594)	14
Credited/(debited) to the Comprehensive Operating Statement relating to tax losses	8.1.1(a)	994	1,230
Closing balance at 30 June		87,585	89,185
Deferred tax assets to be recovered within 12 months		4,466	4,441
Deferred tax assets to be recovered after more than 12 months		83,119	84,744
Ending Balance at 30 June		87,585	89,185

NOTE 8: STATUTORY OBLIGATIONS continued...

	Notes	2018 (\$'000)	2017 (\$'000)
8.1.2 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)			
(b) Deferred tax liabilities			
The balance comprises temporary differences attributable to:			
<i>Amounts recognised in the Comprehensive Operating Statement</i>			
Interest and other income receivables		149	157
Book differences in depreciable asset values		182,716	180,361
BOOT scheme assets		37,480	38,655
Other		1,284	585
<i>Amounts recognised directly in equity</i>			
Revaluation of infrastructure and property		1,886	–
Total deferred tax liabilities		223,515	219,758
Movements			
Opening balance 1 July		219,758	216,217
Credited/(debited) to the Comprehensive Operating Statement	8.1.1(a)	1,172	2,970
Credited/(debited) to other economic flows	8.1.1(a)	699	571
Credited/(debited) to other comprehensive income	8.1.1(c)	1,886	–
Closing balance at 30 June		223,515	219,758
Deferred tax liabilities to be recovered within 12 months		1,433	742
Deferred tax liabilities to be recovered after more than 12 months		222,082	219,016
Ending balance at 30 June		223,515	219,758
Total net deferred tax asset/(liability)		(135,930)	(130,573)
AASB 112 <i>Income Tax</i> requires deferred tax assets arising from temporary differences to be offset against deferred tax liabilities on the basis that the deferred tax assets will be fully utilised against the deferred tax liabilities. Coliban Water's deferred tax liabilities exceed the level of deferred tax assets at 30 June 2018, therefore a net tax liability has been disclosed in the Balance Sheet.			
8.2 ENVIRONMENTAL CONTRIBUTIONS			
The <i>Water Industry (Environmental Contributions) Act 2004</i> (the Act) amended the <i>Water Industry Act 1994</i> to make provision for environmental contributions to be paid by water corporations.			
The Act established an obligation for Coliban Water to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable. The contribution period has been extended to 30 June 2020, and the higher level of commitments in future years is in accordance with the current payment schedule.			
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.			
Coliban Water has a statutory requirement to pay an Environmental Contribution to DELWP. This contribution is recognised as an expense during the reporting period as incurred.			
Environmental Contribution commitments			
Not later than one year		5,116	3,272
Later than one year and not later than five years		5,116	10,232
Total Environmental Contribution commitments		10,232	13,504

The Environmental Contribution in the current year totalled \$3.3 million (2016/17: \$3.3 million).

NOTE 9: OTHER DISCLOSURES

INTRODUCTION	STRUCTURE
This section provides information on other disclosures that impact Coliban Water.	9.1 Equity 9.1.1 Contributed capital 9.1.2 Asset revaluation reserves 9.2 Responsible persons 9.3 Remuneration of executives 9.4 Related parties 9.5 Ex-gratia expense 9.6 Events occurring after the balance date 9.7 Superannuation 9.8 Auditors remuneration 9.9 Australian Accounting Standards issued that are not yet effective

		2018 (\$'000)	2017 (\$'000)
9.1 EQUITY			
9.1.1 CONTRIBUTED CAPITAL			
Opening balance at 1 July		308,429	308,429
Contributions to the Victorian Government	10.1	(3,965)	–
Closing balance at 30 June		304,464	308,429
<p>The individual circumstances of a particular entity may require that certain State Government capital contributions, normally those associated with major asset acquisition programs, be accounted for as equity contributions. In accordance with FRD 119A <i>Transfers through Contributed Capital</i>, the Minister for Water, after consultation with the Minister for Finance, may direct that such contributions be recognised as Equity – Contributed capital.</p>			
9.1.2 ASSET REVALUATION RESERVES			
Asset revaluation reserve: Land			
Opening balance at 1 July		29,246	29,246
Revaluation increment/(decrement) on non-current assets net of tax effect		4,402	–
Closing balance at 30 June		33,648	29,246
Asset revaluation reserve: Buildings			
Opening balance at 1 July		146	146
Closing balance at 30 June		146	146
Asset revaluation reserve: Infrastructure			
Opening balance at 1 July		353,409	353,409
Closing balance at 30 June		353,409	353,409
Total reserves		387,203	382,801

NOTE 9: OTHER DISCLOSURES continued...

9.2 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 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.

The following lists the responsible persons for Coliban Water during the year:

Name	Title	Period of appointment	
The Hon. Lisa Neville MP	Minister for Water	01 Jul 2017	30 Jun 2018
Andrew Cairns	Director (Chairperson)	01 Jul 2017	30 Sep 2017
Lucy Roffey ⁽ⁱ⁾	Director (Chairperson)	01 Oct 2017	30 Jun 2018
April Merrick	Director	01 Jul 2017	30 Sep 2017
David Richardson	Director	01 Jul 2017	30 Jun 2018
William O'Neil	Director	01 Jul 2017	30 Jun 2018
Marika McMahon	Director	01 Jul 2017	30 Jun 2018
Rowan O'Hagan	Director	01 Jul 2017	30 Jun 2018
Robert Cameron	Director	01 Jul 2017	30 Jun 2018
Helen Symes	Director	01 Oct 2017	30 Jun 2018
Nigel McGuckian	Director	01 Oct 2017	30 Jun 2018
Jeff Rigby	Managing Director	01 Jul 2017	30 Jun 2018

⁽ⁱ⁾ Lucy Roffey was a Director from 1 July 2017 to 30 September 2017 until being appointed Chairperson from 1 October 2017.

Remuneration

Remuneration received, or due and receivable, during 2017/18 by Responsible Persons including the Managing Director from Coliban Water in connection with the management of Coliban Water was \$644,669 (2016/17: \$624,510).

9.3 REMUNERATION OF EXECUTIVES

The number of executive officers, other than the Minister and Accountable Officer listed in Note 9.2 and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

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

- > Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services;
- > Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased;
- > Other long-term benefits include long service leave, other long-service benefit or deferred compensation; and
- > Termination benefits include termination of employment payments, such as severance packages.

There have been minimal changes affecting total remuneration payable to executives in the past year. An Acting Executive Officer was in place until August 2017 when a new Executive Officer was formally appointed.

Remuneration of Executive Officers	2018 (\$'000)	2017 (\$'000)
Short-term employee benefits	1,085	1,061
Post-employment benefits	107	106
Other long-term benefits	26	25
Termination benefits	—	—
Total remuneration⁽ⁱ⁾	1,218	1,192
	2018	2017
Total number of executives	7	7
Total annualised employee equivalents ⁽ⁱⁱ⁾	6	6

⁽ⁱ⁾ No Executive Officers meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and as such, are not included in the related parties note disclosure (Note 9.4).

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

NOTE 9: OTHER DISCLOSURES continued...

9.4 RELATED PARTIES

Coliban Water is a wholly owned and controlled entity of the State of Victoria.

Related parties of Coliban Water 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, Coliban Water had the following government-related entity transactions (inclusive of GST):

	2018 (\$'000)	2017 (\$'000)
Amounts recognised as revenue in the Comprehensive Operating Statement		
Entity and nature of transaction		
Central Highlands Water (Goldfields Superpipe joint operation)	962	737
Dept. of Health and Human Services (pensioner concessions)	5,778	5,666
Dept. of Environment, Land, Water and Planning (Bendigo Groundwater Project)	5,534	6,858
Dept. of Environment, Land, Water and Planning (community rebates program)	–	80
Dept. of Environment, Land, Water and Planning (other project contributions)	57	–
Goulburn Murray Rural Water Corp (native vegetation offsets)	154	–
Grampians Wimmera Mallee Water (native vegetation offsets)	285	–
Treasury Corporation of Victoria (interest on Bendigo Groundwater Project)	63	36
Total revenue	12,833	13,377
Amounts recognised as an expense in the Comprehensive Operating Statement		
Entity and nature of transaction		
Dept. of Environment, Land, Water and Planning (Environmental Contribution)	3,272	3,272
Dept. of Environment, Land, Water and Planning (valuations, monitoring, licences etc)	145	173
Dept. of Health and Human Services (Centrepay transaction fees)	28	27
Dept. of Health and Human Services (administration levies)	37	36
Dept. of Treasury and Finance (Financial Accommodation Levy)	5,500	5,330
Goulburn Murray Rural Water Corp (water share fixed and bulk water charges)	1,760	1,876
Grampians Wimmera Mallee Water (rural water supply)	382	239
Grampians Wimmera Mallee Water (South West Loddon Rural Water Supply Project)	2,758	–
Treasury Corporation of Victoria (borrowings repayments)	3,500	3,500
Treasury Corporation of Victoria (interest on borrowings)	17,242	18,269
Total expenses	34,624	32,722
Key management personnel		
KMP (as defined in AASB 124 Related Party Disclosures) are those persons having authority and responsibility for planning, directing and controlling the activities of Coliban Water, directly or indirectly. KMP of Coliban Water includes the Portfolio Minister, all Directors and the Managing Director as listed under responsible persons in Note 9.2.		
Compensation of Key Management Personnel⁽ⁱ⁾⁽ⁱⁱ⁾		
Short-term employee benefits	588	570
Post-employment benefits	50	48
Other long-term benefits	7	7
Total	645	625

⁽ⁱ⁾ Coliban Water did not employ any KMPs as a contractor through an external service provider during the reporting period.

⁽ⁱⁱ⁾ The compensation detailed above 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.

NOTE 9: OTHER DISCLOSURES continued...

9.4 RELATED PARTIES (CONTINUED)

Transactions with key management personnel and other related parties

Given the breadth and depth of Coliban Water's activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. service fees and usage 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 guided by the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with Coliban Water, 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.

9.5 EX-GRATIA EXPENSE

Ex-gratia expenses greater than or equal to \$5,000 or those considered material in nature for 2017/18 totalled \$nil (2016/17: \$16,902). These ex-gratia expenses relate to debt that has been deemed to be uncollectible and uneconomical to pursue. Refer to Note 5.1.1.

9.6 EVENTS OCCURRING AFTER THE BALANCE DATE

There have been no matters and/or circumstances that have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of Coliban Water, the results of those operations, or the state of affairs of Coliban Water in future financial years.

9.7 SUPERANNUATION

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

(a) Accumulation

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

(b) Defined benefit

Coliban Water does not use defined benefit accounting for Vision Super's defined benefit obligation because sufficient information is not available. This is due to the Fund's Defined Benefit category being a multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made by the Fund. As a result, the level of participation of Coliban Water in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119 *Superannuation*.

Funding arrangements

On the basis of the results of the 2017 triennial/full actuarial investigation conducted by the Fund Actuary, Coliban Water makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. In addition, Coliban Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

The 2017 full actuarial investigation surplus amounts

As at 30 June 2017, a full actuarial investigation was held. The vested benefit index (VBI) was 103.1%. Because the VBI was above 100%, the 2017 full actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns	6.5% pa
Salary information	3.5% pa
Price inflation (CPI)	2.5% pa

Vision Super has advised that the estimated VBI at 30 June 2018 was 106.0%.

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017.

NOTE 9: OTHER DISCLOSURES continued...

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2017.

The 2018 interim actuarial investigation

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

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position, as determined by an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than at the date of the actuarial investigation, the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. While an actuarial investigation is underway, the shortfall limit is 100%.

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

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

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

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

(c) Superannuation contributions

Contributions by Coliban Water to the various superannuation plans for the financial year ended 30 June 2018 are detailed below:

Scheme	Type of Scheme	Rate	2018 (\$'000)	2017 (\$'000)
Vision Super	Defined Benefits	9.5%-12.5%	43	49
Vision Super	Accumulated Contribution	9.5%	699	660
Emergency Services & State Superannuation	Defined Benefits	9.5%-10.3%	22	21
VicSuper Scheme	Accumulated Contribution	9.5%	104	95
Other Superannuation Funds	Accumulated Contribution	9.5%	695	631
Employee Personal Superannuation Funds	Accumulated Contribution	9.5%	83	78
Total contributions to all funds			1,646	1,534

Coliban Water was not required to pay any unfunded liability payments to Vision Super during 2017/18 (2016/17: \$nil).

There were \$285,449 contributions outstanding and \$nil loans issued from or to the above schemes as at 30 June 2018 (30 June 2017, \$nil contributions outstanding and \$nil loans issued).

The expected contributions to be paid to the defined benefit category of Emergency Services & State Superannuation and Vision Super for the year ending 30 June 2019 is \$98,757.

9.8 AUDITORS REMUNERATION

Auditors remuneration for auditing the financial statements of Coliban Water excluding GST for 2017/18 has been set at \$90,800 (2016/17: \$88,560) by the Victorian Auditor-General Office. No other benefits were received or are receivable by the Victorian Auditor-General Office.

NOTE 9: OTHER DISCLOSURES continued...

9.9 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

As at 30 June 2018, the following applicable standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2018. Coliban Water has not and does not intend to adopt these standards early.

Standard/ Interpretation ⁽¹⁾	Summary	Effective date	Effective date for the entity	Estimated impact
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1/01/18	1/07/18	Based on a preliminary assessment by Coliban Water, the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1/01/19	1/07/19	Based on a preliminary assessment by Coliban Water, the changes in revenue recognition under AASB 15 will have a minor impact on the timing and amount of revenue recorded in the financial statements. The full impact of the additional disclosures on service revenue and contract modification is yet to be fully determined, however it is expected to also be minor.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables that do not have a significant financing component are to be measured at their transaction price at initial recognition. Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> > the entity's right to receive payment of the dividend is established; > it is probable that the economic benefits associated with the dividend will flow to the entity; and > the amount can be measured reliably. 	01/01/18, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply from 1 January 2018.	1/07/19	Based on a preliminary assessment by Coliban Water, there will be no impact on the financial statements. Coliban Water does not have trade receivables that have a significant financing component, nor an expectation that dividends will be payable.
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> > a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; > for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and > for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	1/01/19	1/07/19	Based on a preliminary assessment by Coliban Water, there will be no significant impact on the financial statements, other than the minor impact identified for AASB 15.

NOTE 9: OTHER DISCLOSURES continued...

Standard/ Interpretation ⁽¹⁾	Summary	Effective date	Effective date for the entity	Estimated impact
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	<p>AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15.</p> <p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.</p>	1/01/19	1/07/19	<p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:</p> <p>AASB 9</p> <ul style="list-style-type: none"> > Statutory receivables are recognised and measured similarly to financial assets <p>AASB 15</p> <ul style="list-style-type: none"> > The “customer” does not need to be the recipient of goods and/or services; > The “contract” could include an arrangement entered into under the direction of another party; > Contracts are enforceable if they are enforceable by legal or “equivalent means”; > Contracts do not have to have commercial substance, only economic substance; and > Performance obligations need to be “sufficiently specific” to be able to apply AASB 15 to these transactions. <p>Based on a preliminary assessment by Coliban Water, there will be no significant impact other than the impact identified in AASB 9 and AASB 15.</p>
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on the Balance Sheet.	1/01/19	1/07/19	Based on a preliminary assessment by Coliban Water, there will be an estimated \$1.0 million increase to both assets and liabilities on the balance sheet (net impact of \$nil). This represents operating leases that are currently in place for buildings, vehicles and infrastructure assets.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	<p>AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i>.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context.</p> <p>AASB 1058 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 objective.</p>	1/01/19	1/07/19	<p>Based on a preliminary assessment by Coliban Water, there will be a minor impact on the financial statements.</p> <p>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.</p> <p>This will impact approximately \$2.0m of funding that Coliban Water will be receiving across the final two years of the Bendigo Groundwater Project: Transitional Solution agreement. This will result in expenditure being recognised in advance of the funds being received.</p>

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 2017/18 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- > AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions*
- > AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- > AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- > AASB 2017-2 *Amendments to Australian Accounting Standards*
- > AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- > AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- > AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- > AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- > AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle*
- > AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement*

⁽¹⁾ For the current year, given the number of consequential amendments to AASB 9 *Financial Instruments* AASB 15 *Revenue from Contracts with Customers*, and AASB 16 *Leases* the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

NOTE 10: FINANCIAL IMPACT OF LIMITED TERM PROJECTS

INTRODUCTION	STRUCTURE
This section provides the high level financial impact of limited term projects on Coliban Water's financial statements. Limited term projects should be considered separately to segregate the impacts on the recurring business of Coliban Water.	10.1 Bendigo Groundwater Project: Transitional Solution

10.1 BENDIGO GROUNDWATER PROJECT: TRANSITIONAL SOLUTION

Background

On 24 June 2016, Coliban Water entered into a four year funding agreement with the Victorian Government, through the Department of Environment, Land, Water and Planning (DELWP), to deliver the Bendigo Groundwater Project: Transitional Solution on behalf of the State. The funding agreement provides total funding of \$26.9 million to cover the construction and operational costs for the four year period of the transitional solution.

The Bendigo Groundwater Project: Transitional Solution addresses an emerging risk for the Bendigo community in relation to the groundwater that is rising up through currently disused mine shafts under the central part of Bendigo. Left unmanaged, this water will pose a risk to the tourism sector and decrease the general amenity of the central business district area of Bendigo. DELWP, as the lead agency on behalf of the Victorian Government, and in consultation with Coliban Water, a State and Local Government Advisory Group (SLGAG) and a Community Reference Group (CRG), has developed a four year transitional solution for the groundwater issue.

	Bendigo Groundwater Project		Coliban Region Water Corporation		Consolidated	
	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)
FINANCIAL IMPACT ON THE COMPREHENSIVE OPERATING STATEMENT						
Revenue						
Service and usage charges	—	—	124,708	114,632	124,708	114,632
Contributions and gifted assets	—	—	14,367	10,365	14,367	10,365
Government funding	5,031	6,235	694	—	5,725	6,235
Interest income	63	36	14	38	77	74
Other income	—	—	2,118	2,162	2,118	2,162
Total revenue	5,094	6,271	141,901	127,197	146,995	133,468
Expenses						
Operating, administration and employee benefits expenses	—	—	66,624	58,751	66,624	58,751
Expenditure of Government funding	1,986	1,624	24	—	2,010	1,624
Depreciation and amortisation	3	—	30,642	29,991	30,645	29,991
Borrowing and finance charges	—	—	28,831	30,052	28,831	30,052
Environmental Contributions	—	—	3,272	3,272	3,272	3,272
Total expenses	1,989	1,624	129,393	122,066	131,382	123,690
Net result before tax and other economic flows	3,105	4,647	12,508	5,131	15,613	9,778

Government funding is recognised as operating revenue on receipt or when Coliban Water obtains control of the funding and meets certain other criteria as outlined by AASB 1004 *Contributions*, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as Government funding. Expenditure of Government funding reflects the costs of operating and maintaining the Groundwater Treatment Plant.

NOTE 10: FINANCIAL IMPACT OF LIMITED TERM PROJECTS continued...

	Bendigo Groundwater Project		Coliban Region Water Corporation		Consolidated	
	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)
FINANCIAL IMPACT ON THE BALANCE SHEET						
Assets						
Total current assets	7,938	5,693	33,263	29,550	41,201	35,243
Total non-current assets	730	3,739	1,630,628	1,625,269	1,631,358	1,629,008
Total assets	8,668	9,432	1,663,891	1,654,819	1,672,559	1,664,251
Liabilities						
Total current liabilities	524	428	30,165	29,474	30,689	29,902
Total non-current liabilities	—	—	583,876	588,152	583,876	588,152
Total liabilities	524	428	614,041	617,626	614,565	618,054
Net assets	8,144	9,004	1,049,850	1,037,193	1,057,994	1,046,197
Equity						
Contributed capital	(2,897)	1,068	307,361	307,361	304,464	308,429
Asset revaluation reserves	—	—	387,203	382,801	387,203	382,801
Accumulated funds	11,041	7,936	355,286	347,031	366,327	354,967
Total equity	8,144	9,004	1,049,850	1,037,193	1,057,994	1,046,197

Cash held relating to the project is held in a separate deposit account exclusively for the delivery of this project. Costs incurred in building the assets are recognised on Coliban Water's Balance Sheet as work in progress up until the assets are operational at which time, the completed assets are transferred to DELWP through a capital contribution and reported on DELWP's Balance Sheet, based on allocation statements authorised by the Minister for Water.

	Bendigo Groundwater Project		Coliban Region Water Corporation		Consolidated	
	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)
FINANCIAL IMPACT ON THE CASH FLOW STATEMENT						
Net cash inflows from operating activities	3,204	8,948	27,512	30,600	30,716	39,548
Net cash outflows from investing activities	(959)	(3,311)	(15,031)	(25,735)	(15,990)	(29,046)
Net cash outflows from financing activities	—	—	(8,382)	(8,018)	(8,382)	(8,018)
Net increase/(decrease) in cash and cash equivalents	2,245	5,637	4,099	(3,153)	6,344	2,484
Cash at the beginning of the financial year	5,693	56	3,104	6,257	8,797	6,313
Cash at the end of the financial year	7,938	5,693	7,203	3,104	15,141	8,797

Independent Auditor's Report

To the Board of the Coliban Region Water Corporation

Opinion	<p>I have audited the financial report of the Coliban Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2018 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • statutory certification. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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

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

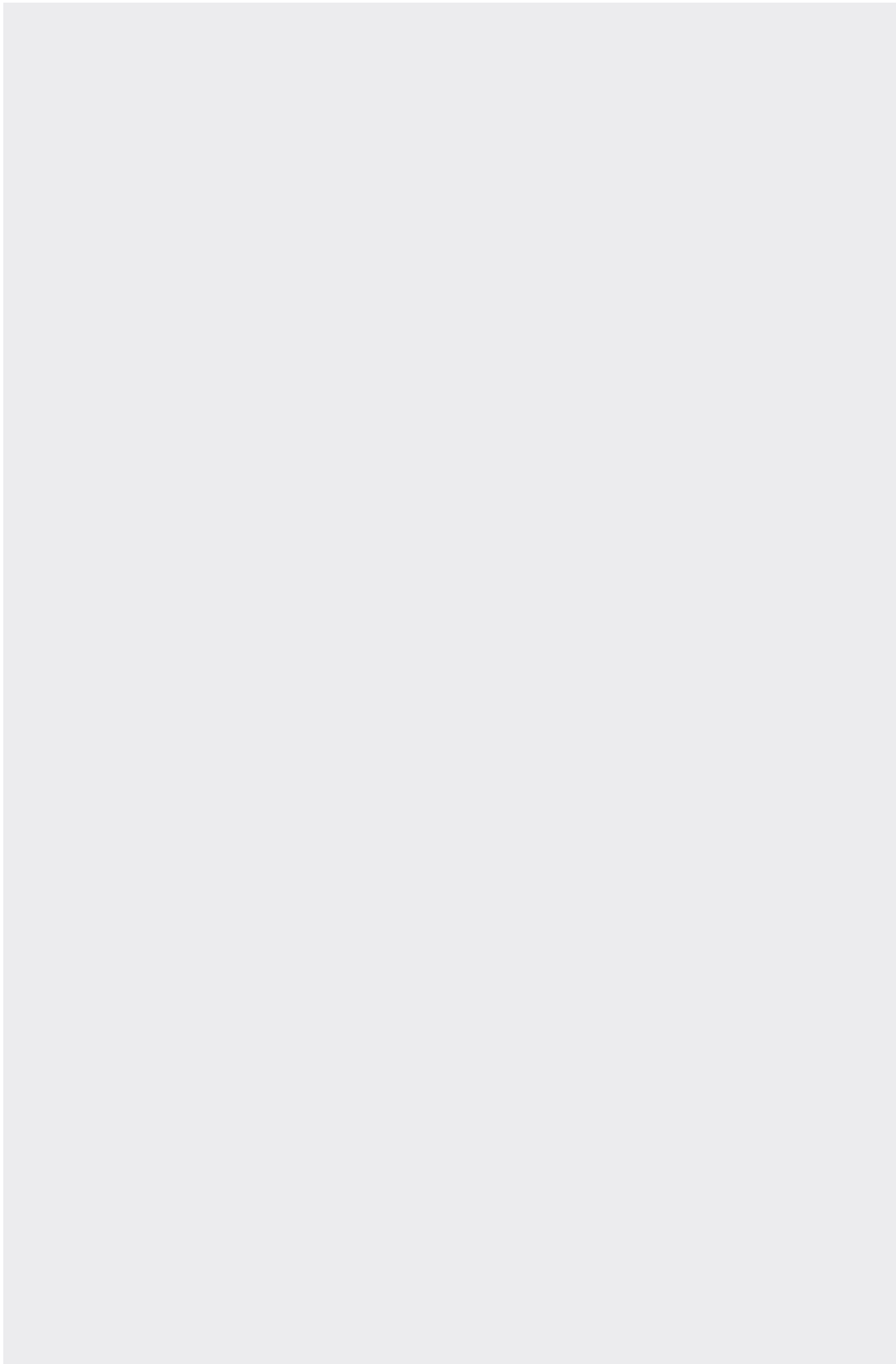
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material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

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

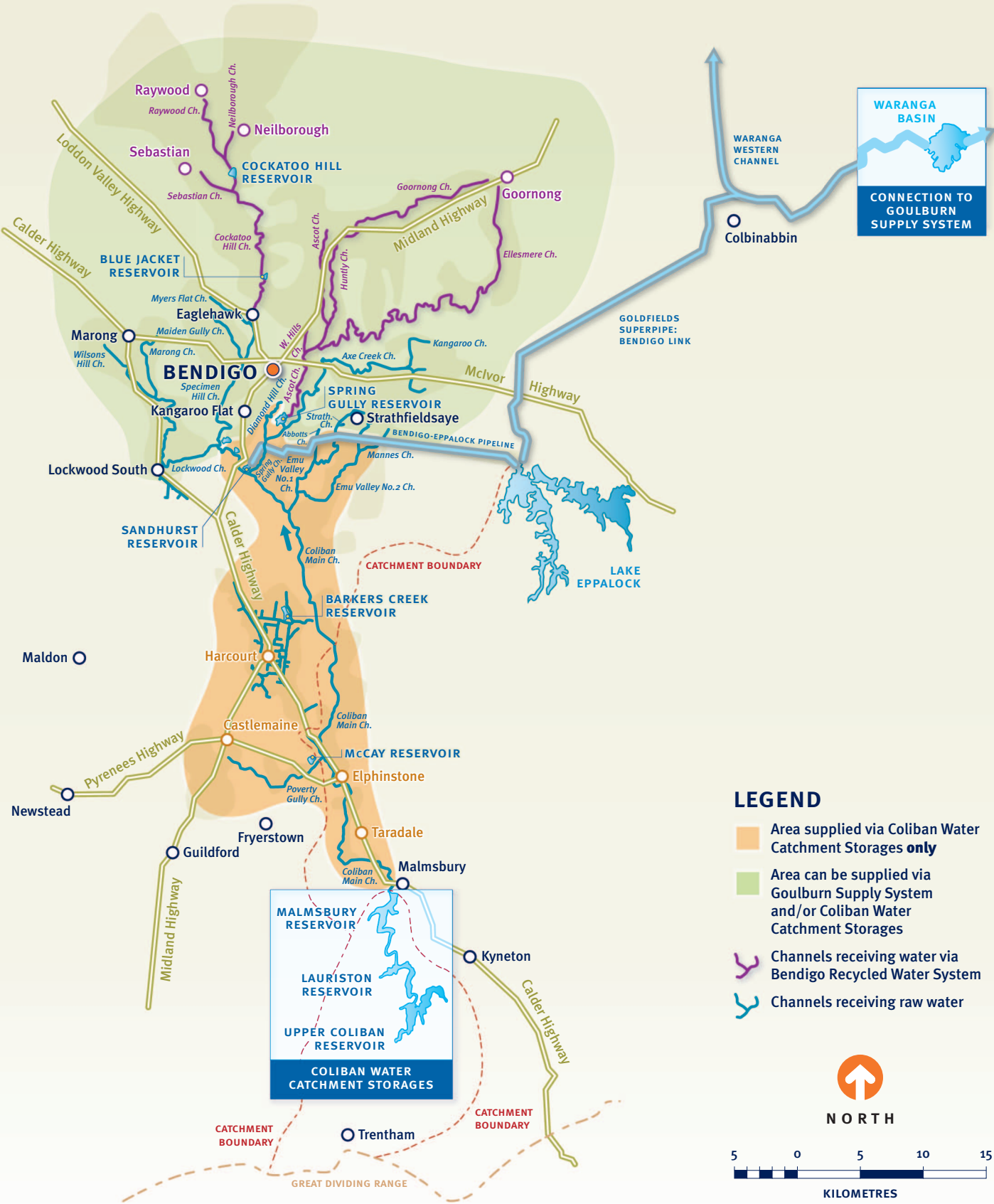
MELBOURNE
31 August 2018



Paul Martin
as delegate for the Auditor-General of Victoria



COLIBAN WATER RURAL SYSTEM DIAGRAM



Disclaimer: This illustration is provided as a guide only.
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WE EMBRACE THE **SPiRiT** OF
RECONCILIATION, WORKING
TOWARDS THE **EQUALiTY** OF
OUTCOMES AND ENSURING
AN **EQUAL VOICE**.

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