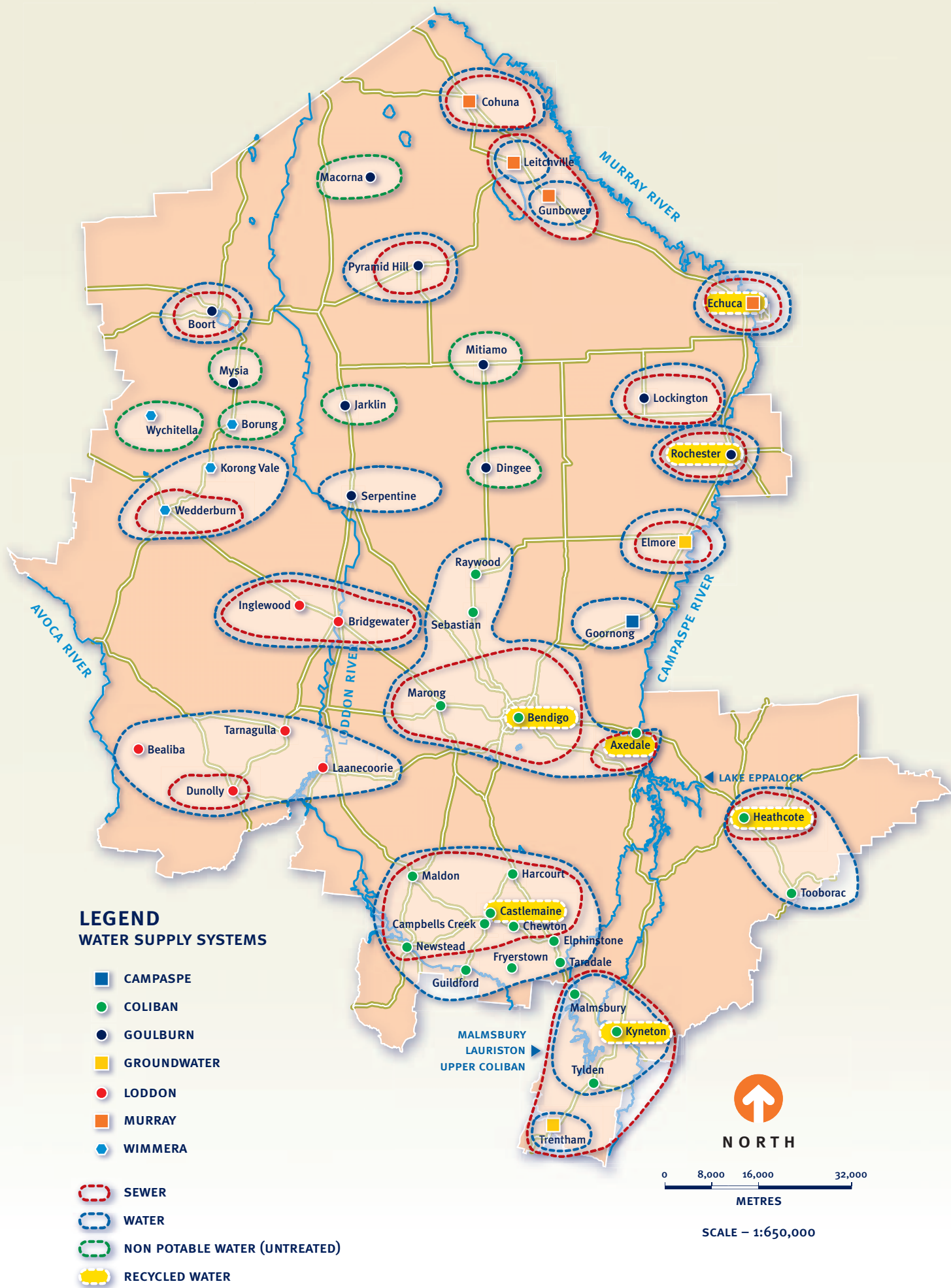


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 C O L L A B O R A T I O N R V T T R U S T W T O U

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 2016 and 30 June 2017.

It reports on our progress in implementing our 2016/17 *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 2016 until 30 June 2017 was The Hon. Lisa Neville MP, Minister for Water.

We provide water and wastewater services to a region with a population of approximately 162,000 people, across 16,500 square kilometres of Central and Northern Victoria. Our service area covers 49 towns in nine separate supply systems, extending from Cohuna and Echuca in the north to Kyneton and Trentham in the south; and from Boort, Wedderburn, Bealiba and Dunolly in the west to Heathcote and Tooborac in the east.

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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 and present.

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.

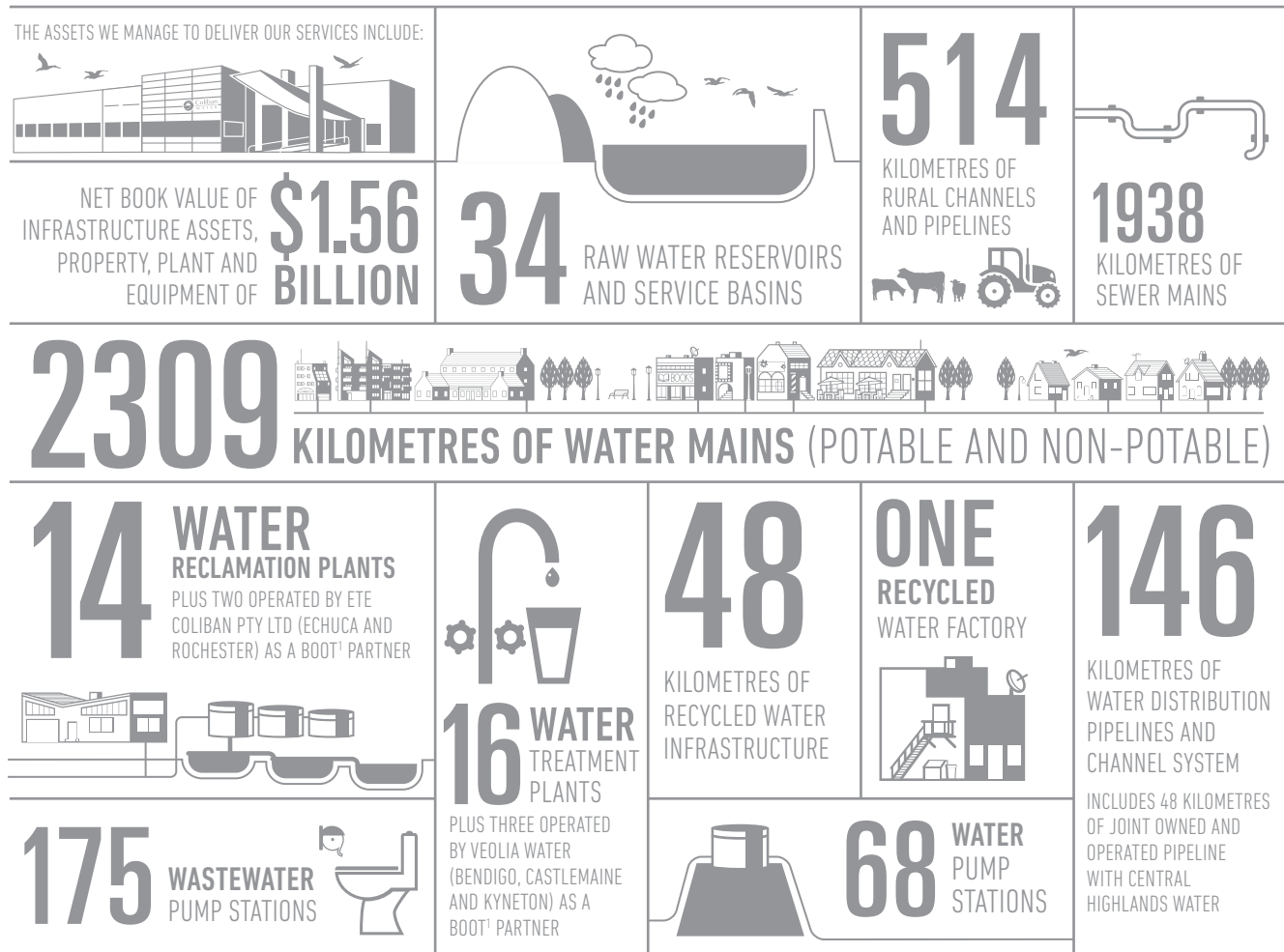
ABOUT THE COVER

We have had a progressive theme on our Annual Report cover for the past three years. In 2015, the focus was on our new vision of Water to Live, Grow and Enjoy and the 47 towns we provide services to. Our 2016 cover focussed on our core services and activities, and this year captures some key themes around what we stand for, believe in and are committed to in a Word Search.

The list of words to find is on the back cover.

INTRODUCTION

ASSET SNAPSHOT



⁽¹⁾ BOOT — Build Own Operate Transfer

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 MESSAGE

On behalf of Coliban Water, we are pleased to present our 2016/17 Annual Report detailing our business performance for the reporting year. This report contains our audited financial statements, statutory disclosures and other information.

Coliban Water actively supports enhancing the social fabric, environmental health and economic development of the communities we serve and in which we operate. Whilst our fundamental commitment is to provide essential water and sewerage services that meet the current and future needs of our customers, we also fulfil a role in helping develop our region's capability, capacity and prosperity, so that the region can take advantage of emerging opportunities.

Having started on a journey in 2013 of building our financial resilience and capacity, this year saw Coliban Water achieve its third and final financial goal of peaking debt levels. In June 2017, we repaid \$3.5 million to the Treasury Corporation of Victoria, with all business activities and investments during 2016/17 financed from revenues and internal funding sources. Our long term plan is to continue repaying the debt that was accumulated through loans raised since the advent of the Millennium Drought to finance the continued delivery of our essential services. The other two goals of achieving a financial sustainability risk rating of low risk, as independently assessed by the Victorian Auditor-General's Office, and returning the business to consistently achieving operating surpluses were both realised in 2015. This year's operating result before other economic flows of \$6.9 million was our third positive result in a row. Being financially sound means we can capably support our region to achieve its future vision and goals.

The pricing and tariffs for our services that came into effect in mid 2013 have been pivotal to Coliban Water's financial recovery in recent years, in particular the introduction of the stepped increase in urban water prices at the commencement of the 2013–18 regulatory period. The price reset led to higher water bills for customers than in the past, and so we put in place and ramped up a range of measures to support those customers who faced financial hardship and payment difficulties. Throughout 2016/17, we assisted eligible customers in accessing a total of \$251,494 in Utility Relief Grants and we provided \$137,408 through our own customer assistance programs to ensure those vulnerable customers could continue to access our services.

During the year, we started developing pricing proposals for the next regulatory period that commences in mid 2018. To date, we have engaged extensively across our service region with urban and rural customers and received valuable feedback and opinions from customers on water pricing, service performance and capital investment proposals. Our engagement effort continues through until September 2017, when we will present our final pricing submission to the Essential Services Commission that leads to a determination on prices in 2018 by the economic regulator.

We have prudently managed our capital investment program in 2016/17 off the back of our last year's peak investment within the 2013–18 regulatory period to optimise the long term efficiency and effectiveness of our assets. A total of \$24.2 million was invested in priority upgrades and improvements to water and sewerage infrastructure to meet growing needs for our services into the future and to ensure the reliability of systems we utilise to deliver our services.

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 2016/17 season. Rural customers at Harcourt were supplied from the new piped rural water system for the first time during the season. After a prolonged dry period during the summer and autumn seasons leading up to the start of 2016/17, we received above average

rainfall over winter, followed by a 'wet' spring season in 2016. This led to significant inflows into the surface water systems within our region that we draw from, with most major water storages reaching or approaching full capacity, and we received full allocations for the water entitlements we hold in the Goulburn, Murray and Grampians systems. We also resumed water allocation trading during the year, after suspending trading activities in the previous year and holding all bulk water in reserve for supply, and we traded water surplus to current and future supply needs when our sources recovered. The revenue from these trades has contributed to our positive financial result, and trading enables 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.

We reported last year that, as part of a whole-of-government response, Coliban Water has taken a lead role in developing and implementing a transitional solution for managing rising groundwater levels to protect local waterways in Bendigo and the Central Deborah tourist goldmine located in central Bendigo. We have implemented a funding agreement with the State of Victoria to deliver infrastructure works that provides the transitional solution recommended to the Victorian Government by an independent advisory group. Works progressed to schedule and are targeted for completion in late July 2017. The solution will then operate for a term of four years while the Victorian Government works with the independent advisory group to develop a long term strategy to manage the groundwater in Bendigo's underground mines. We are pleased to play our part in this important community project.

In late May 2017, we launched our first *Reconciliation Action Plan* titled *Reflect*, endorsed by Reconciliation Australia, which is our 12 month road map for achieving foundational goals of building relationships, nurturing respect and identifying opportunities to reduce social disadvantage for Aboriginal and Torres Strait Islander people who live within our region. We thank the Dja Dja Wurrung Clans Aboriginal Corporation for their support during our celebratory launch of the plan in Bendigo.


During the year, we entered into a twinning arrangement with the Phu Tho Water Supply Company based at Viet Tri City in Vietnam, with the purpose of sharing knowledge and experience between the Australian and Vietnamese water sectors. The arrangement is an initiative funded by the Australian Department of Foreign Affairs and Trading as part of the Australian Water Partnership. We hosted officials from our Vietnamese 'twin' organisation in May 2017, and look forward next year to further exchanges involving staff from both organisations.

Finally, we understand the privileged role that Coliban Water has in working with the Victorian Government and the broader community to build the economic and employment strength of our region and its diverse communities, and in also servicing our customers. We sincerely thank our fellow directors, our staff, our business partners and the agencies that we work with for their commitment, support and contribution to our vision of *Water to Live, Grow and Enjoy*.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that Coliban Water's 2016/17 Annual Report is compliant with all statutory reporting requirements.



Andrew Cairns
Chairperson



Jeff Rigby
Managing Director

OUR STRATEGIC DIRECTION

OUR VISION IS WATER TO LIVE, GROW AND ENJOY

We continue to engage and collaborate with our stakeholders, encourage innovation and continuous improvement and optimise our resources and capabilities.

In pursuit of our strategic direction, we identified a number of outcomes and initiatives which we then set out to deliver over a range of timeframes (short, medium and long term).

These strategic outcomes and initiatives also align with our identified Key Result Areas (KRAs).

The table below provides a summary of strategic outcomes.

Completed outcomes may have a status of 'ongoing' to recognise that there is an ongoing focus now that core deliverables of this outcome are complete.

During the financial year we commenced a review of our strategic focus, and new outcomes will be reported in our 2017/18 Annual Report. Outcomes marked with 'in progress' will progress through to completion.

STRATEGIC OUTCOME	SHORT TERM KEY DELIVERABLES	PROGRESS
KRA 1 ENGAGE WITH THE COMMUNITY AND STAKEHOLDERS TO UNDERSTAND AND MEET THEIR WATER CYCLE NEEDS		
STRENGTHENING OUR STAKEHOLDER RELATIONSHIPS THROUGH ENGAGEMENT AND UNDERSTANDING		
Highly valued products and services	› Connecting with customers through existing channels including Your Town visits across the region	Ongoing
Building brand equity	› Establish our Corporate Identity – who we are and what we stand for as an essential service provider	Ongoing
A TRUSTED MONOPOLY ENTERPRISE AND ECONOMIC PARTNER		
Strong and effective relations with regulators	› Explore how each party can work together to make regulation of the business easier and more effective to reduce red tape	Ongoing
OUR BUSINESS PERFORMANCE WILL BE UNDERPINNED BY TRANSPARENT AND EFFECTIVE GOVERNANCE		
Getting our Business as Usual right	› Successful integration of government policy, with particular regard to climate change and management of the urban water cycle, into the corporation's business and the business processes of affected key stakeholders, including the land development industry	In progress
KRA 2 BUILD, OPERATE AND MAINTAIN SUSTAINABLE WATER CYCLE INFRASTRUCTURE TO MEET THE NEEDS OF OUR COMMUNITY FOR NOW AND INTO THE FUTURE UTILISING BEST PRACTICE		
ENABLING OUR STAKEHOLDERS TO MANAGE THEIR RISKS AND ACHIEVE THEIR GOALS		
Stakeholder engagement and corporate leadership	› Confirm key stakeholder requirements and expectations and incorporate into our Value Proposition	Ongoing
	› Clarify responsibilities and accountabilities for stewardship of deliverables to all stakeholders	Ongoing
MAXIMISING BENEFITS THROUGH OPTIMAL DECISIONS AND SOLUTIONS		
Greater rigour in justifying and prioritising projects	› Further develop a capital investment prioritisation tool that is aligned with critical business drivers and incorporates assessment of risk mitigation benefits	In progress
ENHANCED VALUE FROM OUR ASSET BASE AND CAPITAL STRUCTURE		
Efficient and effective management of asset base and debt portfolio	› Align our debt repayment profile with the profile of our asset residual lives	Ongoing
	› Implement strategy of debt repayment	Ongoing
	› Identify and prepare plans to dispose of surplus land assets	Ongoing

STRATEGIC OUTCOME	SHORT TERM KEY DELIVERABLES	PROGRESS
KRA 3 ENSURE IMPROVED SERVICES, INCREASED STANDARDS OF LIVING AND COMMERCIAL VIABILITY ARE INCORPORATED INTO ALL OUR FINANCIAL PLANS		
OUR BUSINESS SUCCESS THROUGH COLLABORATION AND INNOVATION		
Collaborate and innovate	› Create effective ways to disseminate information and share corporate knowledge	Ongoing
	› Introduce methods to recognise and reward genuine innovation	Ongoing
	› Enhance efficiency and effectiveness of 'business as usual' by ensuring alignment and linkage of Corporate Plan objectives with departmental plans and individual performance plans	Ongoing
	› Invest in leadership development to develop future leaders within the corporation	Ongoing
FOCUSSING ON OUR 'CUSTOMER OF THE FUTURE' AND INTERGENERATIONAL EQUITY		
Breaking even on the bottom line within five years	› Introduce an Earnings Improvement Program (EIP)	Ongoing
Long term pricing for intergenerational equity	› Develop ten year price modelling based on scenarios	In progress
	› Factor into forward cost and price projections the outcomes from aligning future borrowings policy with future asset base profile	
Rural rationalisation and establish areas for primary production	› Complete the Harcourt Rural Modernisation Project (including the backbone pipeline forming part of a future interconnector pipeline to supply southern towns from Bendigo)	Completed
	› Engage and consult with customers supplied from those rural systems where the proposed outcome is system closure	In progress
	› Finalise strategy for engaging with rural customers supplied from those rural systems identified as having the potential for reconfiguration, together with other stakeholders	Ongoing
ENGAGING REGULATORS TO ACHIEVE BETTER BUSINESS OUTCOMES		
Regulation that value adds	› Identify the values and objectives that motivate the style and approach of individual regulators to confirm commonalities and differences	Ongoing
KRA 4 ENSURE OUR SUSTAINABILITY AND ACTIVELY CONTRIBUTE TO REGIONAL SUSTAINABILITY		
PARTNERING IN ECONOMIC AND REGIONAL DEVELOPMENT TO GROW OUR BUSINESS AND OUR REGION		
Integrated water cycle management and water substitution opportunities	› Examine integrated servicing and infrastructure planning for new land development	In progress
FLEXIBLE USE OF FIT FOR PURPOSE RECYCLED WATER		
Recycled water for the environment and to augment supplies	› Pursue with responsible regulatory entities and key stakeholders a strategy for sustainably discharging suitably treated recycled water to Bendigo Creek and the Campaspe River (for Kyneton)	In progress
	› Develop a contingency plan for supplementing Bendigo's drinking water supply as a future response to a severe drought event	In progress
EFFECTIVELY MANAGING OUR CRITICAL RISKS		
Business continuity and recovery	› Future pipeline connection between Bendigo and southern townships	In progress

CUSTOMERS AND COMMUNITY ENGAGEMENT

CUSTOMER SUPPORT

GRADE OF SERVICE

Grade of Service measures the number of calls answered within 30 seconds after connecting to Coliban Water. Our Essential Services Commission (ESC) target is to answer 90 per cent of calls within 30 seconds during business hours.

This year we achieved a 91.8 per cent measure with average wait times over the year at 13 seconds per call.

YEAR	2017	2016	2015	2014	2013
Result	91.8%	90.87%	91.28%	90.32%	85.9%

Our Customer Support Team took over 60,000 incoming calls during the year, with a continued focus on first contact resolution. First contact resolution contributed to a reduction in phone contacts with reduced follow up contact by customers. Growth in use of electronic contact options including email and online forms continued which also reduced phone contact.

This year we conducted 424 Customer Support investigations that could not be resolved in the first contact. 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.

During the rural season, our team processed 1,124 water orders from customers. Late rainfall in 2016 combined with the autumn rainfall in 2017 produced a 43 per cent reduction in water orders when compared to the previous 2015/16 rural season.

Standpipe users also had a reduced demand. We delivered a total 103 megalitres through our 15 Coliban Water managed standpipes to both residential and commercial customers. We had 1,454 water carters registered for water carting.

ENERGY AND WATER OMBUDSMAN

The Energy and Water Ombudsman Victoria (EWOV) receives, investigates and facilitates resolution of customer complaints about electricity, gas and water. During the year 55 complaints were raised with EWOV compared to 79 in the previous year.

We recorded a 25 per cent reduction in customer interactions with EWOV (year on year) based on a continued focus on complaints resolution through our Customer Support Team.

Of the 57 complaints raised with EWOV, 14 were referred on for a more formal investigation managed by EWOV and encompassed predominantly issues based around billing, land development and water consumption.

COMMUNITY INCLUSIVENESS

Coliban Water complies 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 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 Burmese (Karen), Arabic, Chinese, Italian, German and Greek (the most common languages spoken in our region).

COMMUNITY RELATIONS AND COMMUNICATION

SOCIAL MEDIA

We increased the use of social media whilst also introducing Facebook over the last 12 months. Our focus is to provide additional tools for customers to source information and to keep in contact with us.

Our Twitter followers grew by 284 during the year from 1,900 to 2,184. For the year we posted 371 Tweets, which had 1,091 Link Clicks, 245 Retweets and 647 Likes.

PERMANENT WATER SAVING RULES CAMPAIGN

Permanent Water Saving Rules are a set of five common sense rules in place at all times when water restrictions are not in force.

We continued our education program on Permanent Water Saving Rules (PWSR) with a targeted campaign to create readiness for low level water restrictions in some areas of our region for summer 2016/17. Water restrictions did not eventuate due to winter and spring rainfall boosting water resources.

The education program from November to May focussed on information on public transport, radio, television and print reminders, and both Google and Facebook advertising. Google advertising was particularly successful with placements in January receiving the highest amount of attention at 2,400,000 clicks.

CUSTOMER AND COMMUNITY COMMITTEES

We work with our existing customer committees and various community groups to help us to understand what our customers value, and what outcomes we need to deliver in the towns and communities where we provide services.

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 and seasonal forecasts.
- › Harcourt Water Services Committee has overseen the successful delivery of the new Harcourt Rural Pipeline system. The committee has been a key source of feedback from customers and landowners about the delivery of the project and the initial operation of the pipeline.

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

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 across our region to discuss projects or local issues and opportunities. We continue to look for opportunities to form new relationships with community groups so that we have relationships across our region.

YOUR TOWN COMMUNITY VISITS PROGRAM

Our *Your Town* Community Visits Program continued for a fifth year. We visited 16 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 to customers. We learn more about our customers, understand issues at a local level and proactively 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 2017/18.

TAP WATER TASTE TEST

As part of our focus on customer engagement, we asked customers to taste and rate tap water samples from eight different towns across the region to help us understand customer opinion.

A *Tap Water Taste Test* held at Lake Weeroona in Bendigo in March, 130 participants took the opportunity to rate the taste, smell and appearance of water samples from across our region.

The information gathered is being used as part of developing our *Pricing Submission 2018* which will be submitted to the industry regulator, the Essential Services Commission, in September 2017.

CUSTOMER FORUMS

As part of our community engagement program for our *Pricing Submission 2018*, we held multiple Customer Forums.

- › We advertised for Expressions of Interest from customers across the region to discuss our future price path. Forty-nine customers from different customer segments were selected to ensure a diverse range of views at a forum held in Bendigo in March. This group is will now be a part of ongoing engagement for our *Pricing Submission 2018*.
- › We invited 219 customers from Lockington and 415 customers from Elmore to discuss wastewater and septic tank management prices. 43 customers from Elmore and 25 from Lockington attended. This program ran during February 2017 and we plan to meet with the community more in the future to seek feedback on outcomes.

SCHOOL AND COMMUNITY EDUCATION

Our educational programs are based around our core business functions of water and wastewater treatment and delivery, with specifically developed 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 11 early learning centres involving around 530 children. We present sessions on the water cycle, water catchments, treating and delivering water and sustainable water use.

In addition we conducted activities visiting 20 schools from primary through to tertiary levels reaching approximately 900 students.

We supported the *Smiles 4 Miles* initiative to improve the oral health of preschool children. We visited 36 preschools with informative *Choose Tap* showbags for 3,950 children and supplied the centre with resources to help educate children about the importance of drinking tap water.

We were involved in a local primary schools initiative called *Passions & Pathways* hosting a group of students to provide them with a range of experiences about careers in the water industry.

We collaborate with the North Central Catchment Management Authority and the City of Greater Bendigo on activities during National Water Week and we are a sponsor of the *North Central Waterwatch Program*. We also support the *Resource Smart Schools* program and are represented on the Loddon Mallee consortium which facilitates this curriculum framework for schools in our region.

We support the state government *Schools Water Efficiency Program (SWEPP)*. 39 schools in our region participate in this water saving initiative which, since August 2012, has resulted in a total of 140 megalitres of water savings for the schools involved. We supported the Irrigation and Community Education categories of the 2016 Rural Water Awards. These awards aim to recognise and reward rural licence holders who have used innovative technology, introduced projects to bring about water savings or increased productivity through changed water practices. Lockwood Primary School succeeded in winning at State level in the Community Education category.

We supported the State Government *Target Your Water Use* campaign with information available on our website and detail on customer accounts.

CUSTOMERS AND COMMUNITY ENGAGEMENT

INFORMATION AND EDUCATION

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.

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

CHOOSE TAP

In 2016/17 we continued to promote the *Choose Tap* initiative which focuses on the benefits (health, environmental and financial) of choosing tap water.

Our Portable Water Stations visited 81 community and school events. As part of our sponsorship program and partnerships, we provided 1,756 *Choose Tap* drink bottles. Four sports clubs in our region accessed our Aline sports drink bottles and carriers.

36 childcare centres were visited to promote *Choose Tap* and 3,950 children received showbags, drink bottles and sang the *Clap Clap Choose Tap* song and read the *Choose Tap* book with them.

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 \$24.5 million.

Our largest community engagement projects for the year included customer readiness, final construction and commissioning of the new Harcourt Rural Pipe System, and the completion of the Pine Safety Removal Project. We have also worked closely with the State Government to support communications and engagement for the Bendigo Groundwater Project.

Other projects which have had significant community engagement activity this year include Hopkins Avenue Sewer Pump Station Upgrade Project, Guildford Water Supply Project and the Heathcote Sewerage Scheme.

Harcourt Rural Modernisation Project

The Harcourt Rural Pipe System was completed for the 2016/17 rural season. The system provides a piped rural water supply to approximately 160 landowners in the agricultural area of Harcourt.

Since completion of construction, engagement with customers has continued by providing support to facilitate a smooth transition from supply via a channel system to a piped system.

Pine Safety Removal Project

Since 2014 we have removed pine stands around the recreation and surrounding areas at Lauriston, Malmsbury and Upper Coliban reservoirs. There were 27 hectares of pine plantations around our catchment storages. Due to the age of the trees and the impact of severe drought and storms, these stands had become a safety risk to staff and visitors.

Revegetation works have been completed at the recreation areas at Lauriston and Malmsbury, with revegetation works underway at Upper Coliban Reservoir.

We have kept the local community and landowners informed on the progress of the works throughout the project.

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.

Bendigo Groundwater Project

Under the requirements of the *Aboriginal Heritage Act (2006)* we engaged cultural heritage advisors during the project planning and delivery stages to identify and assess sites of Aboriginal cultural heritage significance where we were planning to construct pipelines and undertake earthworks to construct a Brine storage lagoon. The project was located in Eaglehawk and Epsom. A *Cultural Heritage Management Plan* was developed by our cultural heritage advisors and subsequently approved by the Dja Dja Wurrung Clans Aboriginal Corporation. No Aboriginal Cultural Heritage Places were identified for this project. Our contractors and project team then followed the plan recommendations throughout the construction and reinstatement phase of the project although no artefacts were discovered.

Southern Interconnect Project (Castlemaine Link) – Stage 2

In response to dry conditions in early 2016, planning activities resumed on Stage 2 of the Southern Interconnect Project to connect Bendigo to Castlemaine. One of these activities included a thorough reassessment of the proposed alignment. Minor amendments were proposed and as a result, although the project already had an approved *Cultural Heritage Management Plan (CHMP)*, the proposed amendments required an additional *CHMP* to be prepared. Heritage advisors were engaged and the Dja Dja Wurrung Clans Aboriginal Corporation were consulted throughout the process. The project, however, was put on hold during the year due to improved water security and works on the new *CHMP* were halted before the *CHMP* was finalised.

Harcourt Rural Modernisation Project

Nine sites of Aboriginal cultural heritage significance required salvage excavations to be undertaken by the Cultural Heritage Advisor and members of the Dja Dja Wurrung Clans Aboriginal Corporation. These works to recover and protect heritage material prior to construction were completed with more than 1,646 artefacts analysed and catalogued. Construction work on the project finished in 2016. All the artefacts have been returned to the Dja Dja Wurrung Clans Aboriginal Corporation.

Land Use Activity Agreement (LUAA)

In 2016/17 there were no agreements entered into under the requirements outlined in the Dja Dja Wurrung LUAA.

Reconciliation Action Plan (RAP) launch

We celebrated the official launch of our first *Reconciliation Action Plan (RAP)*. Our 'Reflect' RAP was endorsed by Reconciliation Australia and guides us in continuing to build on the foundations for the relationships, respect and opportunities essential to reconciliation cultural awareness. We have commenced implementation of the 13 actions. The development of the RAP was a collaborative effort by staff with insight from Reconciliation Australia and advice from some traditional owners within our communities.

WATER SECURITY

WATER SUPPLY SYSTEMS

We have 26 separate urban supplies with a total of nine water systems. Elmore and Trentham are included whose supply is sourced from groundwater. 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 2016) at 31,022 megalitres (44 per cent of capacity), reaching a maximum of 73,290 megalitres (105 per cent of capacity i.e. they were spilling) on 15 September 2016. The storages then slowly decreased to 54,455 (78 per cent of capacity) by 30 June 2017.

Our share of Lake Eppalock at 1 July 2017 held 20,421 megalitres (37 per cent of our share of full capacity) and at 30 June 2017 held 51,994 megalitres (95 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 less than the reserve trigger level of 50 gigalitres that was in place at the time. In October 2016 the trigger level was lowered to 45 gigalitres; due to the wet conditions, high inflows and predicted average conditions. Whenever the storage levels are below this trigger, transfer of water to Bendigo ceases. Given the generally wet season experienced, pumping from Lake Eppalock to Bendigo ceased in early August 2016. For the year, we only pumped a total of 803 megalitres compared to 18,988 megalitres 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 2016 MEGALITRES (ML)	AS AT 30 JUNE 2017 MEGALITRES (ML)	% FULL 30 JUNE 2017
Coliban System Northern – Sandhurst Reservoir	2,595	1,375	53.1
Coliban System Northern – Caledonia Reservoir	194	181	84.4
Coliban System Northern – Lake Eppalock (Coliban Water share)	20,364	51,994	94.8
Coliban Rural Northern – Spring Gully Reservoir (recycled water)	1,240	1,044	62.1
Coliban System Southern – Upper Coliban Reservoir	14,897	35,263	93.4
Coliban System Southern – Lauriston Reservoir	13,060	17,250	87.2
Coliban System Southern – Malmsbury Reservoir	2,745	1,942	16.1
Coliban System Southern – McCay Reservoir	1,026	631	46.4
Coliban System Southern – Barkers Creek Reservoir (rural)	1,690	971	57.5
Groundwater – Trentham storages	61	81	85.5
Total	57,872	110,732	83.9
Campaspe System Bulk Entitlement – held in Lake Eppalock	324	61	17.5
Campaspe System Water Shares – held in Lake Eppalock	2,047	683	21.4
Coliban System Northern Water Shares – held in Lake Eildon	18,017	3,563	13.9
Goulburn System Bulk Entitlement – held in Lake Eildon	1,150	884	35.65
Loddon System Bulk Entitlement – held in Loddon storages	390	280	34.1
Murray System Bulk Entitlement (and share) – held in Murray River storages	4,855	836	13.1
Wimmera System Bulk Entitlement – held in Grampians storages	91	444	148
Total	26,874	6,750	N/A
TOTAL	84,746	117,482	N/A

Water storage volume notes:

The volume of water held in our storages at 30 June 2017 was 110,732 megalitres which is 52,860 megalitres more than water held in storage at the end of June 2016. The amount stored in the Coliban catchment storages was 23,753 megalitres largely due to record inflows.

1. When full, 68 per cent of our total water resource of 84,039 megalitres, is held in our storages, including our share of Lake Eppalock. The remaining 26,874 megalitres is held in storages controlled by Goulburn-Murray Water and Grampians Wimmera Mallee Water.
2. During 2016/17 we sold a total of 32,742 megalitres of surplus allocation into the water market. We also leased 12,594 megalitres of carryover capacity to external parties.

WATER SECURITY

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	100

A total of 1,181 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 Coliban Water rural network customers. We announced rural allocations in early July to help rural customers plan for the upcoming rural season.

SOURCES OF WATER: 2016/17

	MEGALITRES
Direct river extractions	3,516
Groundwater	207
Draw from dams/reservoirs	20,622
Channel and pipeline supplies	2,909
TOTAL	27,254

WATER PURCHASES

During the year there was a purchase of 250 megalitres of allocation within the Grampians Wimmera Mallee system due to prior insufficient allocations to meet demand.

There was no purchase or sale of permanent water entitlement during 2016/17.

WATER RESTRICTIONS

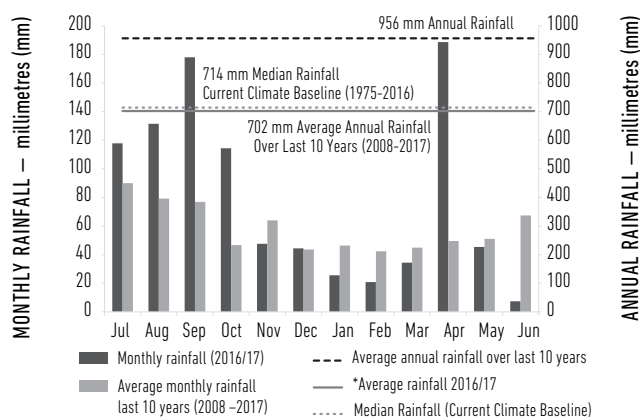
At the start of the 2016/17 all towns in our region were on Permanent Water Saving Rules. During the year we monitored our water resource position and discussed options to ensure our ongoing water security should dry conditions eventuate. At the end of the reporting period, all towns remained on Permanent Water Saving Rules.

RAINFALL AND INFLOWS

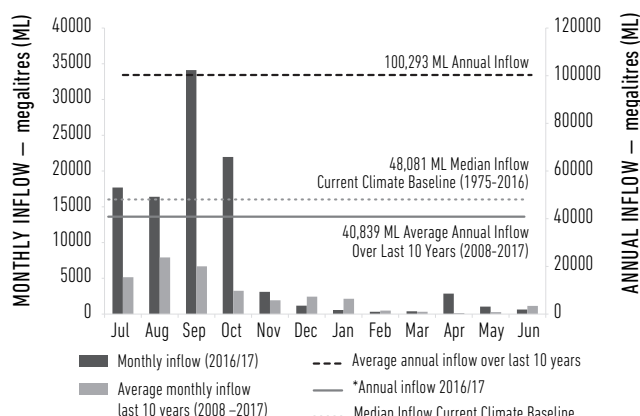
We received 955.9 millimetres of rainfall at Malsbury Reservoir for the year. This is 27 per cent more than the average for the past 10 years of 701.7 millimetres, and 32 per cent more than the historical average of 723.8 millimetres.

We received well above average rainfall for a total of five months with April 2017 recording our second highest on record. In contrast, June 2017 was our second lowest on record.

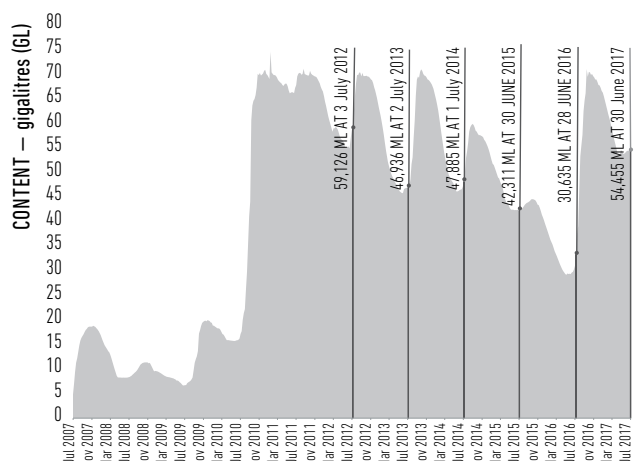
MALMSBURY RESERVOIR MONTHLY RAINFALL 2016/17



COLIBAN HEADWORKS STORAGES > MONTHLY INFLOW 2016/17



COLIBAN STORAGE CONTENTS > UPPER COLIBAN, LAURISTON & MALMSBURY RESERVOIRS



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 2016/17 were as follows:

SUPPLY SYSTEM	SOURCE OF SUPPLY	BULK ENTITLEMENT VOLUME (MEGALITRES)	BULK ENTITLEMENT ALLOCATION (MEGALITRES)	BALANCE 30-JUN-16 (MEGALITRES)	RAW WATER VOLUME TAKEN (MEGALITRES)	BALANCE 30-JUN-17 (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	200	58	27	12.1(b) – Annual volume taken – 58 megalitres 12.1(c) – Any credits granted – Nil 12.1(d) – Metering program – See Note 5
Rochester		134	134	124	–	34	12.1(e) – Temporary or permanent transfer of all or part of BE – 230 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	324	58	61	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, Malmesbury & Lauriston and Lake Eppalock	50,260	N/A	N/A	20,622	N/A	18.1(f) – Annual volume taken – See Notes 1, 2 & 3 18.1(g) – Annual evaporation loss – from our headworks is 7,650 megalitres and our share of Lake Eppalock is 6,130 megalitres 18.1(h) – Internal spill in Lake Eppalock to Goulburn-Murray Water (G-MW) share – 7,629 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 Coliban Water – 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 – 20,265 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	–	32	–	15.1(b) – Annual volume taken – 1,647 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 – 1,100 megalitres of allocation 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	–	1	–	
Boort					256		
Dingee					11		
Lockington					93		
Macorna					4		
Mitiamo					12		
Mysia					2		
Pyramid Hill					122		
Rochester					1,114		
TOTAL		2,480	2,480	1,150	1,647	856	

SUPPLY SYSTEM	SOURCE OF SUPPLY	BULK ENTITLEMENT VOLUME (MEGALITRES)	BULK ENTITLEMENT ALLOCATION (MEGALITRES)	BALANCE 30-JUN-16 (MEGALITRES)	RAW WATER VOLUME TAKEN (MEGALITRES)	BALANCE 30-JUN-17 (MEGALITRES)	REPORTING REQUIREMENTS IN ACCORDANCE WITH BULK ENTITLEMENT (BE) CLAUSE
GROUNDWATER		GROUNDWATER LICENCE					
Elmore	Bore	284	284	71	96	71	
BULK ENTITLEMENT (TRENTHAM) CONVERSION ORDER 2012							
Trentham	Spring Water	120	120	N/A	90	N/A	12.1(b) – Annual volume taken – 111 megalitres 12.1(c) – Average annual amount taken over three years – 120 megalitres 12.1(e) – Metering program – see Note 5
	Bore	48	48	N/A	21	N/A	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	111	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					224	280	13.1(b) – Annual volume taken – 340 megalitres 13.1(c) – Any credits granted – Nil 13.1(d) – Metering program – See Note 5
Laanecoorie & Dunolly							13.1(e) – Temporary or permanent transfer of all or part of BE – 200 megalitres of allocation transferred to other Allocation Accounts
Bealiba & Tarnagulla				116			13.1(f) – Period of restriction – Nil 13.1(g) – Any amendment to BE – Nil
TOTAL		820	820	390	340	280	13.1(h) – New BE granted – Nil 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					194	444	13.1(b) – Annual volume taken – 197 megalitres 13.1(c) – Amount and location of water taken from other than specified point – Nil 13.1(d) – Final allocation for year – 300 megalitres, 100 per cent
Borong					2		13.1(e) – Metering program – See Note 5 13.1(f) – Temporary or permanent transfer of all or part of BE – Nil
Wychitella					1		13.1(g) – Any BE or other entitlement transferred to Coliban Water under this order – 250 megalitres of allocation allocation purchased from G-MW 13.1(h) – Any amendment to BE – Nil
TOTAL		300	300	91	197	444	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							
Cohuna					767	836	20.1(b) – Annual volume taken – 4,183 megalitres of allocation 20.1(c) – New off-take points – Nil 20.1(d) – Water returned – Nil
Echuca					3,118		20.1(e) – Metering program – See Note 5 20.1(f) – Temporary or permanent transfer of all or part of BE – 1,277 megalitres (9,573 megalitres of allocation tranferred from and 10,850 megalitres of allocation transferred to other Allocation Accounts)
Gunbower					58		20.1(g) – Any BE or other entitlement transferred to Coliban Water under this order – Nil
Leitchville					240		20.1(h) – Any amendment to BE – Nil 20.1(i) – New BE granted – Nil
TOTAL		6,364	6,341	4,855	4,183	836	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	11,729	–	726	Allocation purchase – 0 megalitres of allocation
	Water Shares Low Reliability	2,858	2,858	2,858	–	2,858	Allocation trade – 28,940 megalitres of allocation (4,858 megalitres of allocation transferred from and 33,798 megalitres of allocation transferred to other Allocation Accounts)
CAMPASPE		LAKE EPPALOCK					
Coliban System Northern	Water Shares High Reliability	2,591	2,591	1,401	574	37	Allocation purchase – 0 megalitres of allocation
	Water Shares Low Reliability	646	646	646	–	646	Allocation trade – 1,980 megalitres of allocation transferred to other Allocation Accounts
MURRAY		MURRAY RIVER					
Cohuna, Echuca	Water Shares High Reliability	55	55	–	–	10	Allocation purchase – 0 megalitres of allocation
Gunbower, Leitchville	Water Shares Low Reliability	24	1	–	–	1	Allocation trade – 45 megalitres of allocation transferred to other Allocation Accounts

NOTES TO BULK WATER ENTITLEMENTS TABLES

- Note 1: 18,475 megalitres discharged from Malmsbury Reservoir to Coliban Main Channel
- Note 2: 916 megalitres discharged from Lauriston Reservoir to Kyneton system
- Note 3: 803 megalitres and 428 megalitres discharged from Lake Eppalock to Bendigo pipeline and Heathcote respectively
- Note 4: 1,369 megalitres Malmsbury environmental flow and 48,463 megalitres of natural spilling. Malmsbury passing flows account balance was 742 megalitres as at the end of the 2016/17 financial year. 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 2017/18.
- Note 6: Serpentine and Jarklin were not supplied under the original Bulk Entitlement. Coliban Water owns shares for their supply and receives an annual 'Water Allowance' with similar to Goulburn System 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.

RURAL USAGE

WATER SOURCES

SOURCES	NUMBER OF CUSTOMERS SUPPLIED	SUPPLIED VOLUME (MEGALITRES)
Raw	743	3,656.4
Recycled	122	719.1

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
15	68.6	8	232.8	50	234.6

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	39	5,481.9	138.0	21
Coliban Main – 4/1	21	289.0	20.1	11
Coliban Main – 4/3	91	505.4	108.0	43
System Total	151	6,276.3	266.1	75
EMU VALLEY SOUTH				
Abbotts	105	412.4	149.4	76
Emu Valley No. 1	81	353.3	100.0	52
Emu Valley No. 2	65	366.3	56.6	35
Mannes	15	93.8	11.1	7
Strathfieldsaye	2	5.0	0.9	2
System Total	268	1,230.8	318	172
HARCOURT				
Harcourt Modernised Pipeline	164	2,160.7	575.8	119
System Total	164	2,160.7	575.8	119
POVERTY GULLY				
Campbells Creek	1	6.1	6.2	1
Poverty Gully	14	33.2	14.1	9
System Total	15	39.3	20.3	10
SPRING GULLY				
Diamond Hill	12	64.3	18.1	7
Spring Gully	33	153.3	52.7	19
System Total	45	217.6	70.8	26
Southern System Total	651	9,939.7	1,251	402

Our rural customers had 100 per cent allocation for the 2016/17 season.

- Coliban Water licence volume at end of season – 15,878.2 megalitres

NORTHERN SYSTEM

CHANNEL	NO. OF LICENCES	TOTAL LICENCE VOLUME (MEGALITRES)	TOTAL USAGE (MEGALITRES)	NO. OF LICENCES SUPPLIED
ASCOT				
Ascot	37	799.9	220.2	18
Ellesmere	45	153.6	69.0	31
Goornong	15	352.2	122.0	12
Huntly	2	18.6	0.6	1
White Hills	7	257.7	119.6	3
System Total	106	1,582.0	531.3	65
AXE CREEK				
Axe Creek	71	378.7	89.5	42
Kangaroo	2	11.4	0.0	0
System Total	73	390.1	89.5	42
COCKATOO HILL				
Cockatoo Hill	31	124.4	33.6	10
Neilborough	10	31.5	17.8	7
Raywood	66	315.85	119.7	35
Sebastion	7	59.7	16.7	5
System Total	114	531.4	187.8	57
EMU VALLEY NORTH				
Emu No. 1 (Eppalock)	16	87.9	42.4	11
Emu No. 2 (Eppalock)	17	153.0	18.5	10
System Total	33	240.9	60.9	21
EPPALOCK PIPELINE				
Eppalock Pipeline	83	831.3	1,301.0	69
System Total	83	831.3	1,301.0	69
JACKASS FLAT				
Ironstone	6	12.7	4.4	5
Jackass Flat	2	2.0	0.5	1
Sparrowhawk	1	5.3	1.7	1
System Total	9	20.0	6.6	7
LOCKWOOD				
Lockwood	127	687.7	109.0	69
Marong	30	254.8	93.4	14
South Lockwood Pipeline	46	397.3	154.7	43
Wilson's Hill	31	234.9	50.7	21
System Total	234	1,574.7	407.8	147
SPECIMAN HILL				
Maiden Gully	43	357.2	167.0	24
Myers Flat	16	114.0	35.5	11
Speciman Hill	33	296.9	337.1	20
System Total	92	768.1	539.6	55
Northern System Total	744	5,938.5	3,124.5	463

RECYCLED WATER PRODUCTION AND USAGE

AXEDALE

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

BENDIGO

Class B and Class C recycled water produced from the Bendigo WRP is used for on-site irrigation. It is also supplied to off-site users, such as the Fosterville Gold Mine, the Bendigo Livestock Exchange and three neighboring farmers for agricultural use. 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 raw water supplied into the scheme from the Coliban catchment storages or the Lake Eppalock under a water quality framework approved by the Department of Health and Human Services and the Environment Protection Authority.

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.

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.

GUNBOWER

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

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.

PYRAMID HILL

The Pyramid Hill WRP produces Class C recycled water, which is used for onsite irrigation.

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.

WATER RECLAMATION PLANT	RECYCLED WATER USAGE VOLUME (MEGALITRES)	
	2016/17	2015/16
Axedale	9.4	14.56
Bendigo		
Class A	83.76	415.2
Class B and C	955.34	1,192.9
Boort	0.0	19.8
Bridgewater	0.0	0.0
Castlemaine	39.4	117.1
Cohuna	0.0	0.0
Dunolly	22.2	0.0
Echuca	845.8	1,147.8
Elmore	0.0	0.0
Gunbower	16.5	0.0
Heathcote	90.1	131.0
Kyneton	227.1	377.3
Lockington	0.0	0.0
Pyramid Hill	10.6	0.0
Rochester ⁽¹⁾	0.0	0.0
Wedderburn	34.5	28.2
TOTAL	2,334.7	3,443.9

⁽¹⁾ Note that the recycled water reuse volume for the Echuca WRP for 2016/17 also includes recycled water pumped from the Rochester WRP.

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 fourth year of our five year capital portfolio target of \$171.4 million, bringing our four year cumulative total to \$141.1 million. The 2016/17 capital portfolio expenditure was budgeted at \$24.5 million. The \$24.5 million capital portfolio was set at a level to ensure the capital portfolio was funded through operating cashflows to enable the repayment of debt. A total of \$24.2 million was delivered by our project teams across various programs.

The delivery of the 2016/17 capital plan demonstrated Coliban Water's ability to deliver successful outcomes while dynamically managing time and funding allocations in a reduced 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 2016/17 capital spend of \$2.8 million and delivered the following key achievements:

- › Bridgewater and Laanecoorie Water Treatment Plant Upgrades (Bridgewater/ Laanecoorie): completed the \$3.7 million construction works, delivering \$1.5 million in the current year, to provide greater water security to customers in our Loddon Supply System.

The Water Reticulation program had a total 2016/17 capital spend of \$2.1 million and delivered the following key achievements:

- › Water Main Renewals (non-metro various*): completed the annual program (\$0.5 million) to ensure security of water supply to customers and reduce water losses from bursts and leaking mains.

The Sewer Treatment program had a total 2016/17 capital spend of \$0.4 million and delivered the following key achievements:

- › Sewer Treatment Plant Maintenance (non-metro various*): completed the \$0.3 million annual program to reduce operational and environmental risks at the sewer treatment plants in the region.

The Sewer Collection program had a total 2016/17 capital spend of \$4.0 million and delivered the following key achievements:

- › Sewer Main Renewals (non-metro various*): completed the annual program (\$1.5 million) to improve operational efficiencies and reduce blockages and overflows to the environment.
- › Echuca Sewer Augmentation (Echuca): completed the construction of a major upgrade (\$0.5 million) of sewer infrastructure to accommodate customer growth in Echuca.

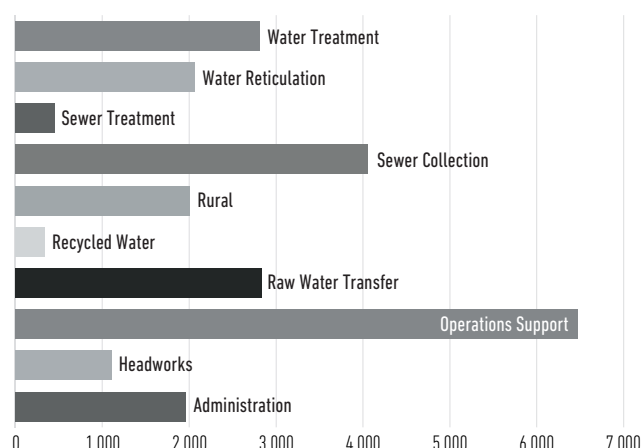
The Rural program had a total 2016/17 capital spend of \$2.0 million and delivered the following key achievements:

- › Rural System Reconfiguration (Harcourt): continued the construction of 65 kilometres of rural pipeline (\$1.7 million) throughout the Harcourt area to replace the aged gravity channel system and completed the construction of the balancing storage tanks. The life to date spend on this project is \$48 million.

The Recycled Water program had a total 2016/17 capital spend of \$0.3 million and delivered the following key achievements:

- › Bendigo Recycled Water Scheme Upgrade (Bendigo): finalised the investigation and completed the operational and functional modifications to the tertiary filters (\$0.3 million) to ensure the treatment plant can produce Class A quality recycled water.

2016/2017 CAPITAL EXPENDITURE (\$'000s)



The Raw Water Transfer program had a total 2016/17 capital spend of \$3.0 million and delivered the following key achievements:

- › Coliban Main Channel Renewals (non-metro various*): continued construction works (\$1.8 million) along the main channel including flume replacement, erosion control and leakage control.

The Operations Support program had a total 2016/17 capital spend of \$6.5 million and delivered the following key achievements:

- › Planned Corrective and Reactive Maintenance (non-metro various*): completed the annual program of renewals and refurbishment of water, recycled water and sewer assets (\$2.1 million) to ensure levels of service are maintained.
- › Water and Sewer Network Augmentation (non-metro various*): undertook studies to identify future works required (\$1.4 million) over the next 25 years.
- › Telemetry Replacement: completed the annual program of upgrades (\$1.0 million) to replace redundant hardware in the field to fully integrate into the SCADA networks.

The Headworks program had a total 2016/17 capital spend of \$1.1 million and delivered the following key achievements:

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

The Administration program had a total 2016/17 capital spend of \$2.0 million and delivered the following key achievements:

- › Information Technology Improvements (non-metro various*): completed implementation of the three year strategy (\$0.3 million) which aims to establish robust systems and practices, and improve data integrity for use in the preparation of innovative and transformational projects in future years to come.
- › Stakeholder Management System: commenced the implementation of a stakeholder management system (\$0.4 million) to proactively manage our contact and relationships with stakeholders that are not customers.

*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

WE PROVIDE WATER TO 74,152 PROPERTIES IN OUR REGION AND WITH OUR PARTNERS WE OPERATE 19 WATER TREATMENT PLANTS

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.

We achieved compliance with 12 of the service standards with the exceptions being the “Average unplanned customer minutes off water supply” and “Average unplanned frequency of water supply interruptions” service standards. Both these service standards were not achieved due to one large service interruption in Trentham during December 2016.

We can attribute this overall achievement in customer service to the efforts of both our team and service providers in continually improving the management of our assets (especially our water main renewal works) and the reactive response to incidents.

WATER MAIN RENEWAL

Across 15 sites in our region, we replaced approximately 2.475 kilometres of water mains as part of our ongoing water mains renewal program, at a cost of \$480K.

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

Our \$200K water mains cleaning program occurred in various towns including Heathcote, Echuca, Leitchville, Gunbower and Mitiamo. This program removes sediment from the water mains and improves chlorine residuals across our networks using innovative techniques such as 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*.

ROCHESTER CLEAR WATER STORAGE SUPPLY REPAIRS

To ensure our water storages continue to be safe and in working order, maintenance and repairs are often required. The Rochester tank was firstly drained and then refurbished by removing existing sealant and installing polyurethane expansion joints and applying sealant to any joint and cracks. This work has ceased leakage that was occurring from the structure and ensures the integrity of the clear water storage tank is maintained as well as extending the overall asset life.

VALVE MAINTENANCE

There are in excess of 10,000 water isolation valves in our network that play an important role in ensuring water 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.

SAFE DRINKING WATER ACT 2003

During 2016/17 the drinking water supplied to our customers was generally of high standard.

Schedule 2 of Victoria's *Safe Drinking Water Regulations (SDWR) 2015* lists three specific drinking water quality standards (*Escherichia coli* [*E. coli*]), Total Trihalomethanes (THM) and Turbidity which have mandated limits and frequency for sampling and testing. All of the state's water suppliers must comply with these standards. Additionally, 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 2016/17 there was one instance of an *Escherichia coli* (*E. coli*) detection in a treated water tank at Fryerstown. It was addressed immediately, and the results for the follow-up tests were clear, avoiding the need to issue a 'Boil Water Notice'.

The raw water for Bridgewater and Laanecoorie Water Treatment Plants (WTPs) is sourced from the Loddon River, which contains high concentrations of Naturally-occurring Organic Matter (NOM), as well as having high salinity. The Bridgewater WTP supplies treated drinking water to the townships of Bridgewater and Inglewood. The Laanecoorie WTP supplies to townships of Laanecoorie, Dunolly, Tarnagulla and Bealiba.

Treated drinking water takes a long time to flow from the Bridgewater WTP to the Inglewood Treated Water Storage Basin, and then flows on into the distribution networks of the towns of Bridgewater and Inglewood. This gives the water a long 'water age', and when this is combined with the high levels of NOM, and the chlorine dosing required to keep the treated drinking water safe to drink, this creates the potential to produce elevated levels of THM. Because of these issues, during 2016/17 non-compliances against the THM water quality standard were recorded in both the Bridgewater and Inglewood water sampling localities. This issue has been largely resolved by the recommissioning of the Reverse Osmosis treatment unit at the Bridgewater WTP.

Similarly, there is a 'water age' issue between the Laanecoorie WTP and the distribution network at Bealiba, as the system includes lengthy pipelines and treated water storage tanks. This, combined with the high levels of NOM in the source water, and chlorine dosing requirements resulted in non-compliance against the water quality standard for THM being recorded in the Bealiba water sampling locality.

We entered into an Undertaking with the Department of Health and Human Services, under section 30 of Victoria's *Safe Drinking Water Act 2003*, to identify and implement mitigation measures to minimise THM formation potential, and hence eliminate non-compliance with the THM drinking water quality standard.

WATER QUALITY

Elevated nickel results were recorded on three separate instances from samples collected from the Castlemaine and Goornong water sampling localities. The subsequent investigation concluded that the elevated nickel results appear to be isolated events, no ongoing water quality issues have been identified, with the probable cause being contamination during the sampling process.

The raw water that supplies the Echuca WTP (the Murray River) contained elevated levels of manganese between October and November 2016, which caused discolouration of the treated drinking water. Even though the drinking water supplied to customers was discoloured, it did not pose a risk to public health and remained compliant with all health-based water quality standards during this period. The issue was addressed by process modification and optimisation.

A similar incident occurred in the township of Heathcote in January 2017. The raw water source supplying the Heathcote WTP, which is typically Lake Eppalock or Caledonia Reservoir, was of poor quality for the period November 2016 to January 2017. In response to the poor quality adversely affecting the taste and odour of the drinking water being supplied to Heathcote, the source water was changed to Sandhurst Reservoir in early January 2017. However, the raw water sourced from Sandhurst Reservoir contained elevated levels of manganese and this caused aesthetic issues in the treated drinking water. The issue was resolved by process modification and optimisation. As was the case in Echuca, even though the drinking water supplied to customers was discoloured, it did not pose a risk to public health and remained compliant with all health-based water quality standards during this period.

Late in the summer period of 2016/17 a Blue Green Algae (BGA) (or *cyanobacteria*) bloom occurred in the Goulburn and Loddon River systems. During the period of the bloom, the WTPs that source raw water from these systems were closely monitored, and all the WTPs effectively removed the BGA from the water and produced safe drinking water throughout this period. The non-potable (regulated water) towns supplied from these raw water sources were also monitored and, at times and as a precautionary measure, were switched to alternate supplies.

The following table shows the compliance of our drinking water sampling localities with the water quality standards specified in the *Safe Drinking Water Regulations 2015*. The table below lists the quality standards applicable for 2016/17.

The townships of Borung, Dingee, Jarklin, Macorna, Mitiamo, Mysia and Wychitella were supplied with regulated water (non-drinking water) during 2016/17.

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

Notes to water quality table:

⁽¹⁾ An *Escherichia coli* (*E. coli*) sample from the Fryerstown treated water tank returned a result of 10 organisms/100mL.

A prompt response and further testing, which returned results which were free of *E. coli*, avoided the need for a 'Boil Water Notice'.

⁽²⁾ Total Trihalomethanes (THM) results greater than 0.25 mg/L were found in some routine water quality samples. The exceedances were mainly due to elevated levels of Naturally-occurring Organic Matter in the raw water.

⁽³⁾ Other water quality parameters monitored under our water sampling program, as a part of our *Drinking Water Quality Risk Management Plan*.

⁽⁴⁾ Nickel results greater than health-based guideline value of 0.02 mg/L that appears in the 2011 *Australian Drinking Water Guidelines (ADWG)* were recorded in three routine water quality samples. The investigation that was undertaken concluded that the nickel exceedances appears to be related to potential contamination of sampling equipment, rather than an issue with the quality of the drinking water being supplied to customers.

WATER TREATMENT PROCESS

The following table shows how we treat 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/C AUSTIC 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	✓	✓	✓	✓	✓	✓		✓						✓	✓		
Gunbower	Gunbower	✓ ⁽³⁾	✓	M	✓	✓	✓		✓		✓		✓		✓	✓		
Heathcote	Heathcote Tooborac	✓	✓	✓		✓	✓		✓	✓	P				✓	✓	✓	
Korong Vale	Korong Vale Wedderburn	✓	✓	✓	✓	✓	✓		✓	✓	P				✓	✓	✓	
Kyneton	Kyneton Malmsbury Tylden	✓		M	✓	✓	✓		✓		✓	✓			✓	✓	✓ ⁽²⁾	✓
Laanecoorie	Bealiba Dunolly Laanecoorie Tarnagulla	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓		✓	✓	✓	
Leitchville	(Rural) (Urban)	✓	✓	M	✓	✓	✓		✓		✓		✓		✓	✓		
Lockington	Lockington	✓	✓	✓		✓	✓		✓	P					✓	✓		
Pyramid Hill	Pyramid Hill	✓	✓	✓	✓	✓	✓		✓	✓	✓				✓	✓		
Rochester	Rochester	✓	✓	M	✓	✓	✓		✓	P	✓	✓ ⁽¹⁾			✓	✓		
Serpentine	Serpentine	✓	✓	✓	✓	✓	✓		✓	✓	P				✓	✓		
Trentham	Trentham			M	✓		✓		P		✓	✓ ⁽¹⁾				✓		

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

⁽¹⁾ Recent process reviews at Rochester and Trentham Water Treatment Plants have identified that ozone is no longer required and the ozone process has been turned off.

⁽²⁾ Ammonia dosing turned off from March 2017 as free chlorination is being trialled.

⁽³⁾ 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	154	25	179	28	9	37	41	182	360
Total	0	0	0	154	25	179	28	9	37	41	182	360
COLIBAN NORTHERN												
Bendigo *	40,932	3,210	44,142	43,173	3,425	46,598	7,828	2,820	10,648	10,678	181	823
Heathcote	746	105	851	1,065	129	1,194	141	76	217	231	132	589
Axedale	111	11	122	116	17	133	21	4	25	26	181	235
Raywood	0	0	0	82	15	97	17	4	21	22	207	267
Sebastian	0	0	0	71	5	76	15	13	28	24	211	2,600
Tooborac	0	0	0	48	6	54	7	2	9	10	146	333
Total	41,789	3,326	45,115	44,555	3,597	48,152	8,029	2,919	10,948	10,992	180	812
COLIBAN SOUTHERN												
Castlemaine	4,056	364	4,420	4,750	408	5,158	747	745	1,492	1,440	157	1,826
Kyneton	2,350	383	2,733	2,546	427	2,973	402	340	742	728	158	796
Maldon	646	84	730	942	119	1,061	140	57	197	204	149	479
Newstead	298	32	330	337	39	376	49	10	59	62	145	256
Chewton	262	16	278	329	18	347	47	6	53	56	143	333
Malmsbury	277	21	298	295	23	318	39	18	57	59	132	783
Harcourt	195	16	211	254	25	279	51	9	60	62	201	360
Taradale	0	0	0	131	11	142	21	6	27	27	160	545
Guildford	0	0	0	125	9	134	18	2	20	22	144	222
Tylden	146	9	155	118	11	129	16	8	24	27	136	727
Fryerstown	0	0	0	92	4	96	13	0	13	13	141	0
Elphinstone	0	0	0	80	6	86	12	1	13	17	150	167
Total	8,230	925	9,155	9,999	1,100	11,099	1,555	1,202	2,757	2,716	156	1,093
GOULBURN												
Rochester	1,211	143	1,354	1,347	176	1,523	338	631	969	1,038	251	3,585
Boort	381	69	450	393	92	485	95	35	130	132	242	380
Pyramid Hill	247	36	283	254	49	303	51	30	81	82	201	612
Lockington	187	24	211	192	32	224	37	8	45	49	193	250
Serpentine	0	0	0	64	21	85	12	3	15	17	188	143
Mitiamo **	0	0	0	43	8	51	7	3	10	11	163	375
Dingee **	0	0	0	29	11	40	4	3	7	8	138	273
Macorna **	0	0	0	8	2	10	0	0	0	1	0	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	2,026	272	2,298	2,344	393	2,737	545	713	1,258	1,339	233	1,814
GROUNDWATER												
Trentham	508	62	570	558	64	622	67	20	87	85	120	313
Elmore	339	47	386	375	60	435	57	31	88	111	152	517
Total	847	109	956	933	124	1,057	124	51	175	195	133	411
LODDON												
Dunolly	334	51	385	398	58	456	49	16	65	66	123	276
Inglewood	325	35	360	401	42	443	58	18	76	84	145	429
Bridgewater	172	26	198	194	32	226	26	30	56	50	134	938
Tarnagulla	0	0	0	108	14	122	10	3	13	14	93	214
Bealiba	0	0	0	76	12	88	8	3	11	14	105	250
Laanecoorie	0	0	0	36	4	40	4	0	4	5	111	0
Total	831	112	943	1,213	162	1,375	155	70	225	233	128	432
MURRAY												
Echuca	5,890	802	6,692	6,101	862	6,963	1,563	1,170	2,733	2,928	256	1,357
Cohuna	974	136	1,110	1,113	362	1,475	304	250	554	584	273	691
Leitchville	141	30	171	158	117	275	43	108	151	163	272	923
Gunbower	146	20	166	147	29	176	33	13	46	48	224	448
Total	7,151	988	8,139	7,519	1,370	8,889	1,943	1,541	3,484	3,722	258	1,125
WIMMERA												
Wedderburn	393	55	448	445	62	507	59	27	86	94	133	435
Korong Vale	0	0	0	113	8	121	13	2	15	18	115	250
Borong **	0	0	0	20	2	22	4	0	4	4	200	0
Wychitella **	0	0	0	11	3	14	1	0	1	2	91	0
Total	393	55	448	589	75	664	77	29	106	118	131	387
Grand Total	61,267	5,787	67,054	67,306	6,846	74,152	12,456	6,534	18,990	19,355	185	954

*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 12,456 megalitres across this population of our region which averages out to 210.7 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

Coliban Water supplies recycled water to third-pipe customers in the Bendigo region.

In 2016/17 we supplied 25 megalitres to residential customers and 251 megalitres to non-residential customers.

WATER SUPPLY SYSTEM	RECYCLED WATER					
	CONNECTIONS			USAGE (MEGALITRES)		
	RESIDENTIAL	NON RESIDENTIAL	TOTAL	RESIDENTIAL	NON RESIDENTIAL	TOTAL
Bendigo	564	26	590	25	251	276

NON-REVENUE WATER

WATER SUPPLY SYSTEM	TREATED WATER (MEGALITRES)		NON-REVENUE WATER (MEGALITRES)
	SUPPLIED	USAGE	
Campaspe	47	37	10
Coliban Northern	11,488	10,948	540
Coliban Southern	3,035	2,757	278
Goulburn	1,370	1,258	112
Groundwater	195	175	20
Loddon	266	225	41
Murray	4,083	3,484	599
Wimmera	186	106	80
TOTAL	20,670	18,990	1,680

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.

Non-revenue water for 2016/17 was calculated to be 1,680 megalitres (8.1 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		2
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		2
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
- › Murray Goulburn Co-operative Co 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

WE PROVIDE WASTEWATER SERVICES TO 66,090 PROPERTIES IN OUR REGION AND WITH OUR PARTNERS WE OPERATE 16 WATER RECLAMATION PLANTS

WATER RECLAMATION – SEWERAGE 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 2016/17.

TOWN	SEWAGE INFLUENT (MEGALITRES)	TOTAL EFFLUENT DISCHARGED (MEGALITRES)	EFFLUENT DISCHARGED TO WATERWAYS (MEGALITRES)	EFFLUENT DISCHARGED FOR REUSE (MEGALITRES)
Axedale	14.0	9.4	0.0	9.4
Bendigo	7,819.6	5,999.6	4,960.5	1,039.1
Boort	79.2	0.0	0.0	0.0
Bridgewater	77.3	0.0	0.0	0.0
Castlemaine	1,227.0	1,375.7	1,336.3	39.4
Cohuna	261.3	0.0	0.0	0.0
Dunolly	34.4	22.2	0.0	22.2
Echuca	1,846.6	845.8	0.0	845.8
Elmore	33.6	0.0	0.0	0.0
Gunbower	66.9	16.5	0.0	16.5
Heathcote	181.5	90.1	0.0	90.1
Kyneton	875.8	975.1	748.0	227.1
Lockington	18.3	0.0	0.0	0.0
Pyramid Hill	52.7	10.6	0.0	10.6
Rochester	236.8	0.0	0.0	0.0
Wedderburn	31.2	34.5	0.0	34.5
TOTAL	12,856.1	9,379.6	7,044.9	2,334.7

Under our Environment Protection Authority (EPA) licence for wastewater treatment operations, we are permitted to discharge treated wastewater to the Campaspe River from the Kyneton Water Reclamation Plant (WRP) during periods of natural river flow, as part of normal plant operations.

Prolonged wet weather during 2016/17 winter through to spring period resulted in a significant increase in inflows to the Kyneton WRP; therefore, in order to avoid an uncontrolled overflow from WRP, we undertook controlled releases of treated water into the Campaspe River via the WRP's licenced discharge point. However, an uncontrolled discharge into Snipes Creek occurred in September 2016.

During this period, some of the licensed effluent quality parameters exceeded their licence limits. The EPA was notified, and, in response, water quality in the Campaspe River has been monitored continuously since then to ensure that there has been 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 and ensure our service obligations can be met into the future.

The treated effluent from the Bendigo WRP storage lagoon overflowed into the neighbouring May Swamp due to significant inflows to the plant during the spring of 2016/17. The EPA was notified, and, in response, water quality in the Bendigo Creek has been monitored continuously since then to ensure that there has been no significant adverse impact on the environment.

An approval to discharge effluent from the storage lagoon directly into Bendigo Creek, under Section 30A of the *Environment Protection Act 1970*, has been received in order to carry out works on the effluent discharge pipeline. The approved discharge commenced as planned in the second week of June 2017 and it is expected that the discharge will cease by mid of July 2017.

This year some of the major WRP improvement works included:

- › Finalised Master Planning for the next 25 years of operation at 13 of our WRPs
- › Lagoon desludging works were completed at the Kyneton WRP. Ongoing desludging of our lagoon-based WRPs is required to improve their operational efficiency
- › Bio-solids from the above desludging works and normal operations have been reused via application to farming land under EPA approvals
- › Electrical supply and distribution upgrade was completed at Bendigo WRP
- › Land management at all sites, including tree planting.

CUSTOMERS SERVICE OBJECTIVES – SEWERAGE COLLECTION

We report on five service standards that are reported to the Essential Services Commission (ESC). 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. Compliance was achieved for all five of the ESC service standards.

We have seen an overall improvement in system performance and response times.

	SERVICE STANDARD	ACTUAL
Sewerage blockages (per 100 kilometres)	45	40.39
Average time to attend sewer spills and blockages (minutes)	30	25.43
Average time to rectify a sewer blockage (minutes)	80	74.32
Spills contained within five hours (per cent)	99%	100%
Customers receiving more than three sewer blockages in the year (number)	2	2

We have continued to invest resources into gravity sewer preventative maintenance programs, in the aim of improving sewer performance and reducing service interruptions and overflows, this has included:

- › Preventative sewer cleaning, approximately 3,390 sewer mains (roughly 169 kilometres of sewer) was preventatively cleaned. This is one of the largest preventative cleaning programs Coliban Water has undertaken
- › Closed Circuit Television (CCTV) condition assessment, around 1,050 poor performing sewer mains (roughly 53 kilometres) was condition assessed
- › Rapid condition assessment, approximately 170 sewer mains (around eight kilometres) was assessed using innovative acoustic technology SewerBATT
- › Sewer manhole inspections, roughly 400 sewer manholes were located and inspected, of which 40 were raised to the surface
- › Undertaking relining works on poor performing mains, discussed further below.

SEWER BLOCKAGES

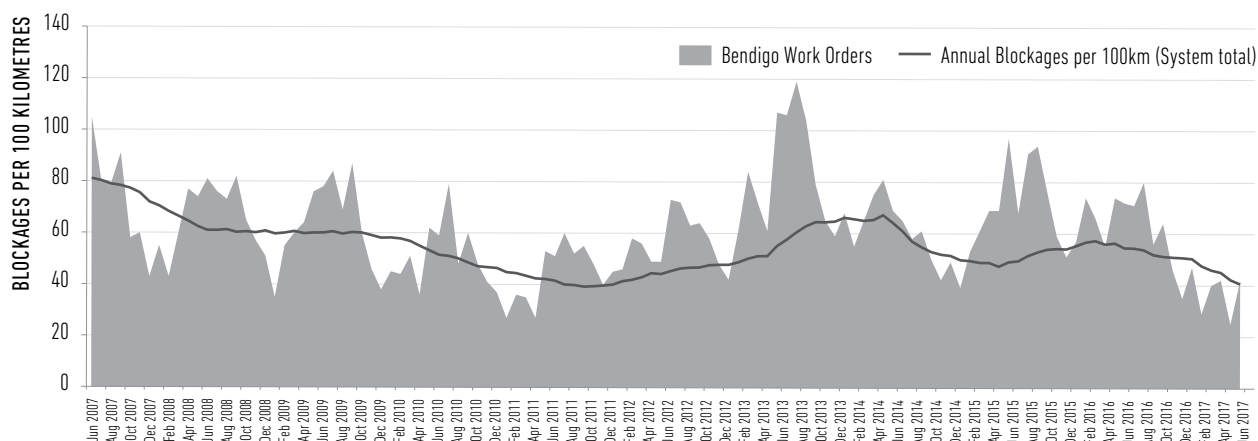
Blockage rates typically follow a seasonal trend, lowering over summer and peaking during winter. The blockage trend that occurred in 2016/17 has improved when compared with performance in recent years.

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
- › Recent weather conditions, operator knowledge indicates that increased rainfall provides flushing of the sewer network.

We are continuing to implement improved and increased preventative maintenance programs and are well placed to further improve the sewer blockage performance during 2017/18.

BLOCKAGE RATE CHART (BLOCKAGES PER 100 KILOMETRES)



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 330 sewer manholes and during the year, renewed a total of 165 sewer main sections which is equivalent to approximately 6.7 kilometres of sewer main.

An aged rising main was replaced in Echuca (Northern Highway). The new construction was 1.9 kilometres of sewer main. Works also involved the refurbishment of a sewer pump station.

After identifying a number of leaks at Jeffrey Street in Kyneton in 2016, approximately 720 metres of 300 millimetre sewer rising main was renewed.

ODOUR MANAGEMENT

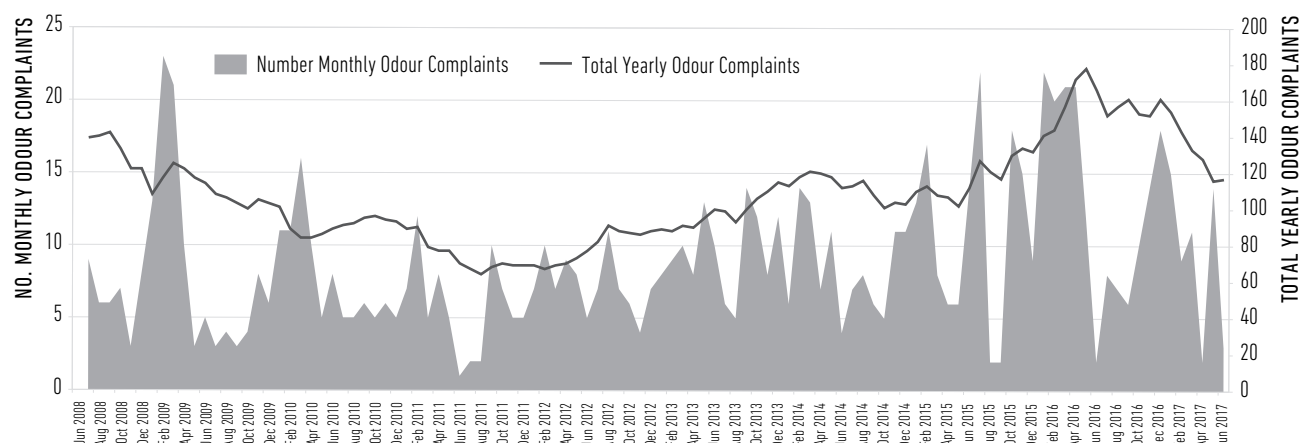
In 2016/17 we received 117 odour complaints, this is approximately 30 per cent less than 2015/16. Complaints were made up of approximately:

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

The remaining 50 per cent (59 odour complaints) were confirmed to be the result of a Coliban Water asset. These were made up of:

- › 7 per cent impacts on sewer system seals from preventative cleaning
- › 32 per cent the result of blockages in the gravity sewer network or in house drains
- › 11 per cent from Sewer Pump Stations and rising mains
- › 1 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:

- › Finalised all trade waste agreements with major customers
- › Continued to develop trade waste reporting tools to improved communication with customers
- › Reviewed our trade waste customer classification system.

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,

- › Installed a new Odour and Corrosion Control System in Bendigo
- › Developed a temporary chemical dosing trailer
- › Replaced corroding air valves
- › Undertaken detailed investigations on an Odour and Corrosion Control System in Castlemaine.

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 WRPs performance is impacted by the additional flows.

During the year we have revised and updated our strategy, continued flow monitoring, undertaken sewer manhole rehabilitation and installed level sensors at potential overflow points and wet weather storages.

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

SCADA upgrades have continued with the upgrade of an additional 70 Sewer Pump Stations (SPS) this financial year. To date, a total of 111 SPS 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 three Emergency Relief Structures for early detection of potential spills.

PEOPLE AND DEVELOPMENT

WORKFORCE INCLUSION

Coliban Water performs better than the industry average for key demographic indicators.

We have a rich cultural diversity with 17* per cent of our workforce not born in Australia and 10* per cent who speak languages other than English at home.

More than one-third of people employed by Coliban Water are female (38 per cent) and we have 10 per cent of the workforce employed on a part-time basis. In addition to part-time work, we offer a range of other flexible work practices including the ability to purchase extra annual leave, flexible start and finish times and in working towards being an inclusive employer, in 2016/17 we have continued to implement our *Workforce Diversity Policy*.

Our *Diversity and Inclusion Action Plan* includes the targets aligned with the Victorian Industry Association's *Water Industry Diversity Strategy* adopted by all Victorian Water Corporation Boards.

*Data based on demographics collected via 2016 *People Matter Survey* where staff participation rate was 91 per cent.

OUR TRADEMARK BEHAVIOURS

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

- › Trust
- › Honesty
- › Unified
- › Committed

DEVELOPING OUR PEOPLE

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

Our focus this year has been delivering professional development opportunities to support diversity and inclusion, including unconscious bias and family violence awareness 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 to our employees, we have continued to support employees to undertake accredited and formal training, including Certificate III in Water Operations, Diploma of Leadership and Management and Engineer's Australia Graduate Program. During 2016/17 Coliban Water has also supported staff working towards achieving Certified Practising Accountants (CPA) and Chartered Professional Engineer qualifications.

WORKFORCE STATISTICS

		2017							2016						
		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	73	69	55	14	65	4	4	75	71	55	16	67	3	3
	Male	117	116	104	5	108	8	8	121	120	109	3	111	7	7
	Age														
	15-24	5	5	4	0	4	1	1	4	4	2	0	2	1	1
	25-34	47	47	40	2	42	5	5	49	48	44	4	47	1	1
	35-44	50	47	41	8	46	1	1	57	55	46	7	51	4	4
	45-54	59	58	51	5	55	3	3	57	56	48	5	52	3	3
	55-64	26	26	22	2	24	2	2	26	26	23	1	24	1	1
	65+	3	2	1	2	2	0	0	3	2	1	2	2	0	0
CLASSIFICATION DATA	Executive Officers	6	6	1	0	1	5	5	7	7	2	0	2	5	5
	Senior Managers	20	19	18	2	19	0	0	20	19	18	2	19	0	0
	Office-based staff	142	137	120	17	132	5	5	147	143	123	17	136	4	4
	Field Staff	22	22	20	0	20	2	2	22	22	21	0	21	1	1
TOTAL EMPLOYEES		190	185	159	19	173	12	12	196	191	164	19	178	10	10

Our corporate structure can be found on page 34.

WORKING AT COLIBAN WATER

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

EMPLOYEE RELATIONS

The employment terms and conditions covering most Coliban Water employees is governed by an Enterprise Agreement that is due for renewal in 2017/18. During 2016/17 enterprise bargaining negotiations commenced where management, staff and the unions were working towards reaching agreement on the term and conditions for the Enterprise Agreement. Negotiations during 2016/17 were productive, in good faith and have achieved significant progress towards completion of the new agreement.

We have an Employee Consultative Committee that includes representatives from staff and management. This Committee will be instrumental in ensuring 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	2016/17	2015/16
Total training hours	6,188	7,872
Total training investment	\$ 644,342	\$627,987

We continue to support employees who wish to undertake formal study at undergraduate and postgraduate levels and currently have several staff combining their work with part-time tertiary education.

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 for a period of four years, with options for two further five year terms. A review of the contract was in 2016/17 resulting in Coliban Water entering into the first of the five year further terms.

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.

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 are also actively promoting Coliban Water's commitment to diversity and inclusion as part of our recruitment process. All of our recruitment advertising highlights to potential candidates the value Coliban Water places on the skills, knowledge and experience of a diverse and inclusive workforce and encourages suitably qualified candidates from all background to apply.

To support a diverse workforce and contribute to an inclusive work environment Coliban Water offers a range of flexible working arrangements and encourages candidates seeking various type of flexibility to apply.

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

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.

ENVIRONMENTAL SUSTAINABILITY

WE ARE COMMITTED TO BEING AN ACTIVE LEADER IN SUSTAINABILITY PERFORMANCE ACROSS OUR REGION

Our commitment to environmental sustainability in our operations is underpinned by our certified *Environmental Management System*. We strive to deliver positive environmental outcomes and manage impacts associated with our activities. With our *Sustainability Strategy* and *Energy and Carbon Strategy*, sustainability is an important part of our contribution to regional development.

Stakeholder engagement within the region in which we operate is integral to our commitment to the environment. We therefore engage stakeholders including the Department of Environment, Land, Water and Planning (DELWP), Environment Protection Authority (EPA), North Central Catchment Management Authority (North Central CMA), Goulburn-Murray Water, 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 the development of *Integrated Water Cycle Management Plans* for the townships of Kyneton, Castlemaine, Bendigo and Echuca
- › Promoting *Greener Office* initiatives

SUSTAINABLE WATER USE

We are continuing to manage for sustainable water use across our region. During 2016/17 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 commenced operation during the 2016/17 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. In the short-term, the works in progress for the interim solution are nearing completion.

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.

INTEGRATED WATER MANAGEMENT

In consultation with local government and other external agencies, we continued investigations to assess potential Integrated Water Cycle Management options for the Bendigo, Castlemaine, Kyneton and Echuca systems to service existing and future growth. These included examining 'traditional' water and sewerage network augmentations, but also incorporated other potential sources of water and demand options to consider the whole water cycle.

We also completed master plans for 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. We will be incorporating these into our integrated water options for our four largest systems.

ENERGY MANAGEMENT

In current market conditions, the development of an *Energy and Carbon Management Strategy* has been critical. This Strategy was endorsed by the Board in February 2017. We continue to strengthen our approach to energy management in the business. This strategic approach encompasses procurement, demand-side management, energy efficiency initiatives and industry partnerships. We have undertaken energy benchmarking studies of our wastewater treatment plants in 2016/17 and identified opportunities for improvement.

Industry-wide energy networks at a state and national level that we are actively engaged in, offer opportunities for collaborative energy projects to minimise costs for customers and reduce greenhouse gas emissions. Information is readily shared amongst the network so that we are able to achieve greater efficiency across the whole industry.

In response to Victorian Government policy, we actively participated in the development of a *Water Sector Carbon Reduction Pledge*. We aim to reduce our emissions by at least 13 per cent by 2025 in comparison to our benchmark emissions. We will do this through the deployment of renewable technology, improvement in treatment processes and replacement of inefficient equipment.

BIODIVERSITY

Many of the sites we manage support important and rare native species and ecological communities. Our Threatened Biodiversity Register includes 25 threatened plant and 28 threatened fauna species. Recognising the need to minimise our impact on biodiversity and native vegetation through delivery of our operational activities and projects, Coliban Water has been an active contributor to the:

- › Victoria's Biodiversity Strategy – Protecting Victoria's Environment – Biodiversity 2037,
- › Review of the Native Vegetation Clearing Regulations
- › Review of the *Flora and Fauna Guarantee Act 1994*,
- › VEAC – Statewide Assessment of Public Land.

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 Bendigo Water Reclamation Plant a *Site Environmental Works Plan* was developed and is currently being implemented to protect core habitat areas for the federally listed Growling Grass Frog (*Litoria raniformis*), to mitigate potential impacts of a capital works project required to decommission a large dam for safety reasons.

The plan identifies core areas be fenced and managed for biodiversity values including revegetation of areas with indigenous vegetation that will favor Growling Grass Frogs. These works will also assist in protecting other threatened species populations at the Plant such as Baillons Crake (*Porzana pusilla palustris*) and Whirrakee Wattle (*Acacia williamsonii*). Fencing was completed during the 2016/17 financial year with pest plant control activities planned for the coming year.

Likewise, land rehabilitation plans have been developed and implemented as part of the Coliban Main Channel Renewals project and at Castlemaine Water Reclamation Plant, with a focus on revegetating areas with local indigenous species that will provide both habitat for fauna and stabilise erosional soils. 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 our storages' water quality. We also work to enhance river health and support biodiversity of our land and catchments. Further to this we give considerations 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 Malmsbury, Lauriston and Upper Coliban reservoirs, as well as on our rural channel network. 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 customers. In addition to normal pest plant management programs the Coliban Main Channel was a focus this year, with control activities undertaken across more than 40 hectares from Malmsbury to Sutton Grange.

Through our fire hazard management programs, we take a proactive approach to reducing fuel loads to minimise risks to adjacent landowners and public areas. We also continue to undertake a tree hazard management program to reduce risk 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 shed and retain habitat for fauna wherever possible.

After completing the Pines Removal Project, we are now in the final rehabilitation stage. Revegetation and reinstatement of access to closed visitor areas at Upper Coliban, Malmsbury and Lauriston Reservoirs has commenced. It is anticipated that areas which have been closed to the public will be reopened in 2017/18.

Since releasing our *Drinking Water Storages and Land Management Plan* in February 2015, 12 Catchment Works Agreements have been entered into with adjoining landowners. Achievements under these agreements include around 22 kilometres of fencing and approximately \$132,000 in off storage watering incentives at Malmsbury, Lauriston and Upper Coliban Reservoir. With approximately 90 per cent of both Upper Coliban and Malmsbury Reservoir now fenced, we are continuing to negotiate agreements with adjoining landowners at all storages to complete fencing to minimise risks to water quality.

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

- › Work with Conservation Volunteers Australia to remove fences on Coliban Water land at Upper Coliban and Malmsbury Reservoirs that are no longer required and pose a risk to wildlife, public and staff
- › Work with partner agencies and Upper Campaspe Landcare Network to support delivery of land and property planning workshops
- › Commenced revegetation of recreational areas and selected fenced areas with native vegetation to boost existing plantings and boost biodiversity
- › Provision of community updates regarding land management and works occurring around the three Coliban River Storages.

CATCHMENT PLANNING AND PROTECTION

We are responsible for providing statutory and strategic land use planning engagement with municipalities where sewer 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 from 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.

After signing a Memorandum of Understanding (MoU) in late 2015, Coliban Water and the North Central Catchment Management Authority (North Central CMA) have been committed to strengthening our collaborative relationship. This 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 was the development of the Upper Coliban Catchment Project.

UPPER COLIBAN INTEGRATED CATCHMENT MANAGEMENT PLAN 2017

Building on work that commenced in 2015/16, in response to the threats facing the Upper Coliban catchment, Coliban Water and the North Central Catchment Management Authority (North Central CMA), undertook a comprehensive analysis of the benefits and costs of protecting and enhancing the Upper Coliban catchment. This work involved active participation of other stakeholders including landholders, local Landcare groups, local and Victorian government agencies and Goulburn-Murray Water.

As a result this analysis, an *Integrated Catchment Management Plan* was developed. It 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.

This project, whilst separate to the work undertaken through the *Drinking Water Storage Land Management Plan*, works with this program to minimise water quality risks for drinking water supplies from catchment to tap.

In May 2017, Dja Dja Wurrung Enterprises ran an Aboriginal Waterways Assessment (AWA) in the Upper Coliban Catchment area, funded by Murray Lower Darling Rivers Indigenous Nations (MLDRIN). Over a week, Dja Dja Wurrung Traditional Owners conducted the AWA on the Coliban River catchment, with support from Coliban Water, North Central CMA, and MLDRIN staff and volunteers. The AWA tool 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

We continued to participate on a Victorian Water Industry Association (VicWater) reference group for the review of two key State Government policies: the *State Environment Protection Policy (SEPP) – Waters of Victoria* and the *State Environment Protection Policy (SEPP) – Groundwaters of Victoria*, which is known as the *SEPP (Waters)* review. Coliban Water is on the reference group for the *SEPP* review. The outcome of the review is not expected until late 2017 and is heavily dependent upon processes external to the reference group.

It is anticipated that a formal draft *State Environment Protection Policy (Waters)* and draft *Policy Impact Assessment (PIA)* will be released in early 2018 for a formal statutory public submission period of three months.

ENVIRONMENTAL COMPLIANCE

Coliban Water manages sewage treatment services at 15 Water Reclamation Plants (WRPs), 13 of which were regulated in 2016/17 under Environment Protection Authority (EPA) amalgamated Licence 74405. Our 2016/17 Annual Performance Statement (APS) to the EPA will report that licence compliance was achieved at ten WRPs, with seven non-compliances being recorded at the Bendigo WRP, Kyneton WRP and the Cohuna WRP.

A summary of the seven non-compliances is listed below. Note that discharges from Kyneton WRP and Bendigo WRP in September and October 2016 were due to high rainfall during this period.

REQUIREMENT	LOCATION	DATE	DESCRIPTION
LI_DW2.8	Kyneton WRP	14/09/2016 – 21/09/2016	Discharge to Snipes Creek due to wet weather
LI_DW2.8	Kyneton WRP	02/10/2016 – 13/10/2016	Discharge to Snipes Creek due to wet weather
LI_DW2.8	Bendigo WRP	14/09/2016 – 23/09/2016	Discharge from Mays Swamp to Bendigo Creek due to wet weather
LI_DW2.8	Bendigo WRP	02/10/2016 – 07/10/2016	Discharge from Mays Swamp to Bendigo Creek due to wet weather
LI_G1	Bendigo WRP	28/04/2017	Discharge to Wallenjoie Road due to blocked discharge pipeline
LI_A1	Kyneton WRP	24/05/2017 – 27/5/2017	Offensive odour emitted from Trade Waste Lagoon
LI_G1	Cohuna WRP	30/06/2015	Lagoon leakage causing groundwater mounding resulting in impacts to neighbouring property

During 2016/17, in accordance with EPA's notification protocol, the EPA was notified of 22 high priority sewer spills from our sewer catchment systems. We provide immediate response and priority clean-up in such cases, particularly in areas of unrestricted public access or sensitive land uses. Our operators utilise standard operating procedures designed to protect public health and minimise the environmental impact of spills.

We appeared at the Bendigo Magistrates Court on 24 August 2016 and entered a guilty plea to causing an environmental hazard. The single charge was laid by the Environment Protection Authority (EPA) Victoria in connection to a sewer spill in North Bendigo in July 2013.

The spill occurred when a section of main on the corner of Holdsworth Road and Prouses Road, Long Gully, became blocked due to tree roots and overflowed into the Long Gully Creek. The incident was reported in a media information statement that Coliban Water issued on 31 July 2013.

The Magistrate did not record a conviction on the undertaking that Coliban Water donated \$75,000 to the North Central Catchment Management Authority for the enhancement of the affected land in Long Gully.

The Magistrate pointed out the significance of the environmental hazard and potential risk posed by the incident, but acknowledged our response to the incident, remarking that the corporation had shown itself to be a good corporate citizen.

Coliban Water complied with the undertaking within the time prescribed by the Magistrate.

GREENHOUSE GAS EMISSIONS AND NET ENERGY CONSUMPTION

We generate two types of emissions as a result of providing water and wastewater services:

- › Direct ('Scope 1') emissions from 'on-site' sources at water reclamation plants – including emissions from biosolids stockpiles, lagoons, sewerage treatment processes and fuel consumption
- › Indirect ('Scope 2') emissions from the generation of the electricity we consume through our networks, plants and buildings, including water treatment and supply

For the year, our emissions were as follows:

EMISSIONS	2016/17	2015/16	2014/15	2013/14	2012/13	VARIANCE	COMMENTARY
Sewerage Treatment and Supply (tonnes CO2-eq)	21,309.2	24,085.8	23,925.5	27,351	20,148	-12%	Variance related to seasonal variability and a number of process modifications.
Water Treatment and Supply (tonnes CO2-eq)	10,937.7	31,170.6	18,500.6	10,407.4	6,778.6	-65%	The Goldfields Superpipe was not in use for the majority of the year, therefore pumping costs were not significant
Depots and Offices (tonnes CO2-eq)	528.7	589.4	629.2	662.2	797.4	-10%	Mild summer may have led to reduced air conditioning costs
Transport (tonnes CO2-eq)	841.5	604.6	950.5	932	1,045.8	39%	Fuel usage varies depending upon the location of projects
Total	33,617.1	56,450.4	44,005.8	39,352.6	28,769.8		

Note: Sewerage Treatment and Supply is 1,762 tonnes of CO2-eq (Scope 1) and tonnes of 19,601.2 CO2-eq (Scope 2).

ENERGY CONSUMPTION	2016/17	2015/16	2014/15	2013/14	2012/13	VARIANCE	COMMENTARY
Water Treatment and Supply (kWh/ML)	458.6	1105.8	735.2	218.4	NA	-41%	Superpipe did not operate. Lower demand
Sewerage Treatment and Supply (kWh/ML)	1345.5	1480.5	1504.5	1172.3	NA	-10%	

ENERGY GENERATION	2016/17	2015/16	2014/15	2013/14	2012/13	VARIANCE	COMMENTARY
Sewerage Treatment and Supply (MWh)	N/A	N/A	N/A	N/A	N/A	N/A	
Water Treatment and Supply (MWh)	60	N/A	N/A	N/A	N/A	100%	Installation of a 30kW solar system at Korong Vale

Our business activities generated approximately 33,617.1 tonnes of CO2 equivalent emissions. This includes electricity used for our Build Own Operate Transfer (BOOT) schemes for Bendigo, Castlemaine and Kyneton Water Treatment Plants (5,130.4 tonnes CO2-eq) and wastewater treatment Scope 1 emissions.

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 was installed at a cost of \$55K and led to a 50 per cent reduction in grid electricity of the plant.

CORPORATE WATER CONSUMPTION

At our Bendigo head office, we consumed 4.16 kilolitres per year per Full-Time Equivalent (FTE) staff member working.

HEAD OFFICE WATER CONSUMPTION	2016/17	2015/16	2014/15
Total water consumption (kilolitres)	777	732	808
Full-time equivalent (FTE) staff	185	191	190.43
Volume per FTE (kilolitres)	4.2	3.8	4.24

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

GREENER OFFICE

This year staff in our Bridge Street offices are diverting organics from landfill by using the City of Greater Bendigo's newly introduced Organics collection service. We already separate recyclables such as paper, cardboard, tins, bottles and plastics from the waste stream and recycle batteries, mobile phones and printer cartridges.

After undertaking a triple bottom line analysis for our Bridge Street office we now use *Who Gives a Crap* toilet paper and tissues. Not only does this save the business money, there are clear social and environmental benefits. *Who Gives a Crap* donates half of its profits to build toilets in developing countries and all aspects of the manufacture and distribution of these products has been designed to minimise environmental impacts.

SOCIAL SUSTAINABILITY

MANAGEMENT OF SOCIAL AND ECONOMIC IMPACTS

Our *Coliban Assist Program (CAP)* has been developed to identify and assist customers in genuine financial hardship. We engage welfare agencies in our region to assess and provide input into the development of our program. We will continue to maintain and build valuable relationships with welfare agencies to ensure our program remains relevant and effective.

We continue to assist customers through our payment arrangement process. We accepted 9,362 requests this financial year. This is lower than last financial year's total of 12,235 which is attributed to our focus of entering into long term sustainable arrangements with customers.

We appreciate that every customer's situation is different. The payment arrangements and assistance we offer seek to empower our customers to select the most appropriate option 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 economic abuse through family violence.

In February 2017, we held a Customer Hardship Forum with community focussed organisations from across the region. The forum discussed new opportunities to support vulnerable customers, to work with agencies and innovative ways to reach and support customers in need.

COMMUNITY SERVICE OBLIGATIONS

The Victorian Government makes available concessions and rebates for eligible residential customers within our region. The table below summarises the value of concessions and rebates we have processed over the past three years. Concessions for residential customers (tenants or owner/occupiers) are limited to 50 per cent of water and sewerage costs up to a maximum of \$305.50 per annum, or if a household is billed for only a water or sewerage service, the concession is capped at \$152.75 per annum. This year the concession increased by \$7.50. We have approximately 21,700 customers in our region who are eligible for this payment.

Utility Relief Grants (URGs) support eligible concession card holders 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 which has seen the total amount granted increase again over the past 12 months.

The *Essential Services Commission's 2015/16 Performance Report* of all Water Entities noted Coliban Water as 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 2016/17.

CONCESSIONS AND REBATES	2016/17	2015/16	2014/15
Not-for-profit rebates	\$416,525	\$372,355	\$364,513
Pension concessions	\$5,617,845	\$5,438,061	\$5,222,019
Utility Relief Grants	\$251,494	\$209,814	\$201,933
Water concessions:			
Life support machines / haemodialysis	\$221	\$33	\$116
Hardship relief grant scheme (<i>Coliban Assist Program</i>)	\$137,408	\$79,795	\$49,771

GOVERNANCE AND RISK

AS A PUBLIC SECTOR ORGANISATION, IT IS IMPORTANT THAT WE PROMOTE AND INSTILL A CULTURE OF OPENNESS, TRANSPARENCY AND GOOD GOVERNANCE

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.

COMMITTEES OF THE BOARD

Committees of the Board are established to review items of importance on behalf of the Board and make recommendations to the Board. Each committee has a Charter describing 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:

- › Financial accounts and external reporting
- › Audit activities internal and external
- › Key financial policies and processes, system of internal control and compliance with relevant laws, standards and codes

Members of the committee are Rowan O'Hagan (Chair), Lucy Roffey, Bill O'Neil and David Richardson. All committee members are independent.

RISK AND COMMUNITY COMMITTEE

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

- › Risk management
- › Customer engagement
- › Relationships and performance with selected key stakeholders

Members of the Risk and Community Committee are Bob Cameron (Chair), Marika McMahon and April Merrick. 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 and remuneration
- › Succession planning for key positions in the business
- › Executive remuneration policy and practice
- › Diversity and inclusion
- › Contemporary workplace of choice
- › Safety and wellbeing culture

Members of the People and Remuneration Committee are Andrew Cairns (Chair), April Merrick and Lucy Roffey. All committee members are independent.

BOARD AND COMMITTEE MEETINGS	BOARD OF DIRECTORS		AUDIT COMMITTEE		RISK AND COMMUNITY COMMITTEE		PEOPLE & REMUNERATION COMMITTEE	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
DIRECTOR								
Andrew Cairns	8	8	-	-	-	-	4	4
Jeff Rigby	8	7	-	-	-	-	-	-
April Merrick	8	7	-	-	3	3	4	4
David Richardson	8	8	4	4	-	-	-	-
Robert (Bob) Cameron	8	8	-	-	3	2	-	-
Marika McMahon	8	8	-	-	3	3	-	-
William (Bill) O'Neil	8	8	4	4	-	-	-	-
Rowan O'Hagan	8	8	4	4	-	-	-	-
Lucy Roffey	8	8	4	4	-	-	4	4

Note: The number of meetings includes ordinary meetings and special meetings

ANDREW CAIRNS**Chairperson**

BEng (Electrical), AFAIM, GAICD.

Andrew Cairns was appointed as a Director of the Board in October 2007 and as Chairperson in October 2011.

Mr Cairns is CEO of Community Sector Banking and a former Head, Community Solutions and Partnering for Bendigo and Adelaide Bank Ltd.

He has held senior management positions with a range of private sector organisations including as Chief Executive Officer of Community Telco Australia Pty Ltd (2001–10).

Mr Cairns is a member of Community Telco Australia and a Director of Loddon Mallee Housing Services, Bendigo Affordable Housing Company.

JEFF RIGBY**Managing Director**

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 33 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 serves as a Board Director of the Grampians Central West Waste and Resource Recovery Group and he is the Chairman of the Group's Audit Committee. He was also appointed in 2015 by the Victorian and Commonwealth Governments to the Regional Development Australia Committee for the Loddon Mallee Region.

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

APRIL MERRICK

BAGSc(Hons), Grad Cert Climate Change for Primary Industries, GAICD

Ms Merrick is the principal consultant and joint director of Creekline Pty Ltd.

Ms Merrick has a background as a scientist and previously held positions as Executive Officer of Bjarne K Dahl Trust and roles at the North Central Catchment Management Authority. Ms Merrick was a Senior Research Scientist with the Victorian Department of Primary Industries.

Ms Merrick has also been the Treasurer of Connecting Country Committee of Management and a Trustee of Live and Learn Environmental Education, and has also been a member of the Winton Wetlands Committee of Management.

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)

William O'Neil was appointed to the Board on 1 October 2015 and is the Deputy Chairperson.

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 (2007–15).

MARIKA MCMAHON

BA, LLB, GAICD

Marika McMahon was appointed to the Board on 1 October 2015. Ms McMahon is a Lawyer and Director of O'Farrell Robertson McMahon. She is a Director of Be.Bendigo, a founding member of Women.i.s.e Bendigo, life member at Women's Health Loddon Mallee and a member at the Bendigo Law Association. Ms McMahon has been a lawyer for over 20 years and has over 10 years' experience on statutory boards at Bendigo Health, Rural Ambulance Victoria and Ambulance Victoria.

ROWAN O'HAGAN

B AgSc, MagSc, MAcct, 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 for the Pork Cooperative Research Centre (CRC).

ROBERT (BOB) CAMERON

LLB, FAICD

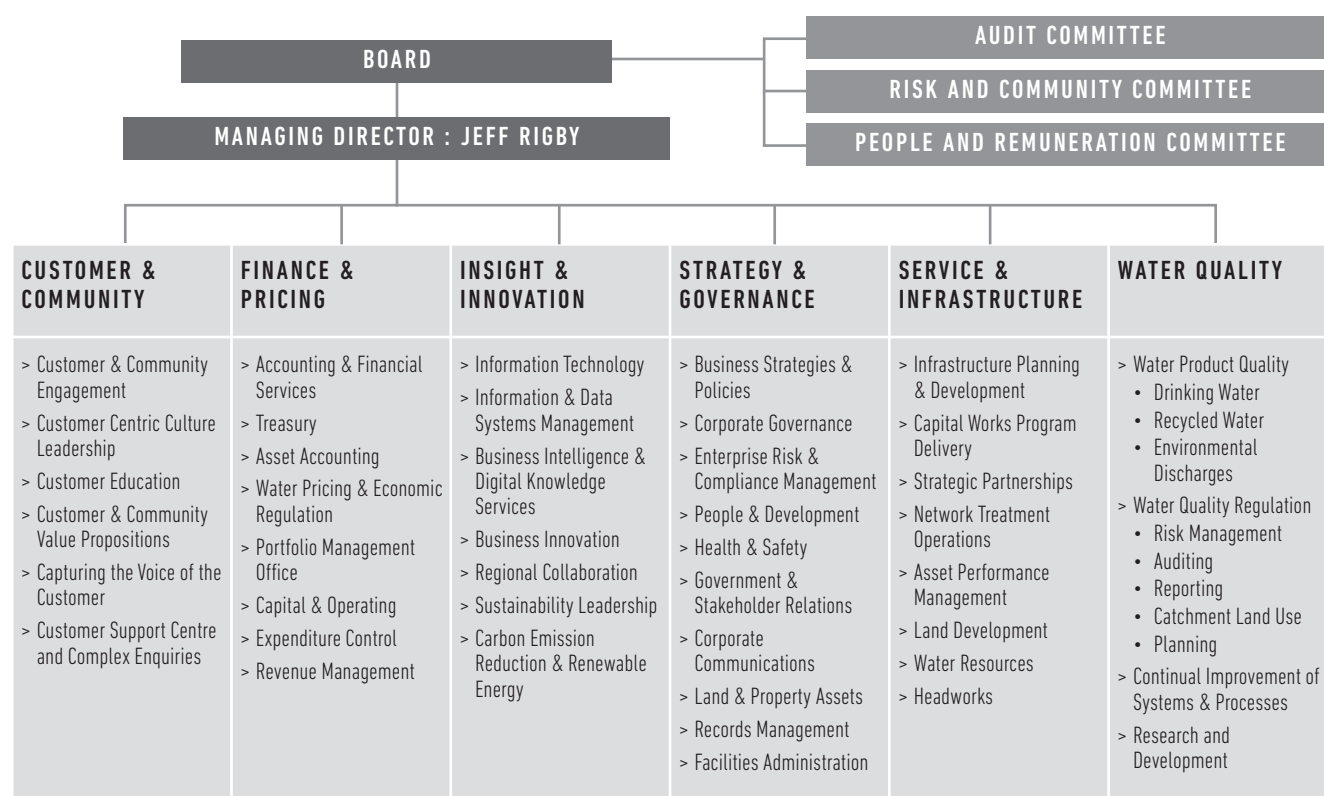
Bob Cameron was appointed to the Board on 1 October 2015. Mr Cameron is a Lawyer and Consultant at Petersen Westbrook Cameron and was a Minister for Local Government, Workcover and the TAC, Agriculture and Police, Emergency Services and Corrections in the Victorian Government for 11 years.

LUCY ROFFEY

B Com, Grad Dip Mngt, GAICD, FCIA

Lucy Roffey was appointed to the Board on 1 October 2015. Ms Roffey is Chief Executive Officer of Buloke Shire Council. She previously held 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.





LEADERSHIP TEAM

Customer and Community

Kath Hansford

Acting 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

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

RISK MANAGEMENT STATEMENT

I, Andrew Cairns certify that the Coliban Region Water Corporation has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. The Coliban Region Water Corporation Risk and Community Committee has verified this.

Andrew Cairns, Chairperson
Date: 28 August 2017

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 nine municipal council emergency management meetings that Coliban Water's asset are located within.

At a state and national level Coliban Water also participates in two water network groups to help build sector-wide resilience, there are the:

- > Security & Continuity Network, chaired by the Department Environment, Land, Water and Planning (DELWP)
- > Water Sector Services Group chaired the Attorney Generals Department.

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

OCCUPATIONAL HEALTH, SAFETY & WELLBEING

As outlined in our *Occupational Health and Safety Policy*, we aim to provide a safe and healthy work environment for staff, contractors, visitors and the general public at risk of injury, illness or property damage. A philosophy of continued improvement assists the organisation to meet its objectives, we do this by:

- › Identifying key targets and objectives
- › Providing training and instruction
- › Supervision and consultation with employee health and safety representatives and any person(s) effected by the work we undertake.

OCCUPATIONAL HEALTH AND SAFETY (OH&S) CULTURE

We continue to examine the way we do business and identify opportunities that ensure we minimise the risk of harm.

Our commitment to the safety and wellbeing of our workforce is driven through all levels of the business, including our Board, who continue to provide exceptional OH&S leadership and strategic direction.

OH&S COMMITTEE

The OH&S Committee consists of nine Designated Work Groups, the business supports the statutory position of the committee to empower the business and raise workplace hazards, driving continuous improvement.

INTERNAL AUDIT – OH&S MANAGEMENT SYSTEM

In May 2017, an internal OH&S audit was undertaken in preparation for the upcoming external integrated management system audit. This comprehensive, detailed audit will serve to strategically direct the organisation's program of continuous OH&S improvement for the next 12 months.

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 one of the five year *OH&S Strategy*; building individual capacity for greater business resilience
- › Contractor Management – Contractor induction, robust tender processes for contractor engagement, systematic audit program of works, and investigation of high potential near miss events
- › Confined space entry – Assessment of confined spaces across our Headworks and Rural divisions to mitigate the risk of exposure to harmful atmospheric conditions

- › Fall from height – Raising awareness and exercising practical based emergency preparedness
- › Hazardous materials – Management and review of asbestos removal process and incorporation of the changes to asbestos management in the revised *Occupational Health & Safety Regulations 2017*
- › Plant and equipment – Assessment of plant and high risk equipment across both the Headworks and Rural divisions
- › Electrical isolation – Contractor presentation on the importance of isolation to prevent the serious risk of electrocution
- › Working in remote locations – Effective use of the *StaySafe* application to ensure safe and effective communications for those working in remote locations
- › Driving – Continued focus and employee engagement on minor vehicle damage to prevent more serious events
- › Fatigue/health conditions – Development and implementation of the *Fatigue Management Guidelines* including training to all employees
- › Engagement of an Occupational Physician to not only treat employees but to assist identify all business environmental health risks
- › Violent or aggressive customers – In addition to the organisation continuing to educate and upskill staff about violent or aggressive customers, in line with the Victorian Government initiatives on domestic violence Coliban Water is preparing programs to support employees exposed to domestic violence

HEALTH AND WELLBEING

In 2016/17 the organisation successfully completed year one of the three year *Health and Wellbeing Strategy*. The findings based on employee self-assessment have driven the direction of the program to increase the health of our employees and create an inclusive environment of wellbeing participation. We undertook the following initiatives during the year to increase the health, safety and welfare of our employees:

- › Men's health
- › Visual screening
- › Mental health programs
- › Online Health Assessment
- › R U OK day
- › Skin checks
- › Fun Run
- › Flu vaccination
- › Women's health – health screening processes
- › Commencement of a six week mindfulness program

OH&S PERFORMANCE MEASUREMENT AND REPORTING

	2016/17	2015/16	2014/15	2013/14	2012/13
Incidents reported to Coliban Water ⁽¹⁾	84*	65	57	60	29
Worksafe reportable incidents ⁽¹⁾	0	1	0	2	0
Workers compensation claims ⁽²⁾	0	3	2	1	2
Injuries resulting in days lost ⁽²⁾	0	2	2	2	1
Lost time due to injuries (days) ⁽²⁾	0	119	9	81	30
Lost time injury frequency rate ⁽³⁾	0	4.84	4	3.7	4.9
Average lost time rate ⁽⁴⁾	188**	59.5	4.5	40.5	9.39

Notes to OH&S performance measurement and reporting table:

1. Includes project contractors

2. Coliban Water employees only

3. Number of lost time injuries per million hours worked

4. Average number of days lost per lost time injury

* Increase due to staff education on reporting and adding hazards to reporting.

** 188 days lost time relates to one lost time injury sustained in March 2016.

This injury falls outside the 2016/17 reporting period, however the days fell inside the period concluding March 2017.

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 \$28.40 as of 1 July 2017.

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

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

During 2016/17 we received applications in relation to six separate matters. These applications were processed in accordance with the *Freedom of Information Act 1982* and *Freedom of Information (Access Charges) Regulations 2014*. The outcomes were:

OUTCOME	NUMBER
Full access granted	2
Partial access granted	2
Access denied	0
No documents	0
Application was in progress at 30 June 2017	1
Information was publically available and was provided to the applicant with no charge	1
Total	6

COMPETITION POLICY

We have implemented our *National Competition 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 *National Competition 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 private industry in 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 – 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 2016/17 we participated in the WSAA Asset Management Customer Value project, where benchmarking of all processes and how they impact and improve customer service was undertaken. The assessment and scoring process was aligned with the principals of ISO55001 that reflect customer centric and value management approaches to deliver services. The effectiveness of the processes across Coliban Water was assessed and benchmarked against a record number of forty four participants from Australia, New Zealand, United States of America, Canada, United Kingdom and Japan. Services from both water industry and electricity industry utilities were part of the benchmarking. The outcomes provide an international perspective and comparison on asset management processes and activities across different sectors, encompassing organisational leadership, customer focus and value optimisation as well as more traditional asset management areas. The project identified areas where we are doing well and also opportunities to learn from other water corporations.

We also participated in benchmarking with Customer Service Benchmarking Australia (CSBA) which benchmarks our customer contact centre against other water corporations, utilities and various other organisations such as banks, insurance companies, internet service providers and universities.

MEMBERSHIP OF INDUSTRY ASSOCIATIONS

Our industry and business association memberships help enhance 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.

We are active members of the following groups:

- 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)
- Australian Institute of Project Management (AIPM)
- Australian Institute of Company Directors (AICD)

PRIVACY AND DATA PROTECTION ACT 2014

The *Privacy and Data Protection Act 2014* regulates the responsible collection and handling of personal information in the Victorian Public Sector. Our employees understand the importance of privacy and what is required to comply with our *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, 459 Collins Street Melbourne VIC 3000
Phone: 1300 735 135 | Website: www.ibac.vic.gov.au

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2016/17 reporting period, Coliban Water had a total ICT expenditure of \$5.7 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)
\$ 3,613.23	\$2,080.94	–	\$2,080.94

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 \$2.1 million includes expenditure from multiple projects delivered under the Operations Support and Administration capital programs.

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 2016/17, there were 13 small to medium sized businesses that prepared a *Local Jobs First – VIPP Plan* and two prepared by large businesses.

During 2016/17, Coliban Water commenced five Local Jobs First – VIPP contracts totaling \$18.2 million. One contract totaling \$10.9 million, occurred in regional Victoria representing 95 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 94 per cent of local content commitment was made; and
- › a total of 14 jobs were committed, including the creation of one new job and the retention of six existing jobs.

During 2016/17, Coliban Water completed four Local Jobs First – VIPP applicable projects, collectively valued at \$5.4 million. The outcomes reported from the implementation of the policy, where information was provided, were as follows:

- › an average of 91 per cent of local content outcome was recorded;
- › a total of four positions were created; and
- › one new apprenticeship/traineeship was created and five existing apprenticeships/traineeships retained.

During 2016/17, two projects, which commenced on or after 1 September, had the minimum formal weighting of 10 per cent applied for local content in the tender evaluation of the *Local Jobs First – VIPP Plan*.

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 2016/17 we engaged 47 separate consultants with a value over \$10,000.* The total cost, excluding GST, incurred during this period for major capital consultancies was \$4,350,205 (2015/16: \$4,934,228) and major operational consultancies was \$1,768,885 (2015/16: \$1,150,109).

OPERATIONAL CONSULTANT	PURPOSE OF CONSULTANCY	TOTAL APPROVED (EXC GST) (\$'000)	EXPENDITURE (EXC GST) (\$'000)	FUTURE EXPENDITURE (EXC GST) (\$'000)
7 Consulting Pty Ltd	Urban Water Strategy and advice	\$59.24	\$59.24	–
AFS & Associates Pty Ltd	Financial assessments and advice	\$26.99	\$25.69	\$1.30
Alluvium Consulting Australia Pty Ltd	Urban Water Strategy and advice	\$24.49	\$24.49	–
Arboricultural Consultants Australia Pty Ltd	Professional tree management advice	\$71.62	\$66.50	\$5.12
Beca Pty Ltd	Industry comparator review	\$50.20	\$50.20	–
Biosis Research Pty Ltd	Environmental assessment	\$45.55	\$26.70	\$18.85
Castlemaine Institute Pty Ltd	Technical advice	\$18.66	\$18.66	–
Chris DeAraugo	Customer workshops and facilitation	\$15.15	\$15.15	–
CMP Consulting Group Pty Ltd	Engineering support	\$60.63	\$47.93	\$12.70
Department of Environment Land Water and Planning	Property valuation services	\$11.71	\$11.71	–
Dja Dja Wurrung Enterprises Pty Ltd	Traditional land management advice and services	\$30.10	\$16.91	\$13.19
E-Centric Innovations Pty Ltd	Information Technology support	\$267.33	\$267.33	–
ESS Earth Sciences Pty Ltd	Seismic monitoring services	\$28.61	\$21.19	\$7.42
GHD Pty Ltd	Project management and engineering services	\$519.36	\$392.94	\$126.42
Glossop Town Planning Pty Ltd	Planning advice	\$32.20	\$10.82	\$21.38
Golder Associates Pty Ltd	Environmental site assessments	\$20.30	\$20.30	–
Hydronumerics Pty Ltd	Data collection and management advice	\$45.00	\$25.40	\$19.60
Innovative Thinking IT Pty Ltd	Compliance benchmarking	\$26.78	\$22.76	\$4.02
Inside Infrastructure Pty Ltd	Major contract assessments	\$70.86	\$62.69	\$8.18
Insync Surveys Pty Ltd	Water industry market research for <i>Pricing Submission 2018</i>	\$159.10	\$159.10	–
Integrity Governance	Annual Board performance	\$55.00	\$43.00	\$12.00
Jo Fisher Executive Pty Ltd	Strategic human resources advice	\$73.01	\$73.01	–
Mercer Consulting (Australia) Pty Ltd	Remuneration review	\$16.80	\$16.80	–
North Central CMA	Catchment plan development and advice	\$39.10	\$39.10	–
Obviate Pty Ltd	SCADA engineering support	\$10.19	\$10.19	–
P3 Outcomes Pty Ltd	Contract management advice	\$30.00	\$20.54	\$9.46
PBJ & Associates	Technical advice	\$181.65	\$181.65	–
RMCG Consulting Group Pty Ltd	Pricing advice	\$80.20	\$80.20	–
SecureWorks Australia Pty Ltd	Information Technology security control advice	\$59.55	\$49.42	\$10.13
SMEC Australia Pty Ltd	Dam safety structural support	\$136.24	\$118.72	\$17.52
Sulfide Control Pty Ltd	Odour control system advice	\$33.84	\$33.84	–
The Corporate Executive Board Company	Best practice insight and technology advice	\$22.50	\$22.50	–
Vilridge Pty Ltd	<i>Pricing Submission 2018</i> advice	\$117.35	\$80.47	\$36.89
		\$2,055.07	\$1,768.89	\$286.19

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

MAJOR CONSULTANCIES (CONTINUED...)

CAPITAL 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	\$22.77	\$22.77	–
Alluvium Consulting Australia Pty Ltd	Integrated Water Cycle augmentation plans	\$748.23	\$613.44	\$134.79
Andrew Long & Associates Pty Ltd	Aboriginal Cultural Heritage management plan	\$23.29	\$17.56	\$5.73
Arboricultural Consultants Australia Pty Ltd	Professional tree management advice	\$13.15	\$13.15	–
Astral Consulting Services Pty Ltd	Technical implementation of record point solution	\$153.48	\$65.98	\$87.50
Beca Pty Ltd	Project management and engineering services	\$150.54	\$150.54	–
Denis Bunworth Consulting Pty Ltd	Project management and records management services	\$48.58	\$13.74	\$34.84
Department of Environment Land Water and Planning	Property valuations	\$30.80	\$30.80	–
Geoff Michell	Project gateway peer review	\$13.05	\$13.05	–
GHD Pty Ltd	Engineering, architecture, environmental and construction services	\$2,810.95	\$2,532.53	\$278.42
Infor Global Solutions (ANZ) Pty Ltd	Technical support for asset management system upgrade	\$17.54	\$17.54	–
Marsden Jacob Associates Pty Ltd	Project assessments and advice	\$27.05	\$27.05	–
Obviate Pty Ltd	SCADA engineering support	\$28.98	\$28.98	–
PBJ & Associates	Augmentation and model review	\$34.07	\$34.07	–
pH Water Consultants Pty Ltd	Master plan peer review	\$28.00	\$25.60	\$2.40
Redstack Pty Ltd	AutoCAD Vault pro software implement	\$18.20	\$14.03	\$4.17
RMCG Consulting Group Pty Ltd	Agricultural assessment	\$58.05	\$28.52	\$29.53
SAFEgroup Automation Pty Ltd	SCADA engineering support	\$139.73	\$127.01	\$12.72
SJ Street & Associates Pty Ltd	Design, review and inspection services	\$32.04	\$30.77	\$1.27
SMEC Australia Pty Ltd	Environmental supervision services	\$290.14	\$290.14	–
SMS Consulting Group Ltd	Stakeholder Relationship Management system	\$249.80	\$165.88	\$83.92
Spiire Australia Pty Ltd	Project management services	\$28.71	\$28.71	–
Taylors Development Strategists Pty Ltd	Survey and drafting services	\$26.59	\$26.59	–
W3 Plus Consulting Pty Ltd	Feasibility study services	\$31.78	\$31.78	–
		\$5,025.51	\$4,350.21	\$675.30

MINOR CONSULTANCIES

During the year there were 48 minor consultancies at a cost of less than \$10,000 each.* The total cost, excluding GST, of these minor consultancies was \$184,575 (2015/16: \$275,964).

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

DISCLOSURE OF MAJOR CONTRACTS

One major contract greater than \$10 million was awarded during the 2016/17 financial year. The contract was awarded to Lendlease for the design, construction, operations and maintenance of a temporary water treatment plant for the Bendigo Groundwater Project: Transitional Solution. This contract is due for completion in early 2021.

One major contract was extended in the 2016/17 financial year. The contract was extended with Lendlease for Operational and Maintenance services for our treatment plants and networks. This contract is due for review in 2022.

PERFORMANCE REPORT

FOR THE REPORTING PERIOD ENDED 30 JUNE 2017

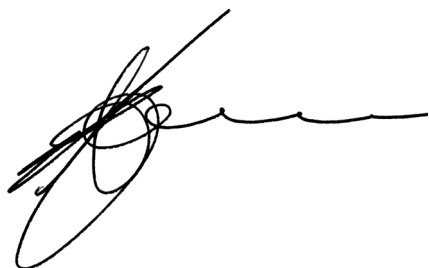
DIRECTORS CERTIFICATION

We certify that the accompanying Performance Report of Coliban Region Water Corporation in respect of the reporting period ended 30 June 2017 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 2016/17 *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 the 28 August 2017, on behalf of the Board.



Andrew Cairns
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	2015/16 RESULT	2016/17 RESULT	2016/17 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	2.0 times	2.3 times	1.8 times	15.0%	1a	27.8%	2b
F2	Gearing Ratio Total debt (including finance leases) / total assets * 100	28.4%	27.9%	27.5%	-1.8%		1.5%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	62.3%	133.6%	97.7%	114.4%	3a	36.7%	4b
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.3 times	1.3 times	1.4 times	0.0%		-7.1%	
F5	Return on Assets Earnings before net interest and tax / average assets * 100	2.4%	2.3%	2.1%	-4.2%		9.5%	
F6	Return on Equity Net profit after tax / average total equity * 100	0.4%	0.5%	0.5%	25.0%	5a	0.0%	
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue * 100	51.5%	52.2%	54.7%	1.4%		-4.6%	

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

- 1a Our cash interest cover has favourably exceeded the previous years result due to the improved net operating cash inflows attributable to an increase in receipts from Government funding of \$8.0 million for the Bendigo Groundwater Project: Transitional Solution and a decrease in payments to suppliers, employees and Government funding expenditure of \$3.0 million. Government funding will decrease at the conclusion of the Bendigo Groundwater Project: Transitional Solution, at which time the indicator will realign to prior year outcomes.
- 2b Compared to budget our cash interest cover has favourably exceeded the target due to the improved cash inflows attributable to receipts from Government funding of \$9.4 million for the Bendigo Groundwater Project: Transitional Solution that were not included in the target. This indicator displays a favourable trend that will align to budget in future years as the remaining funding has now been confirmed.
- 3a Our internal financing ratio has favourably exceeded the previous years result due to an increase in net operating cash inflows attributable to receipts from Government funding of \$8.0 million for the Bendigo Groundwater Project: Transitional Solution offset by a \$17.8 million decrease in total capital investment for the year. This decrease in capital investment was planned as the \$45.3 million Harcourt Rural Modernisation project was completed last year. This indicator displays a favourable trend that is planned to continue but more in line to the budgeted target.
- 4b Our internal financing ratio has favourably exceeded budget due to the improved cash inflows from Government funding of \$9.4 million that were not budgeted, offset by a \$3.6 million reduction in payments for infrastructure assets, property, plant and equipment.
- 5a Our net profit after tax has favourably exceeded the prior years result by \$1.3 million mainly due to the net increase between Government funding and expenditure of Government funding relating to the Bendigo Groundwater Project: Transitional Solution. This has resulted in an increase to the return on equity ratio.

WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

KPI NO.	KEY PERFORMANCE INDICATOR	2015/16 RESULT	2016/17 RESULT	2016/17 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	0.01%	0.01%	0.01%	0.0%		0.0%	
WS2	Interruption time Average duration of unplanned water supply interruptions	113.0 minutes	104.2 minutes	115.0 minutes	-7.8%	6a	-9.4%	7b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within (5) hours / total unplanned water supply interruptions * 100	98.3%	98.3%	98.00%	0.0%		0.3%	
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%	99.00%	0.0%		1.0%	
SS2	Sewer spill interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100.0%	99.1%	100.00%	-0.9%		-0.9%	

⁽¹⁾ An input error resulted in the 2015/16 result and 2015/16 target being overstated by a multiple of 100. Both have been corrected in the above table.

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

6a & 7b The average duration of unplanned water supply interruptions improved this year due to the targeted water main renewal program as well as continued work by our operational and maintenance service providers to improve response times, both of which have contributed to the favourable variance compared to the previous year and budget. Of a total of 293 interruptions in the year only 5 were unable to be restored within 5 hours, and a single water main burst in Trentham was a significant contributor to the average duration of unplanned water supply interruptions.

CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

KPI NO.	KEY PERFORMANCE INDICATOR	2015/16 RESULT	2016/17 RESULT	2016/17 TARGET	VARIANCE TO PRIOR YEAR	NOTES	VARIANCE TO TARGET %	NOTES
CR1	Water quality complaints (colour, taste, odour, other) No. of complaints per 100 customers	0.30	0.61	0.37	103.3%	8a	64.9%	9b
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.009	0.004	0.005	-55.6%	10a	-20.0%	11b
CR3	Sewerage odour complaints No. of complaints per 100 customers	0.25	0.18	0.20	-28.0%	12a	-10.0%	13b
CR4	Billing complaints No. of complaints per 100 customers	0.02	0.01	0.02	-50.0%	14a	-50.0%	15b

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

- 8a & 9b During 2016/17 there were two significant water quality issues compared to one incident in 2015/16, resulting in an unfavourable variance to the previous year and to budget. Incidents in Echuca and Heathcote both resulted in widespread and ongoing water quality complaints over a number of weeks. During both incidents, Coliban Water proactively ensured that customers remained informed of progress made to rectify the issue. We will continue to adopt this practice to address any future issues that arise.
- 10a There has only been three sewerage service quality complaints during the year compared to six last year which has resulted in a favourable variance for the year. Two of the complaints related to intrusions whilst the other was due to a blockage.
- 11b There has been three sewerage service quality complaints received in 2016/17 compared to five budgeted which has resulted in the favourable variance for the year. Two of the complaints related to intrusions while the other was due to a blockage.
- 12a Significantly higher rainfall in 2016/17 caused higher flows through the sewer system than in 2015/16 which resulted in a lower number of odour complaints. In addition to this, updates to the complaint handling procedures have resulted in improved complaint resolution and more accurate classification of odour issues, providing better information for the future.
- 13b The favourable variance to budget is due to the increased rainfall during the year which flushed out the sewer networks and reduced the number of odour complaints.
- 14a & 15b Billing complaints for 2016/17 were better than both the target and 2015/16 result by 50%. Contributing to this significant improvement were changes to our invoices which provided customers with clearer information, minimal tariff changes, and a 25% reduction in EVOW cases. In addition, non-residential tenants and commercial landlords have now had a further 12 months to adjust to our revised invoicing procedures.

ENVIRONMENTAL PERFORMANCE INDICATORS

KPI NO.	KEY PERFORMANCE INDICATOR	2015/16 RESULT	2016/17 RESULT	2016/17 TARGET	VARIANCE TO PRIOR YEAR	NOTES	VARIANCE TO TARGET %	NOTES
E1	Effluent re-use volume (end use) Percentage recycled for each category	39.8%	24.9%	42.0%	-37.4%	16a	-40.7%	17b
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	56,450	33,453	49,000	-40.7%	18a	-31.7%	19b

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

- 16a Compared to the previous year, demand for recycled water was significantly impacted by the higher than average rainfall, especially over the peak spring and summer months. The previous year had lower than average rainfall increasing the recycled water demand, resulting in the unfavourable variance. The consumption of recycled water is significantly impacted by weather conditions which can vary greatly from year to year.
- 17b The budget for 2016/17 was set higher than the previous years result and due to the higher than average rainfall incurred during the year, there was less recycled water demand which contributed to the unfavourable variance. The consumption of recycled water is significantly impacted by weather conditions which can vary greatly from year to year.
- 18a Net tonnes of CO₂ equivalent were significantly lower and better than the previous years result due to less pumping incurred during 2016/17. Higher than average rainfalls and inflows to storages caused reduced water demand compared to the previous year and allowed the business to meet water demand from its upper catchments and gravity-fed channels. This avoided the need to pump water via the Goldfields Superpipe, resulting in significantly reduced electricity usage and hence CO₂ emissions.
- 19b Compared to budget, the net tonnes of CO₂ equivalent produced were significantly lower and better than target. The budget included an assumption that a proportion of water demand will be met each year through water transfers via the Goldfields Superpipe. The 2016/17 year had higher than average rainfall which resulted in strong inflows to the upper storage catchments, allowing the business to meet demand via gravity-fed channels rather than pumping water. The favourable result was also achieved through process modifications implemented in our sewerage treatment plants.



Independent Auditor’s Report

To the Board of the Coliban Region Water Corporation

Opinion	<p>I have audited the accompanying performance report for the year ended 30 June 2017 of the Coliban Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none">financial performance indicatorswater and sewerage service performance indicatorscustomer responsiveness performance indicatorsenvironmental performance indicatorscertification. <p>In my opinion, the performance report of the corporation in respect of the year ended 30 June 2017 presents fairly, in all material respects, in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>.</p>
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. My responsibilities under the Act are further described in the <i>Auditor’s responsibilities for the audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Australia and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
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 performance report that is free from material misstatement, whether due to fraud or error.</p>

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

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

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

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

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

MELBOURNE
1 September 2017



Roberta Skliros
as delegate for the Auditor-General of Victoria

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FURTHER INFORMATION ABOUT OPERATIONS AND PERFORMANCE

Information about our operations and performance is available in the following sources; *Water Plan 2013–2018*, previous Annual Reports, the Customer Charter, and our website at www.coliban.com.au

Printed copies of all publications are available from our offices at 37–45 Bridge Street, Bendigo.

Further information listed in Reporting Direction 22H is held at the Corporation's office and is available to the relevant Minister, Member of Parliament or the public on request, subject to the provisions of the *Freedom of Information Act 1982*.

FINANCIAL PERFORMANCE SUMMARY

Financial Result	Plan 2016/17	Actual 2016/17	Actual 2015/16	Actual 2014/15	Actual 2013/14	Actual 2012/13
REVENUE						
Service charges	69,702	69,027	67,537	65,899	61,185	49,362
Usage charges	42,751	45,605	46,517	44,796	40,909	36,183
Government funding	0	6,235	4,561	26	0	0
Developer contributions & capital works	13,613	10,365	11,835	14,566	11,880	11,367
Other	1,711	2,162	3,853	1,599	1,449	1,440
Interest	80	74	52	83	74	63
Total Revenue	127,857	133,468	134,355	126,969	115,497	98,415
EXPENSES						
Operations, administration & employee	58,213	58,751	59,392	54,184	53,655	53,466
Expenditure of Government funding	0	1,624	1,300	0	0	0
Direct depreciation	33,915	29,991	31,637	32,705	33,141	35,295
Borrowing costs & finance charges	30,331	30,052	30,557	31,022	29,753	29,107
Environmental Contribution Levy	3,272	3,272	3,272	3,272	3,272	2,031
Total expenditure	125,732	123,690	126,158	121,183	119,821	119,899
Net result before tax	2,126	9,778	8,197	5,786	(4,324)	(21,484)
Net result for the year	3,397	5,389	4,094	4,931	(4,700)	(15,087)
ASSETS						
Total current assets	30,438	35,243	36,120	32,189	28,423	25,847
Total non-current assets	1,659,912	1,629,008	1,627,031	1,332,020	1,323,061	1,307,404
Total assets	1,690,349	1,664,251	1,663,151	1,364,209	1,351,484	1,333,251
LIABILITIES						
Total current liabilities	25,451	29,902	29,336	20,150	23,090	20,541
Total non-current liabilities	595,895	588,152	593,007	501,178	490,294	469,910
Total liabilities	621,346	618,054	622,343	521,328	513,384	490,451
Total net assets	1,069,004	1,046,197	1,040,808	842,881	838,100	842,800
Net cash flows from operations	25,351	39,548	29,546	24,878	20,942	2,550
Payments for assets	(25,958)	(29,595)	(47,400)	(29,161)	(42,138)	(34,807)
Performance Indicator	Plan 2016/17	Actual 2016/17	Actual 2015/16	Actual 2014/15	Actual 2013/14	Actual 2012/13
Interest Cover (Cash)	1.8	2.3	2.0	1.8	1.7	1.1
Gearing Ratio	27.5%	27.9%	28.4%	33.9%	33.3%	32.2%
Internal Financing Ratio	97.7%	133.6%	62.3%	85.3%	49.7%	7.3%
Current Ratio	1.4	1.3	1.3	1.8	1.3	1.4
Return on Assets	2.1%	2.3%	2.4%	2.7%	1.9%	0.6%
Return on Equity	0.5%	0.5%	0.4%	0.6%	(0.6%)	(1.8%)
EBITDA Margin	54.7%	52.2%	51.5%	54.5%	49.6%	43.5%

FINANCIAL OVERVIEW

Coliban Water achieved a net result for the year of a \$5.4 million profit, which is the third 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 sound corporation.

We achieved our financial sustainability goal during 2016/17 to fully fund our capital investment program from operating cash flows by scaling back on planned capital works following our peak investment last year. We also commenced repayment of a modest amount of debt in line with our strategy, starting with \$3.5 million.

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 2016/17 season.

Our performance indicators summarise our improvement over the years due to our strengthening 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 total net result for the year was a profit of \$5.4 million compared to the \$3.4 million budgeted, and \$4.1 million achieved last year.

Total revenue decreased \$0.9 million compared to the previous year, with material movements in revenue components comprising:

- An increase in service charges of \$1.5 million due to more growth in customer connections and the approved price path for rates and charges.
- A decrease in usage charges of \$0.9 million due to higher than average rainfall over the peak spring and summer periods, causing consumption to decrease from 210kl per household in 2015/16 to 185kl in 2016/17.
- An increase in Government funding of \$1.7 million due to the timing of funding received from the Victorian Government for the Bendigo Groundwater Project: Transitional Solution.
- A decrease in developer contributions of \$1.5 million as customer growth was lower than last year.
- A decrease in other revenue of \$1.7 million due to two significant transactions that occurred in 2015/16 that were not part of our normal business operations. The first was the sale of native vegetation offsets totalling \$0.9 million to the City of Greater Bendigo for the Bendigo Airport project and the Harcourt Rural Modernisation project. The second related to Coliban Water exercising its right to claim \$0.8 million from the Harcourt project relating to security funds held and recoverable against the contractor for defaulting on contractual obligations and retention funds withheld under the provisions of the contract. Such significant events did not occur in 2016/17.

Total revenue increased \$5.6 million compared to the *Corporate Plan* budget for 2016/17, with material movements in revenue components including:

- A decrease in service charges of \$0.7 million and developer contributions of \$3.3 million due to less growth in customer connections than budgeted.
- An increase in usage charges of \$2.9 million due to bulk water sales of \$2.3 million, and consumption being 5kl per household higher than budgeted.
- An increase in Government funding of \$6.2 million wholly relating to the Bendigo Groundwater Project: Transitional Solution as details were still to be confirmed at the time of completing the 2016/17 *Corporate Plan*.

Total expenditure decreased \$2.5 million compared to the previous year, with material movements in expenditure components including:

- A decrease in operations, administration and employee expenses of \$0.6 million resulting from a reduction in pumping costs due to the above average rains during the year.
- An increase in government funding expenditure of \$0.3 million, reflecting the operational costs relating to the Bendigo Groundwater Project: Transitional Solution.
- A decrease in direct depreciation of \$1.6 million reflecting the positive impact of the 2015/16 asset revaluation, which included the detailed assessment of asset useful lives.
- A decrease in borrowing costs and finance charges of \$0.5 million due to favorable interest rates over the year.

Total expenditure decreased \$2.0 million compared to the *Corporate Plan* budget for 2016/17, with material movements in expenditure components including:

- An increase in operations, administration and employee expenses of \$0.5 million due to an increased number of incidents with significant value in rectification works occurring during the year but not budgeted for, partly offset by decreased pumping costs.
- An increase in Government funding expenditure of \$1.6 million wholly relating to the Bendigo Groundwater Project: Transitional Solution as details were still to be confirmed at the time of completing the 2016/17 *Corporate Plan*.
- A decrease in direct depreciation of \$3.9 million due to the uncertainty of the impact of the 2015/16 asset revaluation when completing the 2016/17 *Corporate Plan*.
- A decrease in borrowing costs and finance charges of \$0.3 million due to more favorable interest rates over the year than budgeted.

FINANCIAL OVERVIEW

SIGNIFICANT CHANGES IN OUR FINANCIAL POSITION – BALANCE SHEET

Total assets increased by \$1.1 million compared to the previous year, with material movements in asset components of the balance sheet including:

- A decrease in current assets of \$0.9 million due to a \$3.5 million decrease in receivables attributable to the Bendigo Groundwater Project: Transitional Solution in 2015/16, offset by increases in cash held and inventories.
- An increase in non-current assets of \$2.0 million due to an increase in the value of works in progress relating to our capital spend for the year.

Total assets decreased by \$26.0 million compared to the *Corporate Plan* budget for 2016/17, with material movements in asset components of the balance sheet including:

- An increase in current assets of \$4.8 million due to \$5.7 million cash held in a deposit account for the Bendigo Groundwater Project: Transitional Solution, offset by a decrease in cash reserves.
- A decrease in non-current assets of \$30.9 million due to the uncertainty of the impact of the 2015/16 asset revaluation when completing the 2016/17 *Corporate Plan*.

Total liabilities decreased by \$4.3 million compared to the previous year, with material movements in liability components of the balance sheet including:

- An increase in current liabilities of \$0.6 million due to an increase in payables of \$1.4 million offset by a decrease in current loans (interest bearing liabilities) of \$0.9 million.
- A decrease in non-current liabilities of \$4.9 million due to repayments of loans and BOOT Schemes finance charges, offset by the deferred tax liability for the year.

Total liabilities decreased by \$3.3 million compared to the *Corporate Plan* budget for 2016/17, with material movements in liability components of the balance sheet including:

- An increase in current liabilities of \$4.5 million due to holding \$2.0 million more than planned in current borrowings to take advantage of the low interest rates offered on variable loans. In addition, the payables balance is \$2.0 million higher than anticipated due to the timing of contractor payments.
- A decrease in non-current liabilities of \$7.7 million due to deferred tax liabilities budgeted to be \$5.0 million more than that realised, and \$2.0 million less held as fixed term liabilities as more were held in current borrowings.

Our improvement in total net assets (equity) compared to last year is attributed to the accumulated funds increasing due to our improved operating performance for the year. Compared to the *Corporate Plan* budget for 2016/17, total net assets (equity) has decreased \$22.8 million due to the uncertainty of the impact of the 2015/16 asset revaluation when completing the 2016/17 *Corporate Plan*.

SIGNIFICANT CHANGES IN OUR CASH FLOW STATEMENT

Net cash flows from operations increased by \$10.0 million compared to the previous year due to an increase of \$8.0 million received from the Victorian Government for the Bendigo Groundwater Project: Transitional Solution and a decrease in payments to suppliers of \$2.0 million during the year.

Net cash flows from operations increased by \$14.2 million compared to the 2016/17 *Corporate Plan* budget mainly due to the receipt of \$9.4 million from the Victorian Government to fund the Bendigo Groundwater Project: Transitional Solution that was not budgeted for. There was also \$2.0 million less payments to suppliers than budgeted and \$1.7 million more in funds received for bulk water sales than budgeted.

Payments for assets decreased by \$17.8 million compared to the previous year due to the Harcourt Rural Modernisation project being completed and the controlled scaling back on planned capital works in order to fully fund our capital investment program from operating cash flows and commence repayment of borrowings.

Payments for assets increased by \$3.6 million compared to the 2016/17 *Corporate Plan* budget due to the commencement of the Bendigo Groundwater Project: Transitional Solution that was not budgeted for as details were still to be confirmed at the time of completing the 2016/17 *Corporate Plan*.

POST BALANCE DATE EVENTS

There are no post balance date events that materially affect Coliban Water's 2016/17 financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

COMPREHENSIVE OPERATING STATEMENT

The 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 2017, Coliban Water made a net profit for the year of \$5.4 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 non-current. 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 Operating Statement in that it excludes non-cash expenses such as depreciation and the accruals taken into account in the 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 2017, we had a net cash flow from operating activities of \$39.6 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 2016/17. The Report from the Auditor General provides an independent view and outlines any issues of concern.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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STATUTORY CERTIFICATION

FOR THE YEAR ENDED 30 JUNE 2017

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 2017 and the financial position of Coliban Region Water Corporation as at 30 June 2017.

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 28 August 2017.



Andrew Cairns
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 2017

	Notes	2017 (\$'000)	2016 (\$'000)
REVENUE			
Service charges	2.2.1	69,027	67,537
Usage charges	2.2.2	45,605	46,517
Contributions and gifted assets	2.2.3	10,365	11,835
Government funding	2.2.4	6,235	4,561
Interest income		74	52
Other income		2,162	3,853
Total revenue		133,468	134,355
EXPENSES			
Operating and administration expenses	3.2	42,921	43,185
Employee expenses	3.3.1	15,830	16,207
Expenditure of Government funding	3.4	1,624	1,300
Depreciation and amortisation	4.1.1	29,991	31,637
Borrowing costs	6.1.2	23,599	23,765
Finance charges	6.1.2	6,453	6,792
Environmental Contribution Levy	8.2	3,272	3,272
Total expenses		123,690	126,158
Net result before tax and other economic flows		9,778	8,197
Income tax (expense)/benefit	8.1.1	(2,903)	(2,458)
Net result before other economic flows		6,875	5,739
OTHER ECONOMIC FLOWS INCLUDED IN THE NET RESULT			
Net gain/(loss) on disposal of assets	4.1.3	(1,829)	(2,192)
Fair value increase/(decrease) in other financial instruments		(1)	3
Other gains/(losses) from other economic flows		(262)	(161)
Income tax benefit relating to components of other economic flows	8.1.1	606	705
Total other economic flows net of tax		(1,486)	(1,645)
Net result for the year		5,389	4,094
OTHER COMPREHENSIVE INCOME			
Change in asset revaluation reserves	9.1.2	–	276,905
Income tax (expense)/income relating to components of other comprehensive income	8.1.1	–	(83,072)
Total other comprehensive income for the year		–	193,833
Total comprehensive result for the year		5,389	197,927

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

BALANCE SHEET

AS AT 30 JUNE 2017

	Notes	2017 (\$'000)	2016 (\$'000)
ASSETS			
Current assets			
Cash and cash equivalents	6.2	8,797	6,313
Receivables	5.1	20,808	24,780
Other financial assets		–	51
Inventories		1,922	1,419
Prepayments		747	588
Assets held for sale	7.3.2	2,969	2,969
Total current assets		35,243	36,120
Non-current assets			
Receivables	5.1	914	1,010
Infrastructure, property, plant and equipment	4.1	1,560,635	1,558,675
Intangible assets	4.2	67,459	67,346
Total non-current assets		1,629,008	1,627,031
TOTAL ASSETS		1,664,251	1,663,151
LIABILITIES			
Current liabilities			
Payables	5.2	17,179	15,808
Interest bearing liabilities	6.1	8,382	9,350
Employee benefits	3.3.2	4,341	4,178
Total current liabilities		29,902	29,336
Non-current liabilities			
Payables	5.2	306	409
Interest bearing liabilities	6.1	456,552	463,602
Net deferred tax	8.1.2	130,573	128,276
Employee benefits	3.3.2	721	720
Total non-current liabilities		588,152	593,007
TOTAL LIABILITIES		618,054	622,343
NET ASSETS		1,046,197	1,040,808
EQUITY			
Contributed capital	9.1.1	308,429	308,429
Asset revaluation reserves	9.1.2	382,801	382,801
Accumulated funds		354,967	349,578
TOTAL EQUITY		1,046,197	1,040,808
Commitments for expenditure	4.1.4, 6.3		
Contingent assets and contingent liabilities	7.2		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Contributed Capital (\$'000)	Asset Revaluation Reserves (\$'000)	Accumulated Funds (\$'000)	Total (\$'000)
Balance at 1 July 2015	308,429	188,968	345,484	842,881
Net result after income tax	—	—	4,094	4,094
Other comprehensive income for the year after tax	—	193,833	—	193,833
Balance at 30 June 2016	308,429	382,801	349,578	1,040,808
Net result after income tax	—	—	5,389	5,389
Other comprehensive income for the year after tax	—	—	—	—
Balance at 30 June 2017	308,429	382,801	354,967	1,046,197

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 2017

	Notes	2017 (\$'000)	2016 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Service and usage charges		111,586	114,157
Other customer revenue		9,229	7,337
Receipts from Government		9,416	1,379
GST received from the ATO ⁽ⁱ⁾		7,482	8,238
Interest received		74	52
		137,787	131,163
Payments			
Payments to suppliers and employees		(64,915)	(67,912)
Borrowing costs and finance charges		(30,052)	(30,433)
Environmental Contributions Levy		(3,272)	(3,272)
		(98,239)	(101,617)
Net cash inflows from operating activities	6.2.1	39,548	29,546
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for infrastructure, property, plant and equipment		(28,080)	(46,279)
Payments for intangible assets		(1,515)	(1,121)
Proceeds from sale of investments		50	30
Proceeds from sale of infrastructure, property, plant and equipment		499	4,183
Net cash outflows from investing activities		(29,046)	(43,187)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		–	15,000
Repayment of borrowings		(3,500)	–
Repayment of finance lease liabilities		(4,518)	(4,180)
Net cash inflows (outflow) from financing activities		(8,018)	10,820
Net increase/(decrease) in cash and cash equivalents		2,484	(2,821)
Cash and cash equivalents at the beginning of the financial year		6,313	9,134
Cash and cash equivalents at the end of the financial year	6.2	8,797	6,313

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 2017

NOTE 1: ABOUT THIS REPORT

INTRODUCTION	STRUCTURE
This section 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 AAS paragraphs applicable to not-for-profit entities have been applied.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, 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 28 August 2017.

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

- > the fair value determination of non-financial physical assets (Note 7.3.1)
- > estimation of useful life (Note 4.1.1)
- > impairment of assets (Note 4.1)
- > recognition of deferred tax balances (Note 8.1.2)
- > employee benefits provisions (Note 3.3.2)
- > contingent assets and contingent liabilities (Note 7.2)
- > actuarial assumptions of the defined benefits superannuation (Note 9.7)
- > 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.

Coliban Water's business objective is to provide essential water and wastewater services to the region. The income generated from these services we provide and the associated usage, are Coliban Water's key source 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

2.2.4 Government funding

	Notes	2017 (\$'000)	2016 (\$'000)
2.1 SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES			
Service charges	2.2.1	69,027	67,537
Usage charges	2.2.2	45,605	46,517
Contributions and gifted assets	2.2.3	10,365	11,835
Government funding	2.2.4	6,235	4,561
Interest income		74	52
Other income		2,162	3,853
		133,468	134,355
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		18,402	17,923
Rural water service charges		2,494	2,332
Sewerage service charges		44,748	43,504
Recycled water service charges		95	88
Trade waste service charges		3,288	3,690
		69,027	67,537
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		39,488	41,981
Rural water usage charges		865	1,522
Sewerage usage charges		1,285	1,310
Recycled water usage charges		463	666
Trade waste usage charges		1,151	1,038
Temporary water sales		2,353	—
		45,605	46,517

Water, rural, sewerage and recycled water usage charges are recognised as revenue when the service has been supplied.

NOTE 2: FUNDING DELIVERY OF OUR SERVICES continued...

2.2.2 USAGE CHARGES (CONTINUED)

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 with accounts sent monthly. All minor trade waste customer meters are read quarterly with accounts sent quarterly. Accrued revenue is estimated by multiplying the number of days since the last reading by an adjusted reading for an equivalent prior period.

Temporary water sales are recognised as revenue when the income for the sale is received. 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.

	2017 (\$'000)	2016 (\$'000)
2.2.3 CONTRIBUTIONS AND GIFTED ASSETS		
Developer contributions and gifted assets	6,675	8,406
New customer contributions	3,690	3,429
	10,365	11,835
<p>Developer contributions and gifted assets are recognised at their fair value as revenue upon their acceptance by Coliban Water 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.</p> <p>New customer contributions paid by developers to connect new developments to existing water supply and sewerage systems are recognised as revenue when the contributions are received.</p>		
2.2.4 GOVERNMENT FUNDING		
Government funding	6,235	4,561
	6,235	4,561

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. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners in accordance with FRD 119A *Transfers through Contributed Capital*.

The Government funding disclosed relates to the funds received under a funding agreement Coliban Water entered into with the Victorian Government, through Department of Environment, Land, Water and Planning (DELWP), to deliver the Bendigo Groundwater Project: Transitional Solution on behalf of the State. The funding agreement, which provides total funding of \$26.9 million for four years, covers the construction and operational costs for the four year period of the transitional solution. Refer to Note 3.4.

The project 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 CBD 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.

NOTE 3: THE COST OF DELIVERING OUR SERVICES

INTRODUCTION

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.

STRUCTURE

- 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
- 3.4 Expenditure of Government funding

	Notes	2017 (\$'000)	2016 (\$'000)
3.1 SUMMARY OF EXPENSES INCURRED IN THE DELIVERY OF OUR SERVICES			
Operating and administration expenses	3.2	42,921	43,185
Employee expenses	3.3.1	15,830	16,207
Expenditure of Government funding	3.4	1,624	1,300
Total expenses incurred in the delivery of our services		60,375	60,692
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		16,027	17,157
General services		8,993	6,904
BOOT toll service payments		7,191	7,335
Other operating and administration expenses		5,491	5,705
Electricity		3,183	4,157
Water purchases		2,036	1,927
		42,921	43,185

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.

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

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

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.

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

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

	Notes	2017 (\$'000)	2016 (\$'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 salaries and wages, superannuation, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums. The majority of employee expenses in the operating statement are salaries and wages.			
Salaries and wages		12,321	12,774
Annual leave		1,223	1,170
Accrued days off		542	563
Long service leave		210	108
Superannuation	9.7	1,534	1,592
		15,830	16,207
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		1,245	1,245
Employee benefits – accrued days off and time in lieu:			
Unconditional and expected to be wholly settled within 12 months		156	154
Employee benefits – long service leave:			
Unconditional and expected to be wholly settled within 12 months		195	222
Unconditional and expected to be wholly settled after 12 months		2,180	1,974
		3,776	3,595
On-costs relating to employee benefits:			
Unconditional and expected to be wholly settled within 12 months		235	258
Unconditional and expected to be wholly settled after 12 months		330	325
		565	583
		4,341	4,178
Non-current provisions			
Employee benefits – long service leave		626	618
On costs relating to employee benefits		95	102
		721	720
Total employee benefits and on-costs		5,062	4,898
Reconciliation of on costs relating to employee benefits			
Opening balance		685	
Additional provisions recognised		(25)	
Closing balance		660	
Current		565	
Non-current		95	
		2017	2016
Employee numbers at end of financial year		186	187
The following assumptions were adopted in measuring the present value of long service leave entitlements:			
Weighted average increase in employee costs		3.81%	4.13%
Weighted average discount rates		2.61%	1.99%
Weighted average settlement period		7 years	7 years

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

3.3.2 EMPLOYEE BENEFITS – BALANCE SHEET (CONTINUED)

Salaries and wages, annual leave and accrued days off

Liabilities for salaries, wages, 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 requisite years of service. Conditional LSL is required to be measured at present value.

In calculating present value, consideration is given to expected future salary and wage 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.

	2017 (\$'000)	2016 (\$'000)
3.4 EXPENDITURE OF GOVERNMENT FUNDING		
Expenditure of Government funding	1,624	1,300
	1,624	1,300

Government funding expenditure reflects the outgoings of Government funding received. The reported outgoings relate to the funding agreement entered into by Coliban Water with the Victorian Government, through DELWP, to deliver the Bendigo Groundwater Project: Transitional Solution on behalf of the State. The funding agreement, which provides total funding of \$26.9 million, covers the construction and operational costs for the four year period of the transitional solution. Refer to Note 2.2.4.

The expenditure recognised relates to the operational component of the project. All costs incurred in building the assets are disclosed on Coliban Water's Balance Sheet as work in progress up until the assets are operational. At this point, these assets will be transferred to DELWP through a capital contribution and reported on DELWP's Balance Sheet until the end of the transitional solution.

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 Depreciation and amortisation 4.1.2 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment 4.1.3 Net gain/(loss) on disposal of non-current assets 4.1.4 Capital commitments 4.2 Intangible assets 4.3 Joint operations

	2017 (\$'000)	2016 (\$'000)
4.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT		
Land		
At fair value	37,785	37,673
Buildings		
At fair value	1,814	1,681
Less: accumulated depreciation	(96)	–
	1,718	1,681
Buildings – Leasehold		
At fair value	4,404	4,399
Less: accumulated depreciation	(3,041)	(2,775)
	1,363	1,624
Plant and Equipment		
At fair value	4,102	4,737
Less: accumulated depreciation	(2,356)	(2,271)
	1,746	2,466
Water Infrastructure		
At fair value	404,470	396,126
Less: accumulated depreciation	(7,861)	–
	396,609	396,126
Water Distribution Assets		
At fair value	178,018	176,164
Less: accumulated depreciation	(2,033)	–
	175,985	176,164
Water Distribution Assets – Leasehold Improvements		
At fair value	771	771
Less: accumulated depreciation	(251)	(220)
	520	551
Wastewater Infrastructure		
At fair value	459,120	446,707
Less: accumulated depreciation	(9,215)	–
	449,905	446,707
Recycling Infrastructure		
At fair value	34,355	34,215
Less: accumulated depreciation	(604)	–
	33,751	34,215
Rural Infrastructure		
At fair value	142,087	138,677
Less: accumulated depreciation	(2,149)	–
	139,938	138,677
Headworks Infrastructure		
At fair value	161,550	160,919
Less: accumulated depreciation	(1,202)	–
	160,348	160,919
Total Infrastructure Assets	1,357,056	1,353,359
BOOT Schemes Infrastructure		
At fair value	147,125	147,125
Less: accumulated depreciation	(4,700)	–
	142,425	147,125
Works in Progress		
At cost	18,542	14,747
	18,542	14,747
Total Infrastructure, property, plant and equipment	1,560,635	1,558,675

4.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Initial recognition and measurement of assets

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

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

Items with a cost value in excess of \$1,000 (2015/16: \$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 fixed and variable 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) performing 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 assets 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 to Other Economic Flows in the Comprehensive Operating Statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

The recoverable amount for 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...

4.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

BOOT Schemes

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.

	2017 (\$'000)	2016 (\$'000)
4.1.1 DEPRECIATION & AMORTISATION		
Buildings	96	99
Building leasehold improvements	266	316
Plant and equipment	442	680
Infrastructure and leasehold improvements	23,085	25,595
BOOT Schemes infrastructure	4,700	3,624
	28,589	30,314
Intangible assets	1,402	1,323
	1,402	1,323
Total depreciation and amortisation	29,991	31,637

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 the 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 (2015/16: 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. (2015/16: 15 year 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.

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined in Note 4.2.

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

Asset	2016/17 Useful life	2015/16 Useful life
Buildings and leasehold improvements	3 to 50 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
BOOT Schemes infrastructure	25 to 100 years	25 to 100 years
Intangible assets (Software)	1 to 10 years	1 to 10 years

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

4.1.2 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.

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
BOOT Schemes										
At fair value	147,125	–	–	–	–	–	(4,700)	–	–	142,425
Works in Progress										
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

2015-2016	Opening WDV at 1 July 2015 (\$'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 2016 (\$'000)
Land										
At fair value	44,660	–	(4,689)	495	(2,969)	–	–	(3,777)	3,954	37,673
Buildings										
At fair value	1,484	–	–	15	1,254	–	(99)	–	(973)	1,681
Buildings – Leasehold										
At fair value	1,868	–	–	72	–	–	(316)	–	–	1,624
Plant and Equipment										
At fair value	9,520	–	(75)	1,394	(7,693)	–	(680)	–	–	2,466
Infrastructure										
At fair value	1,076,190	–	(1,511)	83,861	(507)	–	(25,595)	–	220,921	1,353,359
BOOT Schemes										
At fair value	93,969	–	–	–	–	–	(3,624)	–	56,780	147,125
Works in Progress										
At cost	43,027	50,180	–	(85,837)	(1,029)	8,406	–	–	–	14,747
Totals	1,270,718	50,180	(6,275)	–	(10,944)	8,406	(30,314)	(3,777)	280,682	1,558,675

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

	2017 (\$'000)	2016 (\$'000)
4.1.3 NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS		
The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses:		
Proceeds	499	4,183
Written down value of assets disposed	(2,327)	(6,375)
Net gain/(loss) on disposal	(1,829)	(2,192)
4.1.4 CAPITAL COMMITMENTS		
Capital commitments in nominal terms, including GST outstanding as at 30 June 2017 totalled \$4.9 million (2015/16: \$4.3 million).		
Capital expenditure commitments		
Not later than one year	4,857	3,140
Later than one year and not later than five years	63	1,155
Later than five years	—	—
Total capital expenditure commitments (inclusive of GST)	4,920	4,295
Less GST recoverable	447	390
Total capital expenditure commitments (exclusive of GST)	4,473	3,905
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.		
A summary of the policies applied to Coliban Water's intangible assets is as follows:		
	Permanent Water Entitlements	Software
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	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end and reviewed annually for indicators of impairment.
Software		
At cost		15,366
Less: accumulated amortisation		(8,385)
Works in progress		426
		7,407
Water entitlements		7,294
	60,052	60,052
Total Intangible assets	67,459	67,346

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

4.2 INTANGIBLE ASSETS (CONTINUED)

	Water Entitlements (\$'000)	Software (\$'000)	Intangible Works in Progress (\$'000)	Total (\$'000)
2016–2017				
Opening WDV at 1 July 2016	60,052	5,978	1,316	67,346
Additions	–	–	1,515	1,515
Transfers	–	2,405	(2,405)	–
Disposals	–	–	–	–
Amortisation	–	(1,402)	–	(1,402)
Closing WDV at 30 June 2017	60,052	6,981	426	67,459
	Water Entitlements (\$'000)	Software (\$'000)	Intangible Works in Progress (\$'000)	Total (\$'000)
2015–2016				
Opening WDV at 1 July 2015	60,052	–	–	60,052
Additions	–	–	1,121	1,121
Transfers	–	7,301	195	7,496
Disposals	–	–	–	–
Amortisation	–	(1,323)	–	(1,323)
Closing WDV at 30 June 2016	60,052	5,978	1,316	67,346

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.

In accordance with AASB 136 *Impairment of Assets*, Coliban Water has reviewed the carrying value of water entitlements at 30 June 2017. The value in use (VIU) at the CGU level has been applied in determining the recoverable amount as at 30 June 2017 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 2017 no impairment of the permanent water entitlements has been recognised for the financial year ended 30 June 2017 (30 June 2016: 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 (2015/16: 2.5% growth rate).

The carrying amount of the intangible asset with an indefinite useful live 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)	\$59.63	\$0.42
Pre-tax discount rate (%)	6.63	8.13
Water use per customer (kilolitres)	185	185
Growth rate (%)	2.50	2.50
Headroom (\$ million)	\$226.93	\$12.76

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.

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

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.

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

Principal Activity 2015/16	Interest 2015/16 ⁽ⁱ⁾	Water Distribution ⁽ⁱⁱ⁾ (\$'000)	Operational Costs ⁽ⁱⁱⁱ⁾ (\$'000)
Operation and maintenance of pipelines and associated infrastructure:			
Waranga Channel to Lake Eppalock to Sandhurst Reservoir	2/3	44,947	2,130

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

⁽ⁱⁱ⁾ Disclosed as Water Distribution Assets.

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

As at 30 June 2017, there were \$nil outstanding liabilities incurred by Coliban Water and the joint operation (as at 30 June 2016: \$nil).

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

	2017 (\$'000)	2016 (\$'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	7,495	7,897
Sundry customer receivables	195	4,419
Accrued revenue	11,816	10,622
Provision for impaired receivables	(144)	(44)
Statutory:		
Amount owing from the Victorian Government	1,043	927
GST receivables	403	959
	20,808	24,780
Non-current receivables		
Contractual:		
Customer receivables	914	1,010
	914	1,010
Total receivables	21,722	25,790

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 that have been 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 method, less any provision for impaired receivables. Trade receivables for water utility debtors and other debtors are due for settlement no more than 28 days from the date of recognition.

NOTE 5: OTHER ASSETS AND LIABILITIES continued...

	2017 (\$'000)	2016 (\$'000)
5.1 RECEIVABLES (CONTINUED)		
Collectability of contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that Coliban Water will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised as an expense in the Comprehensive Operating Statement.		
5.1.1 MOVEMENT IN PROVISION FOR IMPAIRED RECEIVABLES		
As at 30 June 2017, receivables of Coliban Water with a nominal value of \$143,850 (2015/16: \$44,235) were impaired and a provision for impaired receivables has been raised for this amount. The individually impaired receivables mainly relate to customers, which are in difficult economic situations and hence, assumed recoverability is low.		
The ageing of these receivables is as follows:		
Current (up to 1 month)	–	–
1 to 3 months	–	–
3 to 12 months	(144)	(44)
More than 12 months	–	–
Total provision for impaired receivables	(144)	(44)
Provision for impaired receivables		
Movement in the impaired receivables provision is as follows:		
Opening provision balance at 1 July	(44)	(16)
Provision recognised during the year	(277)	(161)
Receivables written off during the year as uncollectable	163	133
Unused provision amount reversed	14	–
Closing provision balance at 30 June	(144)	(44)
Receivables are assessed for bad and impaired debts on a regular basis. A provision for impaired receivables is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.		
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 generally 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 2017 includes current rates and charges receivables, sundry customer receivables, amount owing from Victorian Government and non-current customer receivables. Accruals, provision for impaired receivables and GST receivables are excluded.		
Current (up to 1 month)	6,921	10,989
1 to 3 months	1,204	1,399
3 to 12 months	608	855
More than 12 months	914	1,010
	9,647	14,253
As at 30 June 2017, receivables net of provision for impaired receivables past due (older than 1 month) but not impaired totalled \$2,581,551 (2015/16: \$3,220,333). These relate to a number of independent customers for whom there is no recent history of default.		
The ageing of these receivables is as follows:		
1 to 3 months	1,204	1,399
3 to 12 months	464	811
More than 12 months	914	1,010
Total receivables past due but not impaired	2,582	3,220

NOTE 5: OTHER ASSETS AND LIABILITIES continued...

	2017 (\$'000)	2016 (\$'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	2,896	1,554
Amounts payable to Victorian Government and agencies	4	158
Accrued expenses	13,134	13,531
Other payables	1,128	549
Statutory:		
FBT payable	17	16
	17,179	15,808
Non-current payables		
Contractual:		
Retention and advance deposits	306	409
	306	409
Total payables	17,485	16,217
5.2.1 AGEING ANALYSIS OF CONTRACTUAL PAYABLES		
The ageing analysis of payables at 30 June 2017 is as follows:		
1 month	15,105	14,299
2 to 3 months	2,025	1,492
4 to 12 months	49	328
More than 12 months	306	98
	17,485	16,217

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 legal 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.

NOTE 6: FINANCING OUR OPERATIONS

INTRODUCTION	STRUCTURE
This section 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 investment operations 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 BOOT commitments 6.3.2 Other commitments

	2017 (\$'000)	2016 (\$'000)
6.1 INTEREST BEARING LIABILITIES		
Current interest bearing liabilities		
Loans from Treasury Corporation of Victoria	3,500	4,832
Finance lease liabilities – BOOT Schemes	4,882	4,518
	8,382	9,350
Non-current interest bearing liabilities		
Loans from Treasury Corporation of Victoria	380,832	383,000
Finance lease liabilities – BOOT Schemes	75,720	80,602
	456,552	463,602
Total interest bearing liabilities	464,934	472,952

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 lease liabilities 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 (\$'000)	Nominal Amount ⁰ (\$'000)	Floating Amount (\$'000)	Fixed Interest Rate Maturing					
				1 year or less (\$'000)	1 to 2 years (\$'000)	2 to 3 years (\$'000)	3 to 4 years (\$'000)	4 to 5 years (\$'000)	Over 5 years (\$'000)
2016-2017									
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
	Carrying Amount (\$'000)	Nominal Amount ⁰ (\$'000)	Floating Amount (\$'000)	Fixed Interest Rate Maturing					
				1 year or less (\$'000)	1 to 2 years (\$'000)	2 to 3 years (\$'000)	3 to 4 years (\$'000)	4 to 5 years (\$'000)	Over 5 years (\$'000)
2015-2016									
Finance lease	85,120	101,018	–	4,518	4,882	5,275	5,727	6,200	58,518
Loans from TCV	387,832	441,976	1,332	3,500	30,000	25,000	30,000	25,000	273,000
Total	472,952	542,994	1,332	8,018	34,882	30,275	35,727	31,200	331,518

⁰ Nominal amount represents fair value.

NOTE 6: FINANCING OUR OPERATIONS continued...

	Notes	2017 (\$'000)	2016 (\$'000)
6.1.2 BORROWING AND FINANCE CHARGES			
Borrowing Costs:			
Borrowing Costs – Treasury Corporation of Victoria		18,269	18,838
Borrowing Costs – Financial Accommodation Levy		5,330	4,927
		23,599	23,765
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.			
Finance Charges			
Finance charges (BOOT schemes)		6,453	6,792
		6,453	6,792
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.			
6.2 CASH AND CASH EQUIVALENTS			
Cash at bank and cash on hand		3,104	3,257
Deposits at call		5,693	3,056
Total cash and cash equivalents		8,797	6,313
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, and readily convertible to known amounts of cash with an insignificant risk of changes in value.			
The bank overdraft limit of Coliban Water is \$400,000. This facility is subject to annual review and at 30 June 2017 the amount of unused credit was \$400,000 (2015/16: \$400,000). The bank overdraft is secured by way of mortgage over the revenue of Coliban Water.			
Loan facilities from TCV have various maturity dates through to 2030 and may be extended by mutual agreement between Coliban Water and TCV.			
6.2.1 RECONCILIATION OF NET RESULT TO CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the year		5,389	4,094
Add/(less) non-cash movements in net result			
Depreciation and amortisation	4.1.1	29,991	31,637
Net (gain)/loss on disposal of non-current assets		1,829	2,192
Fair value (increase)/decrease in other financial assets		1	(3)
Payments for fixed assets in payables movement		1,878	(3,521)
Non cash developer contributions & gifted assets		(6,675)	(8,406)
Income tax (expense)/benefit		2,297	1,753
		34,710	27,746
Movements in assets and liabilities			
Decrease/(increase) in receivables		4,068	(3,132)
Decrease/(increase) in inventories		(503)	(414)
Decrease/(increase) in prepayments		(159)	(24)
(Decrease)/increase in payables		1,268	4,650
(Decrease)/increase in employee benefits		164	720
Net cash inflows from operating activities		39,548	29,546
Cash flows arising from operating activities are disclosed inclusive of GST.			
The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.			

NOTE 6: FINANCING OUR OPERATIONS continued...

6.3 COMMITMENTS FOR EXPENDITURE

6.3.1 BOOT 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 \$8.1 million as at 30 June 2017 and \$8.5 million as at 30 June 2016), 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	
	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)
Not later than one year	10,971	10,971	4,882	4,518
Later than one year and not later than five years	43,988	43,951	23,902	22,084
Later than five years	65,148	76,156	51,818	58,518
Minimum future lease payment	120,107	131,078	80,602	85,120
Less future interest charges	39,504	45,958	—	—
Present value of minimum lease payments	80,603	85,120	80,602	85,120
Included in the financial statements as:				
Current lease liability	—	—	4,882	4,518
Non-current lease liability	—	—	75,720	80,602
Total finance lease liabilities – BOOT Schemes	—	—	80,602	85,120

⁽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	
	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)
Not later than one year	8,595	8,016	7,981	7,446
Later than one year and not later than five years	38,943	36,069	30,040	27,842
Later than five years	66,424	74,097	36,044	38,625
	113,962	118,182	74,065	73,913

NOTE 6: FINANCING OUR OPERATIONS continued...

	2017 (\$'000)	2016 (\$'000)
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 2017 totalled \$107.0 million (2015/16: \$16.6 million). This amount is represented by one major contract for the provision of operations and maintenance that was extended for a further five years from 1 July 2017. Operating expenditure commitments are due and payable as follows:		
Operating expenditure commitments		
Not later than one year	25,151	18,312
Later than one year and not later than five years	73,037	—
Later than five years	19,463	—
Total operating expenditure commitments	117,651	18,312
Less GST recoverable	10,696	1,665
Total operating expenditure commitments (excluding GST)	106,955	16,647
Operating vehicle lease expenditure commitments		
Operating lease commitments for motor vehicles, over the remaining periods of the leases including GST, are expected to be \$848,206 (2015/16: \$733,811).		
Not later than one year	412	337
Later than one year and not later than five years	436	397
Later than five years	—	—
	848	734
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.		
Total lease payments over the remaining periods of the leases including GST are expected to be \$1.2 million (2015/16: \$1.5 million).		
Not later than one year	398	393
Later than one year and not later than five years	515	913
Later than five years	297	240
	1,210	1,546

NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

INTRODUCTION	STRUCTURE
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.	7.1 Financial instruments specific disclosures
This section presents information on financial instruments, contingent assets and liabilities, and fair value determinations on Coliban Water's assets and liabilities.	7.1.1 Financial instruments: Categorisation
	7.1.2 Financial risk management objectives and policies
	7.2 Contingent assets and contingent liabilities
	7.3 Fair value determination
	7.3.1 Fair value determination of non-financial physical assets
	7.3.2 Fair value determination non-financial physical assets held for sale

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 2016-17 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 a period of the interest bearing liability, using the effective interest rate method. Coliban Water recognises the following assets in this category:

- cash and deposits
- 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)
- 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 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:

2016-2017	Contractual financial assets – loans and receivables (\$'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 customers receivable	8,460	–	8,460
Accrued revenue	11,816	–	11,816
Other financial assets	–	–	–
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

2015-2016	Contractual financial assets – loans and receivables (\$'000)	Contractual financial liabilities at amortised cost (\$'000)	Total (\$'000)
Contractual financial assets			
Cash and Deposits	6,313	–	6,313
Receivables⁽ⁱ⁾			
Rates and charges and sundry customers receivable	13,282	–	13,282
Accrued revenue	10,622	–	10,622
Other financial assets	51	–	51
Total contractual financial assets	30,268	–	30,268
Contractual financial liabilities			
Payables			
Trade payables and accrued expenses ⁽ⁱⁱ⁾	–	15,085	15,085
Amounts payable to Victorian Government and agencies	–	158	158
Other payables	–	958	958
Borrowings			
Finance lease liabilities	–	85,120	85,120
Loans from TCV	–	387,832	387,832
Total contractual financial liabilities	–	489,153	489,153

⁽ⁱ⁾The total amounts disclosed exclude statutory receivables.

⁽ⁱⁱ⁾The total amount disclosed excludes 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. Coliban Water sold all remaining 25,000 shares in Bendigo Community Telco Limited in the current financial year. Bendigo Community Telco Limited is listed on the National Stock Exchange of Australia. The shares held by Coliban Water had a reported value at 30 June 2017 of \$ nil (2015/16: 25,000 shares held at \$51,000).

(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.

2016–2017	Financial Institutions (A-1+) ⁽¹⁾ (\$'000)	Government Agencies (AAA) ⁽¹⁾ (\$'000)	Other (\$'000)	Total (\$'000)
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
2015–2016	Financial Institutions (A-1+)⁽¹⁾ (\$'000)	Government Agencies (AAA)⁽¹⁾ (\$'000)	Other (\$'000)	Total (\$'000)
Financial assets				
Cash and cash equivalents	3,257	3,055	1	6,313
Receivables (excl. statutory receivables)	–	–	23,904	23,904
Total Financial assets	3,257	3,055	23,905	30,217

⁽¹⁾ Standard and Poors 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.

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

7.1.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and 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)
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
Other financial assets	n/a	—	—	—	—
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
2015-2016					
Financial assets					
Cash and cash equivalents	0.67%	6,313	—	6,312	1
Receivables (excl. statutory receivables)	n/a	23,904	—	—	23,904
Other financial assets	n/a	51	—	—	51
Total Financial assets		30,268	—	6,312	23,956
Financial liabilities					
Payables (excl. statutory payables)	n/a	16,201	—	—	16,201
Finance lease liabilities	7.77%	85,120	85,120	—	—
Loans from TCV	4.84%	387,832	387,832	1,332	—
Total Financial liabilities		489,153	472,952	1,332	16,201

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 -0.5% and 1.0% in interest rates is reasonable over the next 12 months.

	Carrying Amount (\$'000)	Interest Rate Risk			
		-0.5%		+1.0%	
		Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
2016-2017					
Financial assets					
Cash and cash equivalents	8,797	(44)	(44)	88	88
Total Financial assets	8,797	(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

	Carrying Amount (\$'000)	Interest Rate Risk			
		-0.5%		+1.0%	
		Result (\$'000)	Equity (\$'000)	Result (\$'000)	Equity (\$'000)
2015-2016					
Financial assets					
Cash and cash equivalents	6,313	(32)	(32)	63	63
Total Financial assets	6,313	(32)	(32)	63	63
Financial liabilities					
Borrowings – floating interest rate loans	1,332	7	7	(13)	(13)
Total Financial liabilities	1,332	7	7	(13)	(13)
Total Increase/(Decrease)		(25)	(25)	50	50

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 2017 (30 June 2016, \$nil).

7.3 FAIR VALUE DETERMINATION

Significant judgement: Fair value measurements of assets and liabilities

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.

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.

7.3 FAIR VALUE DETERMINATION (CONTINUED)**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 2016/17 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.

Coliban Water conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

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.

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

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

Coliban Water conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

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.

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

Coliban Water conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

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.

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

Coliban Water conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

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

7.3.1 FAIR VALUE DETERMINATION OF NON-FINANCIAL PHYSICAL ASSETS

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
BOOT Scheme 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)

	Carrying amount as at 30 June 2016 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
2015–2016				
Land at fair value				
Specialised	22,262	–	–	22,262
Non-specialised	15,411	–	15,411	–
	37,673	–	15,411	22,262
Buildings at fair value				
Specialised	1,681	–	–	1,681
	1,681	–	–	1,681
Buildings – leasehold at fair value				
Specialised	1,624	–	–	1,624
	1,624	–	–	1,624
Plant and equipment at fair value				
Specialised	2,466	–	–	2,466
	2,466	–	–	2,466
Infrastructure at fair value				
Specialised Water Infrastructure	396,126	–	–	396,126
Specialised Water Distribution Assets	176,164	–	–	176,164
Specialised Water Distribution Assets – Leasehold	551	–	–	551
Specialised Wastewater Infrastructure	446,707	–	–	446,707
Specialised Recycling Infrastructure	34,215	–	–	34,215
Specialised Rural Infrastructure	138,677	–	–	138,677
Specialised Headworks Infrastructure	160,919	–	–	160,919
	1,353,359	–	–	1,353,359
BOOT Scheme infrastructure at fair value				
Specialised	147,125	–	–	147,125
	147,125	–	–	147,125
Total assets at fair value (excluding works in progress)	1,543,928	–	15,411	1,528,517

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 2017 and 2016		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
BOOT Scheme 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...

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

Reconciliation of Level 3 at fair value movements

2016–2017	Specialised land (\$'000)	Specialised buildings (\$'000)	Specialised buildings – leasehold (\$'000)	Specialised plant and equipment (\$'000)	Specialised infrastructure (\$'000)	Specialised BOOT Schemes (\$'000)
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	–	–	–	–	–
<i>Gains or losses recognised in net result</i>						
Depreciation	–	(96)	(266)	(442)	(23,085)	(4,700)
Impairment loss	–	–	–	–	–	–
	22,435	1,718	1,363	1,746	1,357,056	142,425
Revaluation	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Closing WDV at 30 June 2017	22,435	1,718	1,363	1,746	1,357,056	142,425

[®] Correction of prior year assessment

2015–2016	Specialised land (\$'000)	Specialised buildings (\$'000)	Specialised buildings – leasehold (\$'000)	Specialised plant and equipment (\$'000)	Specialised infrastructure (\$'000)	Specialised BOOT Schemes (\$'000)
Fair Value						
Opening WDV at 1 July 2015	44,660	1,484	1,868	9,520	1,076,190	93,969
Purchases (sales)	(4,194)	15	72	1,319	82,350	–
Transfers between categories	–	1,254	–	(1,228)	(26)	–
Transfers in (out) of level 3	(18,380)	–	–	(6,465)	(481)	–
<i>Gains or losses recognised in net result</i>						
Depreciation	–	(99)	(316)	(680)	(25,595)	(3,624)
Impairment loss	(3,777)	–	–	–	–	–
	18,309	2,654	1,624	2,466	1,132,438	90,345
Revaluation	3,954	(973)	–	–	220,921	56,780
Subtotal	3,954	(973)	–	–	220,921	56,780
Closing WDV at 30 June 2016	22,263	1,681	1,624	2,466	1,353,359	147,125

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

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)
Freehold land held for sale	2,969	–	2,969	–
Total current assets held for sale	2,969	–	2,969	–

2015–2016	Carrying amount as at 30 June 2016 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
Freehold land 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.

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 Contribution Levy

	Notes	2017 (\$'000)	2016 (\$'000)
8.1 TAX			
8.1.1 INCOME TAX			
(a) Components of income tax (expense)/benefit:			
Current tax	8.1.2(a)	1,221	(459)
Deferred tax relating to timing differences		(3,527)	(1,296)
Adjustments for current tax of prior periods	8.1.2(a)	9	2
		(2,297)	(1,753)
Income tax (expense)/benefit is attributable to:			
Loss/(profit) from continuing operations		(2,903)	(2,458)
Other economic flows included in net result		606	705
Aggregate income tax (expense)/benefit		(2,297)	(1,753)
Deferred tax (expense)/benefit included in income tax expense comprises:			
(Decrease)/increase in deferred tax assets	8.1.2(a)	14	159
Decrease/(increase) in deferred tax liabilities	8.1.2(b)	(3,541)	(1,455)
		(3,527)	(1,296)
(b) Prima facie tax payable			
Net result/(deficit) before tax		9,708	8,197
Prima facie tax calculated at 30% (2015/16: 30%)		(2,912)	(2,459)
Tax effect of non-deductible/(non-taxable) amounts in calculating taxable income			
> Assessable income		–	(1)
Previously not recognised tax losses now recognised to decrease current tax expense			
> Tax losses brought to account		9	2
Income tax (expense)/benefit		(2,903)	(2,458)
Coliban Water will not pay income tax for 2016/17. 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)	–	(83,072)
Net gain/(loss) on disposal of assets		527	658
Fair value increase/(decrease) in other financial assets		79	47
Total income tax benefit/(expense) relating to components of other economic flows and other comprehensive income		606	(82,367)

NOTE 8: STATUTORY OBLIGATIONS continued...

8.1.1 INCOME TAX (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	2017 (\$'000)	2016 (\$'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		44	13
Book differences in depreciable asset values		3	2
Low value asset pool		7	8
Accruals		2,870	2,734
Employee benefits		1,517	1,469
BOOT Scheme finance leases		24,181	25,536
Other		1,154	–
Tax losses		59,409	58,179
Total deferred tax assets		89,185	87,941
Movements			
Opening balance at 1 July		87,941	88,239
Credited/(debited) to the Comprehensive Operating Statement relating to deferred tax assets	8.1.1(a)	14	159
Credited/(debited) to the Comprehensive Operating Statement relating to tax losses	8.1.1(a)	1,230	(457)
Closing balance at 30 June		89,185	87,941
Deferred tax assets to be recovered within 12 months		4,441	4,226
Deferred tax assets to be recovered after more than 12 months		84,744	83,715
Ending Balance at 30 June		89,185	87,941

NOTE 8: STATUTORY OBLIGATIONS continued...

	Notes	2017 (\$'000)	2016 (\$'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		157	164
Book differences in depreciable asset values		180,361	92,758
BOOT scheme assets		38,655	40,209
Other		585	14
<i>Amounts recognised directly in equity</i>			
Revaluation of infrastructure and property		–	83,072
Total deferred tax liabilities		219,758	216,217
Movements			
Opening balance 1 July		216,217	131,690
Credited/(debited) to the Comprehensive Operating Statement	8.1.1(a)	2,970	1,458
Credited/(debited) to other economic flows	8.1.1(a)	571	(3)
Credited/(debited) to other comprehensive income	8.1.1(c)	–	83,072
Closing balance at 30 June		219,758	216,217
Deferred tax liabilities to be recovered within 12 months		742	178
Deferred tax liabilities to be recovered after more than 12 months		219,016	216,039
Ending balance at 30 June		219,758	216,217
Total net deferred tax asset/(liability)		(130,573)	(128,276)

AASB 112 *Income Tax* 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 2017 and therefore a net tax liability has been disclosed in the Balance Sheet.

8.2 ENVIRONMENTAL CONTRIBUTION LEVY

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water 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 set out the amounts payable. The Victorian budget 2016/17 confirmed the continuation of the levy for another 4 years from 1 July 2016 until 30 June 2020.

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

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 Levy commitments

Not later than one year	3,272	3,272
Later than one year and not later than five years	10,232	13,504
Total Environmental Contribution Levy commitments	13,504	16,776

The Environmental Contribution Levy in the current year totalled \$3.3 million (2015/16: \$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 Remuneration of executives 9.3 Responsible persons 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

	2017 (\$'000)	2016 (\$'000)
9.1 EQUITY		
9.1.1 CONTRIBUTED CAPITAL		
Opening balance at 1 July	308,429	308,429
Contributions from the Victorian Government	–	–
Closing balance at 30 June	308,429	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	29,122
Revaluation increment/(decrement) on non-current assets net of tax effect	–	2,768
Impairment losses	–	(2,644)
Closing balance at 30 June	29,246	29,246
Asset revaluation reserve: Buildings		
Opening balance at 1 July	146	827
Revaluation increment/(decrement) on non-current assets net of tax effect	–	(681)
Closing balance at 30 June	146	146
Asset revaluation reserve: Infrastructure		
Opening balance at 1 July	353,409	159,019
Revaluation increment/(decrement) on non-current assets net of tax effect	–	194,390
Closing balance at 30 June	353,409	353,409
Total reserves	382,801	382,801

NOTE 9: OTHER DISCLOSURES continued...

9.2 REMUNERATION OF EXECUTIVES

The number of executive officers, other than the Minister and Accountable Officers listed in Note 9.3, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

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

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

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

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

(ii) 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).

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

9.3 RESPONSIBLE PERSONS

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

The 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 2016	30 Jun 2017
Andrew Cairns	Director (Chairperson)	01 Jul 2016	30 Jun 2017
April Merrick	Director	01 Jul 2016	30 Jun 2017
David Richardson	Director	01 Jul 2016	30 Jun 2017
William O'Neil	Director	01 Jul 2016	30 Jun 2017
Marika McMahon	Director	01 Jul 2016	30 Jun 2017
Rowan O'Hagan	Director	01 Jul 2016	30 Jun 2017
Robert Cameron	Director	01 Jul 2016	30 Jun 2017
Lucy Roffey	Director	01 Jul 2016	30 Jun 2017
Jeff Rigby	Managing Director	01 Jul 2016	30 Jun 2017

NOTE 9: OTHER DISCLOSURES continued...

9.3 RESPONSIBLE PERSONS (CONTINUED)

Remuneration

The number of Responsible Persons whose remuneration from Coliban Water was within the specified bands were as follows:

Income band (\$)	2017 Number	2016 Number
0 – 9,999	–	4
10,000 – 19,999	–	–
20,000 – 29,999	–	5
30,000 – 39,999	7	2
60,000 – 69,999	1	1
280,000 – 289,999 ⁽ⁱ⁾	–	1
310,000 – 319,999 ⁽ⁱ⁾	1	–
Total Numbers	9	13

All directors held their positions for the full financial year (2015/16: four directors concluded and five new directors commenced).

Remuneration received, or due and receivable, during 2016/17 by Responsible Persons including the Managing Director from Coliban Water in connection with the management of Coliban Water was \$624,510 (2015/16: \$587,712).

⁽ⁱ⁾ Remuneration for 2016/17 now includes accrued annual leave and long service leave benefits that were not included in the 2015/16 remuneration disclosure.

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:

Coliban Water received \$6,858,190 (2016: \$4,951,327) from DELWP for the management of the Bendigo Groundwater Project: Transitional Solution (\$11,809,517 for the project to date). Coliban Water has incurred \$7,329,613 in project costs to date under the agreement. The project was initiated to resolve the rising groundwater levels in Bendigo, in particular, the groundwater level in the Central Deborah mine shaft. DELWP contracted Coliban Water to manage the project and build a transitional solution on their behalf. Refer to Note 2.2.4 and Note 3.4. Coliban Water also received \$80,000 (2016: \$nil) from DELWP for the Community Rebate Program to assist customers under hardship.

Coliban Water paid \$3,272,000 (2016: \$3,272,000) to DELWP for the Environmental Contribution Levy, and an additional \$172,609 (2016: \$245,510) for other miscellaneous transactions including valuations, monitoring and license fees.

Coliban Water received \$5,665,621 (2016: \$5,524,570) from the Department of Health and Human Services (DHHS) for pensioner concessions. Coliban Water paid to DHHS \$26,532 (2016: \$24,798) in Centrepay transaction fees, and \$35,887 (2016: \$35,012) in administration levies.

Coliban Water holds all borrowings with TCV. The amount owing is reported in Note 6.1. Coliban Water made repayments to TCV of \$3,500,000 in 2016/17 after borrowing \$15 million and peaking debt in 2015/16. Coliban Water paid \$18,269,096 (2016: \$18,838,238) in interest. Annual interest received on deposits held for the Bendigo Groundwater Project: Transitional Solution totalled \$35,995 (2016: \$nil).

Coliban Water paid \$5,330,069 (2016: \$4,928,235) to the Department of Treasury and Finance (DTF) for the FAL.

Coliban Water paid \$1,876,338 (2016: \$1,898,632) to Goulburn Murray Rural Water Corporation for water share fixed charges and bulk water charges.

Coliban Water received \$737,197 (2016: \$1,224,714) from Central Highlands Water for costs associated with the Goldfields Superpipe Joint operation.

NOTE 9: OTHER DISCLOSURES continued...

9.4 RELATED PARTIES (CONTINUED)

Key management personnel

KMP (as defined in AASB 124 *Related Party Disclosures*) includes all Directors who have the authority and responsibility for planning, directing and controlling the activities of Coliban Water, directly or indirectly, during the financial year. KMP of Coliban Water includes:

The Hon. Lisa Neville MP	Minister for Water
Andrew Cairns	Director (Chairperson)
April Merrick	Director
David Richardson	Director
William O'Neil	Director
Marika McMahon	Director
Rowan O'Hagan	Director
Robert Cameron	Director
Lucy Roffey	Director
Jeff Rigby	Managing Director

Compensation of Key Management Personnel ⁽ⁱ⁾⁽ⁱⁱ⁾	2017 (\$'000)
Short-term employee benefits	570
Post-employment benefits	48
Other long-term benefits	7
Termination benefits	—
Total	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.

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

The total forgiveness or waiver of debt for 2016/17 was \$162,722 (2015/16: \$132,509).

This includes ex-gratia expenses greater than or equal to \$5,000 or those considered material in nature. 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.

NOTE 9: OTHER DISCLOSURES continued...

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

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2017, this was 9.5% as required under Superannuation Guarantee (SG) legislation, for 2015/16, this was 9.5%).

The Superannuation Guarantee contribution rate is legislated to progressively increase to 12% by 2025. The Superannuation Guarantee rate will remain at 9.5% for 7 years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

(b) Defined benefit

Coliban Water does not use defined benefit accounting for its defined benefit obligations under the Fund's defined benefit category. 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

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's Actuary.

Coliban Water is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

As at 30 June 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Coliban Water is a contributing employer was above 100%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

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

Vision Super has advised that the estimated VBI at 30 June 2017 was 103.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

(i) Regular contributions

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

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

(ii) 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%.

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.

NOTE 9: OTHER DISCLOSURES continued...

9.7 SUPERANNUATION (CONTINUED)

2016 interim actuarial investigation surplus amounts

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

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

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 2016.

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.

Coliban Water was notified of the results of the 30 June 2016 VBI during August 2016.

2017 full triennial actuarial investigation

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

(c) Superannuation contributions

Contributions by Coliban Water to the various superannuation plans for the financial year ended 30 June 2017 are detailed below:

Scheme	Type of Scheme	Rate	2017 (\$'000)	2016 (\$'000)
Vision Super	Defined Benefits	9.5%–12.5%	49	39
Vision Super	Accumulated Contribution	9.5%	660	722
Emergency Services & State Superannuation	Defined Benefits	9.5%–10.3%	21	20
VicSuper Scheme	Accumulated Contribution	9.5%	95	92
Other Superannuation Funds	Accumulated Contribution	9.5%	631	655
Employee Personal Superannuation Funds	Accumulated Contribution	9.5%	78	64
Total contributions to all funds			1,534	1,592

Coliban Water was not required to pay any unfunded liability payments to Vision Super during 2016/17 (2015/16: \$nil).

There were \$nil contributions outstanding and \$nil loans issued from or to the above schemes as at 30 June 2017 (30 June 2016, \$4,303 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 2018 is \$91,020.

9.8 AUDITORS REMUNERATION

Auditors remuneration for auditing the financial statements of Coliban Water excluding GST for 2016/17 has been set at \$88,560 (2015/16: \$86,400) 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 2017, the following applicable standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2017. 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.	01/01/18	01/07/18	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.	01/01/18	01/07/18	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 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. 	01/01/17, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply from 1 January 2018.	01/07/19	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). 	01/01/18	01/07/18	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.
AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised</i>	The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	01/01/17	01/07/18	Based on a preliminary assessment by Coliban Water there will be no significant impact on the financial statements.

NOTE 9: OTHER DISCLOSURES continued...

9.9 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

Standard/ Interpretation ⁽¹⁾	Summary	Effective date	Effective date for the entity	Estimated impact
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	01/01/19	01/07/19	This amending standard will defer the application period of AASB 15 for Coliban Water to the 2019-20 reporting period.
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.	01/01/19	01/07/19	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>	This Standard will replace AASB 1004 <i>Contributions</i> and establishes revenue recognition principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	01/01/19	01/07/19	Based on a preliminary assessment by Coliban Water, there will be a minor impact on the financial statements. 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. This may impact the recognition of funding that Coliban Water will be receiving in the final two years of the Bendigo Groundwater Project: Transitional Solution agreement.
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	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. The amendments: <ul style="list-style-type: none"> require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and clarifies circumstances when a contract with a customer is within the scope of AASB 15. 	01/01/19	01/07/19	Based on a preliminary assessment by Coliban Water, there will be no significant impact other than the impact identified in AASB 9.

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

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

⁽¹⁾ For the current year, given the number of consequential amendments to AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming change.

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 2017 • 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 • 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 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
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, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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



Roberta Skliros

as delegate for the Auditor-General of Victoria

MELBOURNE

1 September 2017

COLIBAN WATER RURAL SYSTEM DIAGRAM



Disclaimer: This illustration is provided as a guide only. Coliban Water reserves the right to alter information at any time. © v2 210817 Coliban Water.

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