

Environment Protection Authority Victoria

2016-2017 Annual Report



Building on our strengths,
increasing our effectiveness,
sharing our expertise.

OUR ACHIEVEMENTS IN 2016-17



Preventing environmental harm



13,096

Fines for environmental offences



273

Pollution abatement notices issued



1,796

Inspections



11

Prosecutions



10,577

Pollution reports from community

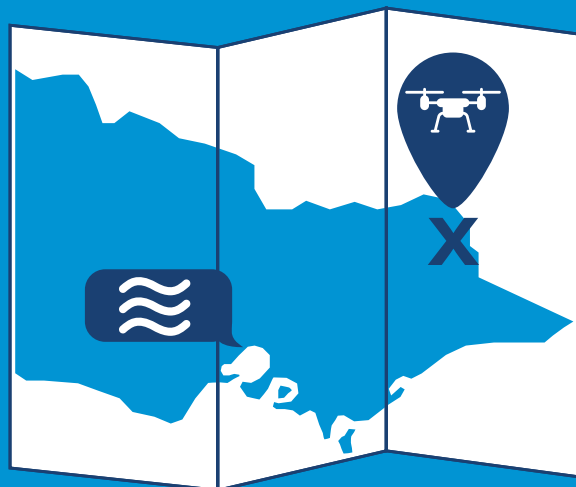


153

Clean up notices



Improving our capability



8,000

SMS subscribers to beach water quality alerts



New drone program to detect illegal dumping and pollution incidents



12 New Authorised Environment Protection Officers

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1. DECLARATION

In accordance with the *Financial Management Act 1994*, we are pleased to present Environment Protection Authority Victoria's Annual Report for the year ending 30 June 2017.



Cheryl Batagol

Chairman
Environment Protection Authority Victoria
Responsible Body

Melbourne
25 August 2017



Nial Finegan

Chief Executive Officer
Environment Protection Authority Victoria
Accountable Officer

Melbourne
25 August 2017

2. ABOUT EPA VICTORIA AND THIS ANNUAL REPORT

Environment Protection Authority Victoria (EPA) is an independent authority created under the *Environment Protection Act 1970* (EP Act) and an administrative office of the Department of Environment, Land, Water and Planning (DELWP) under the *Public Administration Act 2004*.

As of 30 June 2017, EPA's vision was for a healthy environment that supports a liveable and prosperous Victoria. Our role was to be an effective environmental regulator and an influential authority on environmental impacts. This was underpinned by the following outcomes:

- clean air
- healthy water
- safe land
- minimal disturbance from noise and odour.

On 1 July 2017, EPA adopted a new vision, purpose, role and values to reflect the Victorian Government's response to the Independent Inquiry into EPA. They are as follows:

Our vision

A healthy environment that supports a liveable and prosperous Victoria now and always.

Our purpose

We protect the environment and people by preventing and reducing harm from pollution and waste.

Our role

We are a world-class regulator of pollution and waste.

EPA acknowledges the Traditional Owners and custodians of the land upon which we live and work. We pay our respects to Elders past, present and emerging. We draw inspiration from their traditional care for the land, water and air – and join them in protecting the environment for all Victorians; now and in the future.

Our values

Successful implementation of our vision requires everyone at EPA to live our values – Excellence, Partnership and Accountability. These values applied consistently in our interactions with Victorians will deliver one experience of EPA. We will also be exemplars of the Victorian Public Service values.

Excellence

- we focus effort for best result
- we are evidence and risk based
- we learn from experience
- we are agile and innovative

Partnership

- we support each other
- we welcome diversity
- we listen and learn
- we involve people in decisions that affect them

Accountability

- we do what we say we will
- we make timely decisions
- we use sound judgement
- we are transparent and objective

Definitions

Commonly used scientific and technical terms used in this Annual Report are defined on page 47.

EPA publications

All publications referred to in this Annual Report can be accessed at www.epa.vic.gov.au/publications.

Independent Inquiry into EPA

The Independent Inquiry into EPA was the first comprehensive review of EPA Victoria since it commenced operations in 1971. The Inquiry was completed over ten months by an Independent Ministerial Advisory Committee chaired by Penny Armytage. The final report, released in May 2016, made 48 recommendations about how EPA can be equipped to meet the environmental and human health challenges of today and the future. The Government's response to the Inquiry was released in January 2017. To read more visit www.engage.vic.gov.au/reform-epa.

3. CHAIRMAN’S REPORT

This Annual Report looks back on Environment Protection Authority Victoria’s (EPA) performance in 2016–17 and the significant progress it has made in delivering the Victorian Government’s response to the Independent Inquiry into EPA.

The Government’s response to the Inquiry, released in January 2017, sets out a major reform program. This program will ensure Victoria has a modern EPA with contemporary powers to protect Victorians and their environment. It presents a once in a generation opportunity to build an EPA fit to meet the challenges of our state and to protect what we value so much.

To aid in the transition, an Interim Advisory Board has been appointed to provide advice to EPA and the Minister for Energy, Environment and Climate Change on the delivery of the reforms. In 2016–17, the Interim Advisory Board played a crucial role in guiding the development of EPA’s organisational strategy, which was presented to the Minister on 30 June 2017.

Our new organisational strategy is underpinned by a philosophy of prevention and will transform EPA into a world-class regulator of pollution and waste. This approach will ensure we deliver on our vision for a healthy environment that supports a liveable and prosperous Victoria, now and always.

EPA has many changes ahead that will enhance the way it protects the environment and human health. I would like to take this opportunity to acknowledge EPA’s executives and staff for their hard work in delivering these reforms and their ongoing commitment to serving Victorians.



Cheryl Batagol
Chairman
Environment Protection Authority Victoria
Responsible Body

Melbourne
25 August 2017

4. CHIEF EXECUTIVE OFFICER’S REPORT

EPA has a proud 46-year history of serving Victorians and protecting our environment. Over this time, we have reduced many environmental impacts and seen improvements in Victoria’s liveability and prosperity. We must now evolve into a more modern, agile and capable organisation that can better address the environmental and human health challenges of today, and those we will face in the future.

This journey has begun. Following the Government’s response to the Independent Inquiry into EPA, we have laid the groundwork for a five-year reform program that will transform EPA into a regulator that increasingly protects people and the environment from harm, in addition to addressing harm when it occurs.

In 2016–17, EPA became responsible for providing Victorians with environmental public health advice after this function was transferred from the Department of Health and Human Services. This fulfilled one of the Government’s early reform commitments and created a consolidated and enhanced environmental health capability for Victoria within EPA. Our new environmental public health function is further strengthened through the appointment of Victoria’s first Chief Environmental Scientist. It was with great pleasure that I welcomed Dr Andrea Hinwood into this new leadership role in May 2017.

While EPA’s focus is on preventing harm, we continue to hold polluters to account in a strong, consistent and proportionate manner. In 2016–17, EPA was successful in all 11 prosecutions finalised in the courts and handed out more than 13,000 fines for breaches of the Environment Protection Act. We also issued almost 300 pollution abatement notices and over 150 clean up notices for sites around Victoria.

EPA continues to provide a strong frontline response to local pollution and waste issues and emergency incidents. Over the past year, we received over 10,000 pollution reports and almost 200 emergency notifications. We have implemented a new incident response system that integrates our environmental public health function, and further developed Victoria’s incident air monitoring service. EPA can now deploy indicative air monitoring equipment to an incident anywhere in Victoria within four hours of notification, improving community access to air quality and health information during emergency incidents.

Emerging contaminants are an increasing focus for EPA Victoria and we are taking a national lead. Earlier this year, we hosted a summit of international environment experts and regulators on per-and polyfluorinated alkyl substances (PFAS) and we are now leading the development of a PFAS National Management Plan. Our work on PFAS will help develop a systematic approach to other emerging legacy issues. To be a world-class regulator of pollution and waste, we must be on the front foot and do all we can to prevent harm to the environment and human health.

In 2016–17, EPA partnered with the Latrobe Valley community to co-design an air monitoring network for the region. Once implemented, the new network will deliver substantial improvements to information about air quality in the Latrobe Valley. This work also provides a glimpse into the EPA of the future. Environment protection is a shared responsibility and we will increasingly empower communities to monitor and improve their local environments.

On a final note, I’d like to thank our staff for their efforts in delivering our reform program and important day-to-day work. Our people live and breathe environment protection and have done an extraordinary job over the past 12 months to transform our business and improve the public value of what we do.

I look forward to sharing our progress as we continue to strengthen your EPA.



Nial Finegan
Chief Executive Officer
Environment Protection Authority Victoria
Accountable Officer

Melbourne
25 August 2017

5. EPA’S INTERIM ADVISORY BOARD

On 17 January 2017, Minister for Energy, Environment and Climate Change the Hon. Lily D’Ambrosio MP confirmed the Victorian Government’s support for all 48 recommendations (40 fully, seven in principle, one in part) made by the Independent Inquiry into EPA, which was completed in March 2016.

In recognition of recommendation 19.1, an Interim Advisory Board has been established to guide and advise EPA as it undertakes a significant reform program. The Interim Advisory Board consists of:

- **Dr John Stocker AO**
- **Professor Rebekah Brown**
- **Mr Ross Pilling**
- **Ms Monique Conheady**
- **Ms Debra Russell**
- **Mr Rob Hogarth**
- **Professor Arie Freiberg AM**

Whilst not a member, EPA Chairman Cheryl Batagol is Chair of the seven-member Interim Advisory Board in an ex-officio capacity. The Interim Advisory Board’s functions are solely limited to the provision of advice to the EPA Chairman and the Minister. All powers and responsibilities currently vested in the Chairman as the Responsible Body and CEO as Accountable Officer will continue while the Interim Advisory Board is operating.

On 6 June 2017, the Minister introduced the Environment Protection Bill 2017 into Parliament. This is the first of two bills to overhaul the *Environment Protection Act 1970* and replace it with modernised and fit-for-purpose legislation. The reforms in this first bill will modernise EPA’s corporate governance, including legislating to establish a Board, and strengthen our status as a science-based regulator to ensure we are ready for the rest of our major transformation. The second bill (which will complete the reform of the Environment Protection Act) is scheduled to be introduced to Parliament in 2018.

6. PURPOSE AND FUNCTIONS

Environment Protection Authority Victoria (EPA) was established as an independent statutory authority under the *Environment Protection Act 1970* (EP Act) and began operating in 1971.

Our job is to prevent and reduce harm from pollution and waste. We do this in several ways, including:

- holding polluters to account
- supporting people to understand, own and address their harmful impacts on the environment
- working with others.

The EP Act defines EPA’s powers, duties and functions, and provides a framework for the prevention and control of air, land and water pollution, industrial noise and waste.

EPA works across Victoria. Our central office is located at 200 Victoria Street, Carlton. EPA’s Centre for Applied Sciences is located in Macleod. Regional offices are located in Bendigo, Dandenong, Geelong, Traralgon and Wangaratta.

EPA is part of the Victorian Government’s Energy, Environment and Climate Change portfolio. The responsible Minister for the 2016–17 reporting period was the Hon. Lily D’Ambrosio MP, Minister for Energy, Environment and Climate Change.

EPA works closely with portfolio partners, the Department of Environment, Land, Water and Planning (DELWP) and Sustainability Victoria (SV) to develop environment protection policy and legislation and to deliver programs that support environmental protection.

EPA works closely with other Victorian Government departments to achieve better environmental outcomes and enable economic development. This includes the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and the Department of Health and Human Services (DHHS).

7. 2016–17 PERFORMANCE

Clean air, water, and land are essential to the health and lifestyle of every Victorian and our environment. Our enjoyment of good quality of life is reliant on minimal disturbance from noise and odour. This Annual Report outlines how EPA strives to achieve key environmental outcomes that continue to promote our vision for a healthy environment that supports a liveable and prosperous Victoria, now and always.

Air

In 2016–17, the quality of Victoria's air was generally good and comparable to the general air quality conditions of the past five years. The main impacts on air quality were from major bushfires and large-scale dust events, which caused spikes in airborne particles (PM₁₀ and PM_{2.5}).

Throughout the year, the daily average PM_{2.5} level exceeded the standard (25 µg/m³) on three days. These spikes were caused by smoke from domestic wood heaters and bushfires. On five days PM₁₀ levels exceeded the daily standard of 50 µg/m³, primarily due to local and regional dust events and bushfires. In the Brooklyn Industrial Precinct, unsealed roads have previously been a major source of dust. The two main roads were sealed between May and October 2015, leading to a significant decrease in dust emissions over 2016–17.

The air monitoring network continued to supply reliable data to enable EPA to record long-term air quality trends across Melbourne, Geelong and the Latrobe Valley, and we continued to develop our air monitoring capability to enable EPA to better respond to emergency issues.

Victoria continues to work with other jurisdictions as part of the National Clean Air Agreement, which aims to reduce wood heater emissions and refine standards for nitrogen dioxide, sulfur dioxide and ozone.

Key achievements

Hazelwood recovery

In 2016–17, EPA continued to implement the recommendations from the 2014 Hazelwood Mine Fire Inquiry and deliver on its commitment to support the Latrobe Valley community through recovery.

In September 2016, EPA initiated a co-design process to work in partnership with the community on a new air monitoring network for the region. This process enabled members of the community to design the network enhancements with support from EPA's air quality experts. The new network is expected to be operational by June 2018.

EPA/SES Victoria incident air monitoring partnership

In May 2017, EPA signed a Memorandum of Understanding with Victoria State Emergency Service (VICSES) to formalise our new collaboration on incident air monitoring and strengthen Victoria's incident air monitoring service in the lead-up to summer 2017–18.

Over the past year, EPA has developed a new capability in our air monitoring service in partnership with VICSES. This enhancement enables us to deploy indicative air monitoring equipment to an incident within four hours of notification.

Working with our SES counterparts, we've integrated this new equipment within our air monitoring network and developed online training for SES volunteers. EPA staff have also visited the 10 hosting SES stations across Victoria to provide hands-on training and support for this new capability.

Case study: Latrobe Valley air monitoring co-design



In August 2016, EPA initiated a process to co-design our air monitoring network in Victoria's Latrobe Valley. More than 30 community members from across the region learned how air quality is measured and where different types of air monitoring equipment could be stationed to best capture data.

With support from EPA's air scientists and local experts, panel members developed a preferred model for the air monitoring network, to be piloted for a period of 12 months. Representatives from the local community, industry, council, and Government agencies observed the process over three sessions.

The air monitoring network will provide coverage to the whole region – from east of Flynn to south of Boolarra and Willow Grove and from Tyers to Balook.

One of the new features of the network is the inclusion of small, portable air monitors. This flexibility means that the network can be adapted to changing circumstances, such as the closure of Hazelwood Power Station, by reviewing and moving monitors to more suitable locations when necessary. We will also use some of these devices as part of citizen science activities designed with the community.

The design also includes the installation of webcams at Hernes Oak, Tyers and Balook to help monitor visible signs of air pollution such as smoke and dust. EPA has now begun the process of buying air monitoring equipment and identifying installation sites. The pilot enhancements to our air monitoring network are expected to be fully operational by 30 June 2018 and devices may move over time.

Reducing emissions from wood heaters

In April 2017, EPA published our intention to vary the *Waste Management Policy (Solid Fuel Heating)*. This policy forms part of the legislative framework that protects the environment, human health and amenity from emissions from solid fuel heaters, such as wood heaters, and aims to improve air quality by reducing these emissions.

Supporting the Victorian Government's commitments as part of the National Clean Air Agreement, the intention of the variation is to incorporate a solid fuel heater efficiency standard. A final policy is expected in mid-2018.

Brooklyn Industrial Precinct Program

Since 2008, EPA has been working to improve air and odour issues in Brooklyn. Due to the proximity of industry to residences and the state of roads in the area, air quality in Brooklyn has been impacted for many years.

In 2016–17, EPA's Brooklyn Industrial Precinct Program was updated to ensure we take a targeted approach with industry, relevant authorities and residents. Over the past

12 months, we have continued to deliver on our commitment to improving air quality for the community through compliance and enforcement activities, work with VicRoads to improve local roads, and proactive engagement with local industry and residents.

Throughout the year, we've updated our odour and dust strategy which is focused on helping industry effectively manage odours onsite through appropriate engineering and management controls. We also issued pollution abatement notices to four businesses for dust emissions.

During the 12-month period, Brooklyn recorded 11 PM₁₀ (dust and particulate matter) exceedances, compared to 10 in 2016–17. While still at a relatively low level compared to the 19 exceedances in 2014–15, this result was due to weather events and fuel reduction burns throughout autumn. Emissions have stabilised significantly since local roads were sealed in 2015.

EPA will continue to take a targeted and transparent approach to improving air quality in Brooklyn with the help of the community.



Hamilton SES members with EPA's James Anderson (Operations Officer, Community Smoke Monitoring).



EPA Operations Officer, James Anderson provides training on the use of incident air monitoring equipment to the Broadmeadows SES unit.

Table 7.1: Brooklyn Industrial Precinct summary statistics

Indicator	Notes	2017	2016	2015	2014	2013	2012	2011	2010
Days where dust levels (PM ₁₀) exceeded the limit	1	11	10	17	29	33	20	19	40
Rainfall (mm)		618	367	383	459	387	611	850	n/a
Pollution reports related to odour	2	419	280	166	148	421	487	628	1250

1. Results in 2009–10 reflect estimates from available data.
2. Further analysis of pollution reports related to odour has resulted in adjustments to numbers from previous years.

7. 2016–17 PERFORMANCE CONTINUED

Odour

EPA responds to community reports of odour and investigates a range of industrial, agricultural and domestic sources of odour. Where sources are identified as causing environmental impacts, EPA requires odours to be reduced through compliance with the requirements of remedial notices. In 2016–17, EPA served six notices to address odours and received 4,188 odour reports – a 4 per cent decrease from the previous year.

Several potentially odorous industries such as waste processing operations, intensive animal husbandry and sale yards were required to adopt best practice to minimise odours through licensing and approvals. In addition, EPA provided advice to local councils on separation distances between potentially odorous activities and residential areas.

Water

Freshwater

Despite some significant rainfall in spring 2016, the climate had a less dramatic influence on freshwater systems than in the past year. In 2016–17, there were no significant fish deaths and few algal blooms resulting from stormwater runoff, which can carry pollutants from the land into streams and wetlands. However, a notable exception to this occurred over summer in the Port Phillip Bay region. Intense summer storms washed pollutants from the land and caused some sewage overflows, eventually resulting in unacceptable water quality at many of Melbourne’s beaches.

Marine waters

Marine systems along the central Victorian coastline were inundated with summer stormwater inflows, which reduced water quality for recreational activities. EPA monitored algal activity through real-time monitoring on board the *Spirit of Tasmania* and tracked how the marine systems recovered from these storms without any significant blooms.

Thousands of dead fish washed up on the shores of far eastern Victoria and southern New South Wales in March. They started appearing on the beach in small numbers around 11 March but came in en masse towards the end of the month. Locals reported the die-off coincided with a 7°C drop in ocean surface water temperature and visible algal blooms in the ocean. EPA-CSIRO ocean modelling confirmed that an uplift of cool nutrient-rich waters had occurred, and is likely to have prompted algal growth. The fish deaths may have been the result of: dissolved-oxygen depletion as the algae died off; algae physically blocking fishes’ gills; or possibly due to the rapid change in temperature. While these types of upwellings are not uncommon in the area, stronger upwelling and greater temperature changes have been observed since 2014.

Groundwater

EPA is in the process of analysing and compiling groundwater data from across the State. The current focus is to determine the available information on groundwater quality, where it is located, how it can be used, and to identify any gaps. This will help develop future programs and ways of providing the community with better access to groundwater data.

Groundwater is becoming a more important source of water due to climate change, population growth and the varied availability of water. The growing reliance on groundwater has been a significant consideration in the current review of the *State Environment Protection Policy (Groundwaters of Victoria) 1997*.

In 2016–17, approximately 40 groundwater quality restricted use zones (GQRUZ) were identified as part of environmental audits. GQRUZ help create community awareness of areas where groundwater is polluted.

EPA has also been working to identify risks of groundwater contamination, and has a project aimed to minimise impact of underground petrol storage systems (UPSS) leaking into groundwater.

Key achievements

Sunshine Regional Groundwater Project

In October 2014, EPA was informed of the presence of trichloroethylene (TCE) in groundwater at the former Sunvale Primary School site in Sunshine, in Melbourne’s outer west. We commenced an investigation from this time that included communicating early with council and community members.

To help develop ideas for keeping the community informed, we held a co-design session in 2015. Co-designing is a collaborative process where community members share the decision-making on issues that directly affect them. This session helped us understand and address potential concerns and saw us work with community leaders, Brimbank City Council and DHHS to share timely and accurate information with the community.

Over the past 12 months, EPA has continued to investigate groundwater contamination and potential sources of groundwater pollution in the wider Sunshine area. From this investigation, we identified a large former industrial site as a source of contamination.

In June 2017, EPA issued a notice requiring AGCO Australia Limited to assess contamination beneath the former Massey Ferguson site (also known as the Sunshine Harvester Works site) on Hampshire Road, Sunshine. Spanning 30 hectares, the site was one of the largest industrial complexes in the Southern Hemisphere when it was in use by Massey Ferguson from 1921 until 1986. The site included a foundry, metal works, metal finishing and painting, timber milling and a large range of underground chemicals and fuel tanks.

AGCO, which is the successor in name to Massey Ferguson, must engage the services of an EPA-appointed environmental auditor to oversee an assessment of soil, soil vapour and groundwater at and from the premises. The notice will require significant sampling of the site and will inform a human health and ecological risk assessment as well as a cleanup plan for any contamination.

Caring for Waterhole Creek Program

EPA has continued to engage the Victorian community in our scientific work in 2016–17 through citizen science projects such as Caring for Waterhole Creek.

Our Citizen Science Program creates a two-way working relationship between EPA and community members, and helps to promote a shared understanding of important environmental issues.

Launched in late 2016, the Caring for Waterhole Creek Program involves 14 community volunteers monitoring water quality at Waterhole Creek in the Latrobe Valley every fortnight for pH, phosphorus, conductivity, turbidity and ammonia. This monitoring is supplemented by (non-regular) seasonal heavy metal, pesticide and macroinvertebrate sampling.

This work is helping EPA to identify the origins of environmental issues affecting Waterhole Creek and will support current and future management practices on waterway health and biodiversity.



EPA Freshwater Scientist Dr Paul Leahy explores the world of aquatic macroinvertebrates with our Caring for Waterhole Creek citizen scientists.

Beach report daily forecast

Following a successful pilot in 2015–16, EPA invited beachgoers to receive an SMS alert during the 2016–17 summer when water quality at their local beach was rated as poor. While this information was available previously on the Yarra & Bay website (www.yarraandbay.vic.gov.au), beachgoers could also sign up to receive information direct to their mobile phone. Between December and February, over 8,000 Victorians subscribed to EPA’s SMS service.

EPA’s forecasts predict water quality based on the latest weather conditions, water quality history, recent bacterial sampling results and pollution reports. Ratings of good, fair and poor were provided online for 36 beaches and four popular Yarra River locations in Kew, Warrandyte, Healesville and Launching Place and via Twitter @EPA_Victoria. Water quality information was also displayed on signs at 28 Life Saving Victoria clubs around Port Phillip Bay.

Results from a feedback survey distributed at the end of summer revealed that our SMS service had influenced the decisions of 96 per cent of SMS subscribers regarding beach visits and swimming.

Last summer’s beach rankings saw Eastern Beach, The Dell, Portarlington and St Leonards tie at the top of EPA’s water quality forecast rankings.

Port Phillip Bay water quality report card

In 2016, EPA published a snapshot of water quality in Port Phillip Bay and its catchments for 2016–17.

Called Report Card, the annual publication is developed in collaboration with Melbourne Water and DELWP and details activities that contributed to positive impacts on water quality in 102 catchments and eight marine sites.

While overall water quality had marginally declined, data showed improvements in some catchments and the continued good quality of The Bay – despite pressure from urbanisation and population growth. Further information is available at www.yarraandbay.vic.gov.au.

Microplastics Pilot Project

In 2016–17, EPA commenced a pilot microplastics project around Port Phillip Bay with SV, RMIT University, Melbourne Water and the Port Phillip EcoCentre.

This project involves establishing and trialling citizen science methodology for identifying plastic pollution at beaches, including surface and subsurface sampling for microplastics. Samples collected by citizen scientists are being analysed by RMIT University to provide a first glimpse into the types and abundance of microplastics.

By undertaking this important work with the community through our Citizen Science Program, we hope to get closer to identifying the sources of microplastics throughout the Port Phillip Bay catchment.

7. 2016–17 PERFORMANCE CONTINUED

Case study: Protecting our waterways

In 2016, research undertaken by the University of Melbourne's Centre for Aquatic Pollution Identification and Management (CAPIM) found toxic concentrations of the household insecticide, bifenthrin, in wetlands around Melbourne.

Found in many household surface sprays, bifenthrin is commonly used to protect properties against termites and other insect infestation. While relatively safe for humans and most mammals, bifenthrin is toxic to fish and was detected in 75 per cent of wetlands CAPIM surveyed. Because it binds readily to sediment, bifenthrin lingers in the environment – causing long-term damage to local wetlands.

To address these emerging threats, EPA is establishing a program which will identify emerging contaminants of concern that could be causing damage to human health or to our natural environment in Victoria.

EPA scientists are working with Government and research partners such as CAPIM to better understand their use and movement into the environment.



Wetlands in the Melbourne suburb of North Croydon.
Source: CAPIM

Case study: Water corporation ordered to pay almost \$100,000 over Bendigo sewage spill

In August 2016, Coliban Region Water Corporation (Coliban Water) was ordered to donate \$75,000 to North Central Catchment Management Authority following an EPA investigation into a sewage spill in July 2013.

While the exact volume of the spill was unknown, EPA estimated between 500,000 and one million litres of sewage spilled into Long Gully Creek in North Bendigo – impacting surrounding land occasionally used by children, dogs and dog owners.

Water samples taken from EPA and Coliban Water found *E. coli* levels exceeded levels safe for primary or secondary contact. The company initiated cleanup quickly and monitored water quality in the creek until it returned to satisfactory levels.

Coliban Water pleaded guilty to one count of permitting an environmental hazard under the *Environment Protection Act 1970* and was ordered by the Bendigo Magistrates' Court to enter an undertaking for 12 months and donate \$75,000 to the North Central Catchment Management Authority for engagement of land in the Long Gully area.

The undertaking was without conviction. Coliban Water was also ordered to pay EPA's court costs and publish details of its offence in the *Herald Sun*, *Age* and the *Bendigo Advertiser*.

Land and waste

Land

Land contamination can occur in a number of ways, including as a result of industrial activities. With many industries moving to sites on the outskirts of cities, they are vacating urban land that can be redeveloped for commercial or residential purposes. Land contamination may be harmful to humans and the environment, and should be cleaned up before the site is redeveloped. Cleanup is becoming more cost-effective with population growth and more people needing places to live in urban areas.

As part of a collective approach to long-term strategic planning, EPA's role is to advise planning and responsible authorities under the *Planning and Environment Act 1987*. EPA administers the Environmental Audit System, which appoints highly-trained people as environmental auditors, and reviews the environmental audit reports that auditors undertake. Planning authorities, Government agencies and private businesses use the environmental audit system to determine the condition of a site and its suitability for use. Approximately 80 environmental audits under Section 53X of the *Environment Protection Act 1970* were issued in 2016–17.

Waste

In the 2016–17 financial year, 1.8 million tonnes of municipal waste and 2.5 million tonnes of industrial waste were sent to landfill in Victoria. This represents a 4 per cent increase in municipal waste and a 4 per cent increase in industrial waste from the previous financial year. Prescribed industrial waste has increased with a 47 per cent rise in Category C soil to landfill due to recent infrastructure projects. The increase in industrial waste to landfill is largely due to increased construction and demolition activity. Overall, waste to landfill in Victoria has increased by around 3 per cent despite a population increase of over 1 per cent.

A collaborative research program is being undertaken between EPA and SV to identify how to better manage organic waste application to land. Organic wastes (for example, food waste) and products derived from waste (for example, compost) are applied to land in agriculture, horticulture and backyards as fertiliser for plant growth. EPA is undertaking research to understand the risk of these activities, and how to help communities use these materials most effectively.

Environmental public health

In May 2016, the Victorian Government announced it would implement the Independent Inquiry into EPA recommendation for environmental health functions to shift from the DHHS to EPA. This was to create a consolidated and enhanced environmental health capability for Victoria within EPA, with governance arrangements that recognise EPA's critical relationship with DHHS. The *Environment Protection Act 1970* and all state environment protection policies (SEPPs) have always included both protection of human health and the environment as inseparable considerations in EPA's decision-making. From 14 December 2016, EPA became responsible for delivering environmental health functions as they relate to human health impacts from past, present and potential future waste and pollution; and the first contact point for enquiries relating to possible health impacts caused by environmental issues in the areas of waste and pollution.

Case study: PFAS Summit

In April 2017, EPA hosted a summit of international environment experts and regulators on per- and polyfluorinated alkyl substances (PFAS). EPA hosted the summit in Melbourne on behalf of the Heads of EPAs – Australia and New Zealand (HEPA) and the Australian Government Department of Environment and Energy.

PFAS are a group of manufactured chemicals that have historically been used in firefighting foams and other industrial and consumer products for many decades. Although their human health effects are unclear, PFAS are of emerging global concern because they are persistent in the environment and resistant to normal environmental breakdown.

The summit acted as a platform for the exchange of ideas about the regulation of PFAS and a forum to commence the development of a nationally consistent approach to the environmental regulation of PFAS. The summit's keynote speeches were also live-streamed on EPA's website, with more than 300 users from around the globe tuning in to hear international experts speak about PFAS in their jurisdictions. The video is available at www.epa.vic.gov.au/pfas.

As of June 2017, the development of a National Management Plan was underway, with EPA leading this work as part of our role as Chair of HEPA and its subcommittee on chemicals.



EPA's Applied Science Group Manager Dr Anthony Boxshall at the HEPA PFAS Summit held in April.

7. 2016–17 PERFORMANCE CONTINUED

Key achievements

Tackling illegal dumping of waste

EPA's Illegal Dumping Strikeforce Program uses a multidisciplinary approach to reduce the large-scale dumping of industrial waste throughout Victoria.

2016–17 saw the completion of projects focused on the stockpiling of waste tyres, the transport of prescribed industrial waste, and construction and demolition waste generators. The Strikeforce Program also initiated and continued work on issues related to skip bins and contaminated soils.

A key focus for the Strikeforce Program continues to be increasing industry and community awareness of EPA's waste disposal requirements. Throughout the year, EPA released a new publication for farmers to increase awareness of waste tyre storage requirements and the dangers of stockpiling, particularly fire risk. EPA staff also attended the Elmore Field Days in October to raise awareness among local landowners of the dangers of accepting contaminated soil on their properties.

In February 2017, EPA and VicRoads signed a Memorandum of Understanding to enable VicRoads officers to gather intelligence on behalf of EPA during inspections of vehicles transporting hazardous waste. Under this agreement, EPA authorised officers also conduct roadside inspections with VicRoads to assess vehicle and waste transportation compliance.

In 2016–17, EPA issued 77 remedial notices to stop or clean up illegally dumped waste. We also had five proceedings in court for illegal dumping – ensuring that culpable receivers, transporters or dumpers of illegally dumped waste were held to account.

Throughout 2016–17, the Strikeforce Program also enhanced its surveillance capabilities through the use of new drone technology and intelligence capabilities.

Build Aware Program

During 2016, EPA led the roll-out of the Build Aware Program in collaboration with the Victorian Building Authority (VBA), WorkSafe Victoria, Consumer Affairs Victoria (CAV) and Energy Safe Victoria (ESV). Designed to raise awareness of building, construction, environment, plumbing and OH&S laws and regulations, the Build Aware Program saw regulators provided advice during on-the-spot site inspections.

In October, EPA and representatives from VBA, CAV, ESV and WorkSafe Victoria visited more than 120 domestic builders, commercial and industrial building sites and construction company head offices across the Bendigo region. A second Build Aware campaign in the Geelong and Surf Coast region was rolled out in February 2017, including a breakfast information session for the local construction and demolition industry. This event attracted approximately 100 people, including professionals, builders and tradespeople, and provided EPA with the opportunity to raise awareness of waste disposal requirements.



As well as enabling us to directly communicate with the construction and demolition sector and cast a larger regulatory shadow, Build Aware strengthens EPA's relationship with our regulatory partners and improves efficiency through the pooling of resources.

Case study: Boral fined for illegal waste storage

In November 2016, Boral Resources (Vic) Pty Ltd was fined \$30,000 and ordered to pay \$142,000 in court costs for illegally accepting and storing 110,000 tonnes of industrial waste without a licence at a disused quarry site following an EPA investigation.

This investigation found approximately 110,000 tonnes of concrete waste was deposited at Boral's old quarry site located at 205 Quarry Road, Pine Lodge between February 2007 and April 2014.

Under the *Environment Protection Act 1970*, Victorian quarry sites must hold an EPA licence to accept industrial waste or a planning permit from councils to recycle. EPA alleged Boral failed to hold any approval or permit while permitting the industrial waste to be deposited and stored at the quarry site.

Boral was fined without conviction after pleading guilty to occupying a scheduled premises and storing waste without a licence. The company was also ordered by the Shepparton Magistrates' Court to publish details of the offence in several major newspapers.



An EPA officer standing in front of concrete waste at the Boral site.

Post-closure Landfill Program

Landfills can pose a significant risk to the environment for decades after they have been closed. To ensure that impacts to the surrounding environment are minimised, closed landfills need ongoing management. Aftercare management includes maintenance, monitoring and assessment to ensure any unacceptable risks can be identified and necessary action taken.

In 2016–17, EPA continued our Post-closure Landfill Program which reviews the status of closed landfills across Victoria. The program provides the transition from an operating licence to the ongoing management required for a closed landfill. Closed landfills are managed through a post-closure pollution abatement notice (PC PAN). Throughout 2016–17, EPA issued 26 reformed PC PANs.

EPA will continue to deliver this program in 2017–18 through a risk-based strategic approach, prioritising higher-risk sites and progressing higher-risk closed landfills through the PC PAN process.

Prevention of land and underground contamination by underground petrol storage tanks

As one of the most common sources of both land and groundwater contamination, leaks from underground petroleum storage systems (UPSS) pose significant hazards to human health and the environment.

In 2016–17, EPA's UPSS at Service Stations strategic project continued to attract strong industry support following the success of a voluntary questionnaire to identify UPSS management practices. EPA staff conducted various follow-up activities to look at risk factors such as leak detection, groundwater monitoring and equipment integrity testing, including voluntary site visits and desktop assessments to complement compliance inspections by EPA authorised officers. These activities helped owners/operators better understand the requirements set out in EPA's UPSS guidelines and improve their UPSS management.

Since its inception in 2015, a key focus of our UPSS project has been engaging and supporting industry to better understand their obligations. This sustained strategic project has resulted in more than 200 operating service stations committing to improve their UPSS management. Evaluation of our non-regulatory follow-up activities in 2016–17 has reaffirmed the value of supporting compliance activities with industry engagement and consultation.

Fishermans Bend

Fishermans Bend is Australia's largest urban renewal project, covering about 485 hectares in central Melbourne. By 2050, it is expected Fishermans Bend will be home to about 80,000 residents and provide employment for up to 60,000 people.

In 2016–17, EPA commenced the second part of a groundwater study of Fishermans Bend to focus on the Employment Precinct. The second part was needed as the Employment Precinct was added to the development area in April 2015 – after the process for commissioning part one of the groundwater study over the Wirraway, Sandridge, Lorimer and Montague precincts had begun.

The results of the first part of the study, released in 2016–17, revealed that like many former industrial sites, some areas of shallow groundwater were not suitable for drinking, and bore water users should have their water tested by a suitably qualified environmental consultant before use. The results of the second part of the Employment Precinct study will be available by late 2017.

The groundwater study will inform the work being undertaken by the Fishermans Bend Taskforce when developing the Fishermans Bend Framework and Employment Precinct plans.

As part of this work, EPA is also engaging with local residents groups via the Fishermans Bend Community Reference Group, hosted by the City of Port Phillip, to keep the community informed of study results.

Contamination at shooting ranges

In 2016–17, EPA began investigating potential environmental and human health risks posed by outdoor shooting ranges. This work followed the discovery of lead contamination above the health limits for recreational levels in soil at the North Wangaratta Recreation Reserve in April 2016.

Over the past 12 months, we have worked with the North Wangaratta football and netball clubs, the Wangaratta Clay Target Club, partnering government agencies and other local community stakeholders to address contamination issues at the North Wangaratta Recreation Reserve. Statutory notices were issued requiring the club to assess the extent of contamination.

In November 2016 and April 2017, we hosted information sessions at the North Wangaratta Recreation Reserve club rooms to provide an update on the investigation.

In March 2017, parts of the reserve were reopened allowing training on a portion of the oval, with contaminated areas cordoned off. The Wangaratta Clay Target Club also resumed shooting, in line with an EPA-reviewed contamination management plan.

EPA acknowledges that shooting ranges represent an important pastime for many people, and clubs are often without significant resources and generally run by volunteers. We will continue to work with our partner Government agencies and with the clay target club and football and netball clubs to protect the community and environment while ensuring shooting is conducted in a sustainable manner.

Other sites currently under investigation include the Sebastopol Gun Club and Winchelsea Gun Club.

Victorian Government e-waste ban

EPA, together with SV, DELWP and Victoria's waste and resource recovery groups, is designing an approach to implement the Victorian Government's commitment to banning e-waste from landfill in Victoria. E-waste is growing three times faster than general municipal waste within Australia, increasing pressure on waste management infrastructure with the potential to impact the environment.

7. 2016–17 PERFORMANCE CONTINUED

In January 2017, we published our intent to vary the *Waste Management Policy (Siting, Design and Management of Landfills)* to include e-waste as a prohibited waste, and to prepare a new waste management policy that will describe the responsibilities for the collection, storage, transport, reprocessing and recycling of e-waste. Under subclause 19(6), this policy specifies the types of wastes that must not be deposited at landfill sites, such as liquid wastes and pneumatic automotive tyres. Following public consultation, EPA proposes to add 'e-waste', with a clear definition, to this list of prohibited wastes. These waste management policies will be released for formal public consultation once they have been drafted.

Industrial Waste Resource Regulations review

In 2016–17, EPA commenced a review of the Environment Protection (Industrial Waste Resource) Regulations 2009. These regulations categorise industrial wastes by risk profile to ensure that each waste is appropriately handled, stored, treated, transported and disposed, and are an important part of Victoria's regulatory framework. The current regulations expire in mid-2019.

Our review will focus on the hazard categorisation of waste so that it appropriately reflects the risks arising from the management of waste. As part of this work, we are also reviewing scientific understanding of the contaminants and components of waste – from its creation to disposal. This research will inform the new regulations to ensure human health and environmental impacts of waste are minimised.

The Victorian Government's response to the Independent Inquiry into EPA signals an intention for major reform of the *Environment Protection Act 1970*. This reform is likely to require changes supporting regulations such as the Industrial Waste Resource Regulations. Accordingly, our review process will be closely aligned with the broader reform process to ensure consistency.

Stakeholder consultation has commenced regarding the existing regulations. This consultation will help inform the development of options. We will undertake further public consultation on policy options over the next 12 months.

Noise

EPA has continued to review the noise SEPPs by engaging with industry and community representatives, as well as local and state governments to develop noise management plans and explore links with Victoria's planning system.

In 2016–17, we measured noise in response to 66 community reports. These assessments resulted in 11 pollution abatement notices (PANs) being issued to reduce noise. To prevent future noise problems from occurring, we conducted more than 65 noise assessments for operational approvals.

EPA reviewed commercial and industrial noise limits used in around 500 noise assessments over the past decade. This review found that around 25 per cent of the assessments set noise limits that would not protect against serious annoyance according to World Health Organization (WHO) guidance; while 1.4 per cent set limits that would be considered dangerous to health under the WHO guidance. This review highlights the importance of setting science-based noise standards to protect Victorians in the future.

Key achievements

Review of Environment Protection (Residential Noise) Regulations

In March 2017, EPA encouraged members of the community to participate in a survey as part of our review of the Environment Protection (Residential Noise) Regulations 2008. These regulations only apply to noise from residential premises (including during construction) and are due to expire in October 2018. This survey was developed with input from Victoria Police and local councils and received over 1,000 responses. Residential noise is the most searched topic on EPA's website and over 1,600 noise reports were received by EPA's customer service centre during 2016–17. EPA investigates noise pollution from industrial premises and EPA-licensed sites. We also help customers identify the correct authority for other noise complaints, which can often be a local council or Victoria Police.

Noisy vehicles

Victoria Police officers can now report noisy and smoky vehicles to EPA following the signing of a Memorandum of Understanding in April 2017. Data is provided to EPA via a terminal fitted to police vehicles making it easier for reports to be lodged.

Throughout 2016–17, EPA conducted four roadside operations targeting noisy vehicles, resulting in 24 sanctions. Over the past year, we issued 966 noisy vehicle notices and 63 vehicle owners had their registrations suspended.



In March 2017, seven motorists were put on notice following an EPA roadside operation targeting noisy vehicles in Oakleigh.

Delivering the Government's vision for EPA

In January 2017, the Victorian Government released its response to the Independent Inquiry into EPA, which contained 48 recommendations for a more modern and agile EPA capable of meeting new and future environmental challenges, particularly those related to the effects of pollution and waste on human health.

The Government supported all Inquiry recommendations in full or in part and invested \$162.5 million to enable EPA to deliver a wide-ranging reform program. Commencing in 2016, this program is focused on implementing the Government's recommendations and ensuring we become the environmental regulator that Victorians expect us to be.

To help guide our work, EPA has an organisational strategy which outlines five strategic goals. The following goals were developed in consultation with our community.

Goal 1: Prevent harm

We prevent harm from pollution and waste by leveraging good environmental performance across community, business and Government.

Goal 2: Equip community and business

We support Victorians to understand the condition of their environment and we work to ensure shared responsibility is accepted and understood by community and business.

Goal 3: Be an influential authority

We are a trusted source of advice on Victoria's environment and influential in working with others to address complex problems resulting from pollution and waste.

Goal 4: Respond to harm

We hold polluters to account and work with our partners to respond to pollution and emergency incidents and legacy contamination to minimise harm to Victoria's environment and people.

Goal 5: Organisational excellence

As an organisation, EPA commits to delivering on our goals by enabling a high-performance culture that values our people, and supports them with fit-for-purpose systems and expertise.

Reform achievements in 2016–17

EPA has already delivered on a number of the Government's recommendations in 2016–17.

- December 2016** – Established EPA's Environmental Public Health Unit to provide Victorians with improved environmental public health information relating to pollution and waste impacts.
- March 2017** – Appointed Victoria's inaugural Chief Environmental Scientist, Dr Andrea Hinwood.

In addition, in January 2017 the Victorian Government appointed an Interim Advisory Board to guide EPA's delivery of the Government's vision for EPA. Chaired by Cheryl Batagol, our Interim Advisory Board Members are Dr John Stocker, Professor Rebekah Brown, Ross Pilling, Monique Conheady, Debra Russell, Robert Hogarth and Professor Arie Freiberg.



In January 2017, EPA welcomed the appointment of our Interim Advisory Board.

In May 2017, the Environment Protection Bill 2017 was read for the second time in the Victorian Parliament. The Bill proposes strengthening our governance and status as a science-based regulator.

Our comprehensive reform program will deliver significant improvements in 2017–18. The program includes:

- strengthening EPA's role in strategic land use planning and improved guidance and information for decision makers
- enhancing Victoria's environmental public health capability and strengthening EPA's science capability
- a review of EPA's monitoring networks
- roll-out of the Officers for the Protection of the Local Environment (OPLE) pilot with local councils
- clarifying EPA's role as a technical advisor in emergency management
- delivering a new sanctions strategy to ensure our enforcement actions are preventative, proportionate and risk-based.

7. 2016–17 PERFORMANCE CONTINUED

Case study: Victoria's first Chief Environmental Scientist



In May 2017, EPA welcomed Victoria's first Chief Environmental Scientist, Dr Andrea Hinwood – signalling an important milestone in our transition to becoming a science-based regulator.

An Associate Professor at Edith Cowan University and a sessional member of the

State Administrative Tribunal of Western Australia, Dr Hinwood has a long-standing career in environmental science and brings a wealth of specialist experience in environmental exposures and human health to EPA.

As Victoria's inaugural Chief Environmental Scientist, Dr Hinwood will play a key role in responding to emerging and critical issues, providing advice to senior decision makers including the Minister for Energy, Environment and Climate Change and Victoria's Chief Health Officer. Dr Hinwood will also play an important role in helping Victorians make informed decisions about their environment and health in emergencies.

Another focus for Dr Hinwood is deepening EPA's relationships with universities and research organisations to ensure we remain at the forefront of emerging science.

Improving how we regulate

Financial assurance reform

The Environment Protection (Scheduled Premises) Regulations 2017 specify which scheduled activities must submit financial assurance. These include premises that have licences to conduct prescribed industrial waste management, landfills, bulk storage and container washing.

Throughout 2016–17, EPA commenced implementing the updated Financial Assurance Guideline released in April 2016. This guideline aims to ensure that sufficient funds are available to conduct a cleanup in the event that a site is abandoned.

EPA completed a review of the first group of licensed sites required to have financial assurance, obtaining an additional 11 financial assurances for premises that did not have financial assurance in place and re-assessing the adequacy of financial assurance at a further 22 sites.

We also worked with Local Government Victoria (LGV) on the development of guidance for councils. This guidance sets out the application of accounting standards to landfill cost estimates, thus supporting councils to fairly represent the full life cycle of landfilling costs in their financial reports.

Case study: Eyes in the sky

In late 2016, EPA launched an Unmanned Aerial Vehicle (UAV) Program to build our surveillance capabilities and support authorised officers on the ground.

Known more commonly as drones, the use of UAVs is becoming increasingly prevalent in a range of regulatory, emergency services and law enforcement contexts. At EPA, UAVs are being used primarily to support our surveillance and investigations into illegal dumping and pollution incidents.

In February 2017, approximately 200 litres of cream from a dairy company entered a stormwater drain. Mixed with stormwater, EPA estimated up to 30,000 litres of contaminated water was headed towards Lake Colac. The fatty acids in dairy products like milk or cream pose a serious risk to fish and other aquatic life as they can remove oxygen from the water.

With the help of a drone, EPA officers confirmed the contaminated water had stopped approximately 10 metres from the receded water level in the lake. There was no evidence of the spill impacting on the lake's water, preventing the need for a more time-consuming investigation.

In March and April, an EPA drone captured footage of extensive areas of exposed waste at landfills in Bulla and Brooklyn. Under EPA's licence conditions, landfills in Victoria must put at least 30 centimetres of soil cover over exposed waste at night to prevent odour, vermin, contaminated stormwater and litter impacting local communities.

The two landfill operators were fined almost \$8,000 each.

EPA's UAV Program is funded by the Illegal Dumping Strikeforce Program. Due to increasing demand, the program will expand in 2017–18 with the recruitment of another licensed UAV controller.



Emergency management

In 2016–17, EPA began the process of implementing the Government's response to the recommendations made in the Independent Inquiry into EPA regarding our role in emergency management (Recommendations 9.1 and 9.2).

Recommendation 9.1 suggested a refocusing of EPA's role within the State Emergency Response Plan – the key change being the broadening of our role in the provision of expert technical and scientific advice on environmental and human health impacts from high-risk emergencies involving waste and pollution.

This expansion of EPA's role reflects our unique position to provide specialist advice across all phases of emergency management (prevention (including preparedness), response and recovery) and saw the establishment of an environmental public health capability within EPA in 2016 (transferring across from DHHS).

Work has commenced to engage with key internal and external stakeholders to clarify the meaning of 'technical advisor' in emergency management, including the scoping of our needs to effectively fulfil this role and provide a recommendation on a refocused Emergency Management Agency Role Statement for EPA.

Recommendation 9.2 relates to the transfer of control agency responsibilities for the pollution of inland waters from EPA to DELWP. Going forward, EPA will focus on maximising our capabilities and capacity to deliver timely and effective technical advice to support emergency services and other Government agencies in response to emergencies involving pollution and waste.

In 2016–17, other notable emergency management achievements included:

- implementation of a new Incident Response System that integrates our environmental public health function. EPA's incident response systems provide for timely request for assistance from emergency services in response to incidents that have impacts on the environment and community public health
- establishment of an Emergency Management Staff Development Framework integrating training, coaching and exercises. In 2016–17, training was undertaken by 151 EPA staff members in 13 different emergency management roles
- implementation of a statewide incident air monitoring capability as part of EPA's air monitoring network
- participation in a Smoke Working Group which is a cross-governmental committee for smoke management.

Environmental Audit Reform Program

In 2012, EPA's Environmental Audit Unit (EAU) initiated a reform program following a joint study with the Victorian Competition and Efficiency Commission that reviewed our management of Victoria's environmental audit system. This program is focused on improving internal and external efficiencies and cutting 'red tape'.

In 2016–17, the EAU piloted an Auditor Performance Tracking Register to help identify patterns of behaviour in auditor performance and to monitor and assess the effectiveness of interventions such as auditor conditions and changes in guidance.

Throughout the year, EPA also reviewed how conflict of interest (auditor independence) issues are being addressed by auditors working in the landfills space. The use of auditors to provide assurance in the design, construction, operation and post-closure aspects of landfills is well entrenched and auditor independence is crucial in ensuring the integrity of the audit system. This review found that existing conflict guidance is unclear and work is currently underway to clarify expectations and update guidance to auditors.

In December 2016, EPA amended Publication 865 *Auditor Appointment and Conduct Guidance* to address how new and emerging areas for auditors such as mine rehabilitation audits will be administered. This approach aimed to encourage flexibility, minimise potential fragmentation of auditor duties and minimise barriers for those auditors considering emerging roles. Examples included the ability of an auditor to conduct mine rehabilitation audits under the *Mineral Resources (Sustainable Development) Act 1990* (MR (SD) Act).

CUTEP remediation report

In 2016–17, EPA released a remediation report of CUTEP (cleanup to extent practicable) decisions. This report aims to improve our communications with auditors and builds on previous work to improve consistency and transparency regarding CUTEP decisions.

The report is a summary of all previous CUTEP decisions (including relevant data) to enable easy identification of precedents relevant to a site currently proposed for CUTEP approval.

This project was undertaken at the request of the Groundwater Approvals Working Group – a representative group of auditors who engage with EPA quarterly regarding potential improvements to our administration of groundwater approvals processes on potentially contaminated sites.

Licensing improvements

In line with best regulatory practice, EPA updated 55 landfill licences in 2016–17 following an extensive review as part of our Licence Reform Program. This review involved extensive industry consultation and enabled landfill operators to provide feedback on a number of areas including landfill cell rehabilitation costs and new hydrogeological assessment requirements.

In January 2017, we commenced a consultation process on standard licence conditions for licensed premises. These conditions address the standard environmental impacts associated with all licensed premises and the updates focus on improving the wording of each condition, increasing their clarity and enforceability.

7. 2016–17 PERFORMANCE CONTINUED

EPA also commenced a review of 44 licences from the mining and extractive industry, coal processing and power station sectors. This review aims to harmonise the licences of comparable sites, looking at licence conditions and the pollutants monitored in the water or air discharges.

Throughout 2016–17, landfill licensing guidelines were updated (EPA Publication 1323) to help operators understand new conditions and meet compliance requirements. This publication also provides updated guidance for landfill operators and environmental auditors regarding EPA approval for the construction of new landfill cells and leachate ponds at existing landfills.

Scheduled Premises Regulations review

In June 2017, the Environment Protection (Scheduled Premises) Regulations 2017 came into effect following extensive consultation with our government, industry and community stakeholders.

These regulations define which types of premises in Victoria are considered ‘scheduled premises’ and replace the 2007 Regulations. Occupiers of scheduled premises are required to obtain an EPA works approval and/or licence, and/or provide a financial assurance.

Key changes to the Environment Protection (Scheduled Premises) Regulations 2017 include:

- a requirement that larger-scale reproprocessors of electronic waste (over 500 tonnes per year) and glass (over 10,000 tonnes per year) obtain a works approval or licence [existing premises have until 25 January 2018 to apply for a licence]
- a limitation on works approval and licence exemptions for new sources of emissions to air of fine particles (PM_{2.5})
- the removal of works approval and licensing requirements, under strict conditions, for occupiers of premises that temporarily store asbestos or lower-hazard liquid wastes
- the removal of prescribed potable water treatment plants as scheduled premises
- the exemption of water corporations from works approval requirements for some types of modification works at their sewage treatment plants.

Engaging with our community

Building strong partnerships – EPA’s reference groups

EPA has continued to receive valuable insights from our three reference groups: the Community Reference Group, the Water Industry Reference Group and the Business Reference Group. These reference groups meet quarterly and discuss matters related to environment protection, community engagement and the development of new environmental standards.

In 2016–17, our Water Industry Reference Group (WIRG) changed to a working group forum where the group spends more time working collaboratively on addressing industry problems. The entire WIRG met in February and May 2017 to share information and build relationships.

National Science Week 2016

National Science Week is Australia’s annual celebration of the role that science, technology, engineering and mathematics play in our lives. As a science-based regulator, National Science Week presents an opportunity for EPA to celebrate our scientific capabilities and improve community understanding of the science behind our work and our Citizen Science Program.

In 2016, EPA hosted our first public National Science Week event – a panel discussion on health, risk and making informed decisions. Held at RMIT University, the panel was attended by over 70 people and live-streamed online to approximately 130 viewers – some from as far away as Sweden, Canada and the United States.

EPA also hosted an event at St Kilda Beach to raise awareness of microplastics – the tiny pieces of plastic that pollute our waterways, sediments and beaches. Special guests included Minister for Energy, Environment and Climate Change, the Hon Lily D’Ambrosio MP; Minister for Housing, Disability, Ageing, Mental Health, Equality and Creative Industries, Hon Martin Foley MP; Bay Keeper Neil Blake; and Port Phillip Mayor, Cr Bernadene Voss.



Minister for Energy, Environment and Climate Change, Hon Lily D’Ambrosio MP, with EPA’s Citizen Science Coordinator, David Mossop.

Pollution reports, performance targets and deliverables

Pollution reports

In 2016–17, EPA received over 10,000 pollution reports from the community. EPA also receives reports related to emergencies and pollution notifications from businesses.

Table 7.2: Total pollution reports

	2017	2016	2015	2014	2013
Pollution reports from community	10,577	9,201	9,376	10,490	10,400
Emergency reports	195	246	342	309	305
Business notifications	647	1,565	1,454	1,393	1,014
Total	11,419	11,012	11,172	12,192	11,719

Table 7.3: Total pollution reports by region

	Metro	South Metro	South West	Gippsland	North West	North East	Not assigned ¹	Total
Odour	1,801	1,260	455	198	293	147	34	4,188
Noise	942	248	193	70	47	50	63	1,613
Waste	582	322	151	107	135	115	63	1,475
Water	942	322	181	120	94	110	62	1,831
Dust	247	281	175	82	54	44	24	907
Smoke	125	120	182	60	28	27	21	563
Emergency reports	92	29	14	14	4	25	17	195
Business notifications	144	54	148	111	67	116	7	647
Total ¹	4,875	2,636	1,499	762	722	634	291	11,419

1. 291 pollution reports were not allocated as at 30 June 2017

7. 2016–17 PERFORMANCE CONTINUED

Summary of activity and output targets for each strategic outcome

The table below provides a summary of EPA's performance against key performance indicators during 2016–17.

Table 7.4: EPA's performance against key performance indicators

Performance indicator	Notes	2017 Target	2017 Actual
Outcome one: Improve the effectiveness of EPA's regulatory activities			
Percentage of completed planned compliance visits to priority premises	1	100	106
Percentage of completed strategic visits to non-licensed Victorian businesses	2	100	122
Percentage of incidents assessed as requiring immediate EPA attendance inspected		95	97
Percentage of incidents assessed as requiring planned EPA attendance inspected		90	97
Total inspections undertaken		1,750	1,796
Percentage of cleanup to extent practicable (CUTEP) decisions exempt from approval by EPA		35	67
EPA notices issued for illegal dumping of waste	3	70	77
Outcome two: Protect the environment for future generations			
Environmental conditions research reports, improvement tools, guidelines, policies, systems and plans completed and issued	4	54	50
Percentage of EPA prosecutions that are successful, and conditions in enforceable undertakings that are focused on improving environmental performance	5	90	100
Outcome three: Improve confidence in EPA as the environmental regulator			
Percentage of notices complied with by due date or escalated in line with the Compliance and Enforcement Policy		90	94
Percentage of land audits submitted by EPA-appointed auditors that are reviewed to ensure compliance with statutory requirements and guidelines	6	90	100
Outcome four: Improve the experience people have of EPA			
Percentage of cleanup to extent practicable (CUTEP) decisions made under 56 days		90	94
Percentage of pollution reporters requesting follow-up by EPA receiving contact within three working days	7	80	97
Percentage of works approvals and licence applications completed within required statutory timelines		96	100

1. EPA's target for planned compliance visits to priority premises was 260 for 2016–17. Throughout the year, EPA had exceeded this target and had conducted 275 visits by 30 June 2017.
2. EPA's target for completed strategic visits to non-licensed Victorian businesses was 180 for 2016–17. Throughout the year, EPA had exceeded this target and had conducted 219 visits by 30 June 2017.
3. Remedial Notices are one of several activities EPA conducts as part of our focus on Illegal Dumping through our Illegal Dumping Strikeforce Program.
4. EPA currently defines this measure as the 'number of publications in a year'. In 2016–17, some publications were not delivered as planned due to shifting organisational priorities, delay in initial timeframes or were rescheduled to be published in 2017–18 to enable further consultation. In other cases, EPA chose to publish information in more user-friendly forms, for example on our website rather than in a publication.
5. EPA was successful in all prosecutions completed in 2016–17.
6. As part of our focus on ensuring compliance with statutory requirements, EPA has reviewed all land audits for 2016–17. This is consistent with the prior year's performance.
7. EPA exceeded our target due to ongoing commitment and effort towards improving customer service. In 2016–17, this included implementation of a new Quality Assurance Program and updates to the Customer Service Standard Operating Procedures.

Summary of compliance, enforcement and assessment activities

The table below provides a statistical summary of EPA's compliance, enforcement and assessment activities during 2016–17.

Table 7.5: Compliance, enforcement and assessment activities

Activity	Notes	2017	2016	2015	2014
Industry programs					
Inspections	1	1,796	1,903	2,252	2,950
Pollution abatement notices		273	266	300	265
Clean up notices	2	153	188	233	206
Minor works pollution abatement notices	2	53	59	76	88
Prosecutions completed		11	12	6	1
Official warnings	3	99	122	94	36
Penalty infringement notices	3	112	57	64	29
Environmental audits completed	4	145	218	218	207
Works approvals issued	5	17	27	28	32
Application exempt from the need for approval		34	38	36	19
Licences amended/transferred	6	67	75	74	61
Planning referrals advised on		743	711	787	795
Vehicle programs					
Noisy vehicle notice	7	966	995	1,731	2,141
Smoky vehicle notice		1,859	2,015	2,334	2,167
Infringement notices	8	12	57	36	13
Official warnings		12	11	15	4
Litter programs					
Infringement notices	9	12,984	15,141	13,403	12,859

1. EPA undertook fewer inspections than the previous year. This was due to a focus on undertaking more proactive and strategic engagement with stakeholders and following through with sanctions. EPA met our 2016–17 target of 1,750 inspections.
2. The lower number of remedial notices is due to the reduction of the number of illegal industrial waste dumping notices issued in 2016-17. This could be attributed to EPA's Illegal Dumping Strikeforce which uses a multidisciplinary approach to reduce the large-scale dumping of industrial waste throughout Victoria.
3. The increase in the number of sanctions (official warnings and penalty infringement notices) from previous years reflects EPA's increased focus on holding polluters to account and commitment to undertaking more targeted inspections.
4. The number of environment audits is driven by external factors and not influenced by the actions of EPA.
5. EPA received fewer works approval applications in 2016–17 compared to previous years. Previous years' figures have been updated since previous publications.
6. These figures have been updated since previous publications.
7. EPA has experienced a drop in reporting while implementing improvements to the electronic reporting system with Victoria Police. From this work, a memorandum of understanding was signed in April 2017 between EPA and Victoria Police and data can now be provided to EPA via a terminal fitted to police vehicles.
8. Due to a shift in organisational priorities, EPA conducted four roadside operations targeting noisy vehicles compared to the eight conducted in 2016–17. This resulted in fewer infringement notices issued compared to previous years.
9. The number of infringement notices issued is influenced by the number of reports received by the public and then approved by EPA. In 2016–17, there was a slight decrease in reports received and a higher proportion of reports which were rejected resulting in fewer infringement notices.

7. 2016–17 PERFORMANCE CONTINUED

Performance against Government performance targets

The following table shows EPA’s performance against output targets set in the Victorian Government Budget Paper No.3. Service Delivery, and committed to in the Minister’s Statement of Expectation 2016–17.

Table 7.6: Budget Paper No. 3. Service Delivery

Indicator	Notes	2017 Target	2017 Actual
Environmental condition research reports issued, improvement tools, guidelines, policies, systems and plans completed and issued	1	54	50
EPA notices issued for illegal dumping of waste	2	70	77
EPA prosecutions are successful, and conditions in enforceable undertakings are focused on improving environmental performance	3	90%	100%
Land audits submitted by EPA appointed auditors are reviewed to ensure compliance with statutory requirements and guidelines	4	90%	100%
Notices complied with by due date or escalation in line with Compliance and Enforcement Policy		90%	94%
Pollution reporters requesting follow-up by EPA receives contact within three working days	5	80%	97%
Works approvals and licences completed within required statutory timelines		96%	100%
Output cost	6	\$82.8m	\$92.0m

1. EPA currently defines this measure as the ‘number of publications in a year’. In 2016–17, some publications were not delivered as planned due to shifting organisational priorities, delay in initial timeframes or were rescheduled to be published in 2017–18 to enable further consultation. In other cases, EPA chose to publish information in more user-friendly forms; for example, on our website rather than in a publication.
2. EPA’s focus on illegal dumping of waste continues to result in an increased number of notices being issued for illegal dumping across Victoria.
3. EPA was successful in all prosecutions completed in 2016–17.
4. As part of our focus on ensuring compliance with statutory requirements, EPA has reviewed all land audits for 2016–17. This is consistent with the prior year’s performance.
5. EPA exceeded our target due to ongoing commitment and effort towards improving customer service. In 2016–17, this included implementation of a new Quality Assurance Program and updates to the Customer Service Standard Operating Procedures
6. Actual output cost is \$9.2 million greater than the target due to the commencement of the Reform Program during the year.

Table 7.7: Minister’s Statement of Expectations 2016–17

Measure	Notes	Target	2016–17 Progress
1. Periodic reviews of the currency and effectiveness of EPA’s licence conditions	1	Review effectiveness of EPA licences including a review of the standard conditions that apply to all licences	Achieved
2. Time taken by EPA for a cleanup to extent possible (CUTEP) decision following submission from an environmental auditor		80% within 56 days	Achieved
3. Percentage of CUTEP decisions exempt from approval by EPA (that is, decision made by the auditor)		35%	Achieved
4. Explore opportunities for industry burden reduction as part of the review of the Environment Protection (Scheduled Premises and Exemptions) Regulations 2007	2	Identify opportunities to the satisfaction of the Office of the Commissioner for Better Regulation	Achieved

1. The periodic review of licences is an ongoing program where licences and standard licence conditions are reviewed a maximum of every five years. In 2016–17, 55 landfill licences were updated following an extensive review in line with best regulatory practice. In the first half of 2017, standard licensing conditions were reviewed, and initial research conducted on the following sectors: mining and extractive industries; power stations; and coal processing. The implementation of the updated standard conditions and the update of sector licences will take place by the end of 2017.
2. Following an extensive review process with community and industry participants, the Environment Protection (Scheduled Premises) Regulations 2017 commenced on 25 June 2017. The risk-based approach to the review identified potential burden reduction opportunities, which include:
 - removal of works approval and licensing requirements, under strict conditions, for premises that temporarily store asbestos or lower-hazard liquid wastes
 - no longer precribing potable water treatment plants as scheduled premises
 - exempting some modification works at sewage treatment plants from works approval requirements.

8. FINANCIAL PERFORMANCE SUMMARY

Overview of financial performance

The Victorian Government considers the net result from transactions to be the appropriate measure of financial management that can be directly attributed to Government policy.

In 2016–17, EPA achieved a net result from transactions of \$9.4 million primarily due to increased Prescribed Industrial Waste (PIW) levy driven by a one-off major infrastructure program within the State.

Both total income and expenses increased during the year, primarily associated with reform funding received for the Government’s response to the Independent Inquiry into EPA. The reform funding of \$11.8 million represents the first year of a five-year reform program of work as part of the ‘Bringing Our Environment Protection Authority into the Modern Era’ Initiative.

The net result for the period of \$3.7 million is lower than the net result from transactions due to an increase in the provision for doubtful debts associated with outstanding regulatory fees.

Table 8.1: EPA five-year financial summary

		(\$’000)				
	Note	2017	2016	2015	2014	2013
Total income from transactions	1	101,399	91,177	251,571	220,876	193,077
Total expenses from transactions		(92,010)	(74,833)	(121,284)	(132,834)	(139,064)
Net result from transactions		9,389	16,344	130,287	88,042	54,013
Net result for the period		3,656	4,894	128,270	81,905	52,994
Net cash flow from operating activities		24,787	64,070	109,997	119,297	65,619
Total assets	2	186,751	169,357	594,092	473,688	397,405
Total liabilities		32,647	21,327	22,035	30,213	35,835
Net assets		154,104	148,030	572,057	443,475	361,570

1. As a consequence of the transfer of the Sustainability Fund from EPA to DELWP as at 1 July 2015, EPA no longer recognise Municipal and Industrial Landfill levies as revenue.
2. The *Environment Protection (Amendment) Act 2006* introduced increased and differential levies on the disposal of PIW to landfill to reflect the level of hazard posed by the different categories of PIW. EPA only receives a portion of these levies for operational purposes based on the PIW Revenue Charter. The accumulated balances of these levies is held in a separate account within the Environment Protection Fund for the purposes of funding specific environmental protection initiatives.

Financial performance review

EPA achieved a lower net result from transactions of \$7 million, representing a 42 per cent decrease compared to the previous year.

Total income from transactions was \$101.4 million, representing a \$10.2 million increase (11 per cent) from the previous year. The increase is primarily due to increased Prescribed Industrial Waste (PIW) levy being driven by a one-off major infrastructure program within the State and reform funding received for the Government’s response to the Independent Inquiry into EPA. This increase is partly offset by realisation of investment returns in the prior year.

Total expenses from transactions were \$92 million, representing a \$17.2 million increase (22 per cent) from the previous year, primarily due to increased operational activities associated with the reform initiative and provisions relating to site remediation works and treatment costs for legacy pesticide waste.

8. FINANCIAL PERFORMANCE SUMMARY CONTINUED

Financial position – balance sheet

Net assets increased by \$6.1 million compared to the previous year due to increased cash holdings partly offset by additional provisions for site remediation works and treatment costs for legacy pesticide waste as well as increased doubtful debts associated with outstanding regulatory fees.

Cash flows

The overall cash flow from operating activities decreased by \$39.2 million compared to 2015–16 primarily due to a one-off adjustment relating to Municipal and Industrial landfill levies as part of the transfer of the Sustainability Fund to DELWP last financial year.

Capital projects/asset investment programs

There were no significant capital projects during the period.

Subsequent events

There have been no subsequent events that have materially affected the financial performance as reported in the financial statements.

9. ORGANISATIONAL STRUCTURE AND GOVERNANCE ARRANGEMENTS

Chairman and the Interim Advisory Board

Chairman

Ms Cheryl Batagol was appointed as Chairman in September 2009. The role of the Chairman is to set the standards and the strategic direction for EPA, liaise with stakeholders and monitor the organisation's performance.

Cheryl Batagol has more than 40 years' experience in the waste management, water and environmental sectors. Cheryl brings to the role her prior experience with numerous government bodies including as Chair of Melbourne Water, a board member of City West Water and Southern Rural Water, Chair of EcoRecycle Victoria, Deputy Chair and board member of Sustainability Victoria and a member of the Victorian Catchment Management Council and the Victorian Sustainability Fund Advisory Panel.

Cheryl is also the Chair of the Co-operative Research Centre for Water Sensitive Cities and the Chair of the Heads of EPAs Australia and New Zealand.

Environment Protection Board

The Environment Protection Board is an advisory board under Section 8 of the *Environment Protection Act 1970* (EP Act). Its role is to provide advice to EPA and Minister for Energy, Environment and Climate Change on certain matters. The Advisory Board is not accountable for EPA activities or operational aspects of EPA.

Mr Bob Welsh has served as the Environment Protection Board President since his appointment in May 2006. Mr Ross McCann was appointed to the Environment Protection Board in September 2012. Ms Debra Russell was appointed to the Environment Protection Board in September 2015.

The Environment Protection Board members' appointments expired on 9 December 2016.

Interim Advisory Board

On the 9 January 2017 the Minister for Energy, Environment and Climate Change established a non-statutory, ministerial advisory committee, to be known as the Environment Protection Authority Interim Advisory Board.

The Interim Advisory Board's functions are solely limited to the provision of advice to the EPA Chairman and the Minister. All powers and responsibilities currently vested in EPA, the EPA Chairman and CEO of the EPA will continue while the Interim Advisory Board is operating.

The seven-member Interim Advisory Board is chaired by Cheryl Batagol in an ex-officio capacity.

Dr John Stocker AO – Board Member from January 2017 to current

Dr Stocker AO has a background in medical research. He was formerly the Chief Executive and subsequently Chairman of CSIRO, the Australian Government's Chief Scientist Australia and a non-executive Director of Telstra. Dr Stocker is a Fellow of the Royal Australasian College of Physicians and the Australian Academy of Technological Sciences and Engineering.

Dr Stocker's undergraduate studies were at the University of Melbourne, completing his Bachelor of Medical Science in 1969, and his Bachelor of Medicine/ Bachelor of Surgery in 1970. In 1976, he completed his PhD. at the Walter and Eliza Hall Institute of Medical Research in Melbourne. Dr Stocker is chair of EPA's Science and Engineering Advisory Committee.

Professor Rebekah Brown – Board Member from January 2017 to current

Professor Brown is Director of the Monash Sustainable Development Institute, at Monash University. The Institute is a leading interdisciplinary research and education centre working collaboratively with Government, industry and philanthropists to advance the knowledge, policy and practice of sustainable development.

Professor Brown was formerly the Chief Research Officer at the Cooperative Research Centre for Water Sensitive Cities and a Professor of Environmental Sociology at Monash University. Professor Brown holds a Bachelor of Civil Engineering (Honours) from Monash University and a PhD in Environmental Studies from the University of New South Wales.

Mr Ross Pilling – Board Member from January 2017 to current

Mr Pilling recently retired as Chairman and Managing Director, Australia and New Zealand at BASF Australia Ltd. He was a member of that company's Asia Pacific Leadership Team from 2008, in which capacity he designed and implemented a successful major transformation program. Mr Pilling was formerly the Deputy National President of the Australian Industry Group, and a longstanding board member of the Plastics and Chemicals Industry Association.

Mr Pilling was a member of the Industry Advisory Committee for RMIT's and School of Aerospace, Mechanical and Manufacturing Engineering and a member of the Prime Minister's Business Advisory Forum to COAG. He is a Fellow of the Australian Academy of Technological Sciences and Engineering, a graduate of the AICD's Mastering the Boardroom Course and has a Master of Science from Cranfield Institute of Technology and a Bachelor of Engineering with Honours from the University of Liverpool.

9. ORGANISATIONAL STRUCTURE AND GOVERNANCE
ARRANGEMENTS CONTINUED

Ms Monique Conheady – Board Member from January 2017 to current

Ms Conheady is currently Chair of the Moreland Energy Foundation Limited, a Fellow of the Centre for Sustainability Leadership, a Commissioner with the Taxi Services Commission and a Director with the Victorian Responsible Gambling Foundation.

Ms Conheady was a co-founder and CEO of Flexicar and subsequently held senior management roles at Hertz Australia after it purchased Flexicar. Ms Conheady is a University of Melbourne graduate with Honours in both Engineering and Arts.

Ms Debra Russell – Board Member from January 2017 to current

Ms Russell has more than 30 years' experience in law and a strong regulatory background, having been a senior executive with the Australian Securities and Investments Commission. For the past 14 years, Ms Russell has worked as a legal and regulatory risk consultant, including through PricewaterhouseCoopers, providing legal and regulatory risk services to clients.

Ms Russell has a Bachelor of Arts (Honours), Bachelor of Laws and Master of Laws from Melbourne University, a Graduate Diploma in Education from Monash University and a Graduate Diploma in Applied Finance and Investment (Securities Institute of Australia). She is a former Member of EPA's Environment Protection Board. Ms Russell is also a member of EPA's Risk and Audit Committee.

Mr Rob Hogarth – Board Member from January 2017 to current

Mr Hogarth is an experienced non-executive director who has been a member of the EPA Risk and Audit committee for more than five years. Mr Hogarth is a Chartered Accountant and a former partner with KPMG Australia. Since retiring from KPMG he has served as a non-executive director/risk and audit committee member for a range of organisations in the public and private sectors.

Mr Hogarth also provides mentoring and business advice to selective organisations focusing primarily on strategy, governance and financial and risk management. Mr Hogarth holds a Bachelor of Economics from Sydney University and is a Fellow of the Institute of Chartered Accountants in Australia.

Professor Arie Freiberg AM – Board Member from January 2017 to current

Professor Freiberg is an Emeritus Professor at Monash University, a position he has held since 2013. He was Dean of the Faculty of Law at Monash University between 2004 and 2012 and previously Dean of the Faculty of Arts at the University of Melbourne. He was appointed to the Foundation Chair of Criminology at the University of Melbourne in 1991 where he served as Head of the Department of Criminology for 10 years.

Professor Freiberg holds a Bachelor of Laws (Honours), a Diploma in Criminology and a Doctor of Laws from the University of Melbourne and a Master of Laws from Monash University. He is a fellow of the Academy of Social Sciences in Australia and the Australian Academy of Law and holds an Adjunct Faculty appointment in the Australia and New Zealand School of Government. He has consulted for several governments on matters of legal and regulatory reform.

Attendance at Interim Advisory Board meetings in 2016–17

There were Interim Advisory Board meetings held in March, May and June. Table 9.1 records Members' attendance.

Table 9.1: Interim Advisory Board meeting attendance

Interim Advisory Board Member	Meetings eligible to attend	Meetings attended
Dr John Stocker AO	3	2
Professor Rebekah Brown	3	2
Mr Ross Pilling	3	3
Ms Monique Conheady	3	3
Ms Debra Russell	3	3
Mr Rob Hogarth	3	3
Professor Arie Freiberg AM	3	3

Advisory committees

EPA has four sub-committees of the Interim Advisory Board to support it us fulfilling our role: Risk and Audit, People and Culture, Science, Engineering and Health and Regulatory.

Risk and Audit Committee

EPA has a Risk and Audit Committee and internal audit function to meet legislative requirements and support the Chairman and CEO to fulfil their obligations under the *Financial Management Act 1994* (FM Act). The Risk and Audit Committee has five independent members and reports directly to the Chairman and CEO. In the absence of a formal board of governance, the Chairman and CEO remain fully accountable for their risk and audit responsibilities. The members of the Risk and Audit Committee as at 30 June 2017 were Ms Merran Kelsall (Chair), Ms Debra Russell, Mr Ian Coles, Mr Rob Hogarth and Mr Ross Pilling.

People and Culture Committee

The People and Culture Committee's role is to provide advice to the CEO in his oversight and management of EPA's people and culture. The members of the People and Culture Committee as at 30 June 2017 were Ms Monique Conheady and Ms Cheryl Batagol.

Science, Engineering and Health Committee

The Science, Engineering and Health Committee's role is to provide strategic expert advice through the EPA Interim Advisory Board to the Chairman and CEO in their oversight and management of EPA's science, engineering and health functions. The members of the Science and Engineering Advisory Committee as at 30 June 2017 were Dr John Stocker AO (Chair), Professor Rebekah Brown, Ms Leonie Walsh, Prof Tom Spurling AM, Mr David Pullman and Dr Jenny Stauber.

Regulatory Committee

The Regulatory Committee's role is to provide strategic expert advice through the EPA Interim Advisory Board to the Chairman and CEO in their oversight and management of EPA's regulatory functions. The members of the Regulatory Committee as at 30 June 2017 were Ms Debra Russell (Chair) and Professor Arie Freiberg.

Organisational structure

Chief Executive Officer and Executive Leadership Team

Nial Finegan, Chief Executive Officer (BEng (Hons), MBA, DIC, CPEng, FIEAust, EngExec, NER GAICD)

Nial Finegan was appointed as Chief Executive Officer (also Deputy Chairman) in August 2014. He is responsible for the day-to-day management of EPA in accordance with the law and Government policies affecting EPA. Nial provides strategic leadership and management to the organisation, ensures proper resource allocation and timely delivery of outcomes.

Tim Eaton, Executive Director Knowledge Standards and Assessments (BSocSc, MEL, GAICD)

Tim Eaton joined EPA in February 2010. The Knowledge, Standards and Assessments directorate includes the collection and interpretation of evidence and environmental impacts and assessment of proposed activities and developments requiring approval under the EP Act.

Dr Andrea Hinwood, Chief Environmental Scientist (BSc, MAppSc, PhD)

Andrea Hinwood joined EPA in May 2017 as the inaugural Chief Environmental Scientist. As EPA's science lead, Andrea will provide advice to ELT and other senior decision makers, including the Minister for Energy, Environment and Climate Change and Victoria's Chief Health Officer.

Tony Matthews, Board Secretary (B.Bus, CPA, MBA, GAICD)

Tony Matthews joined EPA in February 2017 as the inaugural Board Secretary. This role includes the development of the governance frameworks for the Interim Advisory Board and preparing for the transition to a new board.

Chris Webb, Executive Director Regulatory Practice and Strategy (BSc)

Chris Webb joined EPA in August 2010 and has led Regulatory Practice and Strategy since July 2014. The Regulatory Practice and Strategy directorate includes the development of strategic programs and engagement, operational capability improvements and the delivery of core regulatory programs and systems.

Damian Wells, Executive Director Regional Services (BEM (Hons), MBA, GAICD)

Damian Wells joined EPA in March 2015. The Regional Services directorate includes EPA's regional offices and delivers proactive, targeted compliance and enforcement programs and performs pollution response activities.

Dr Cathy Wilkinson, Executive Director Strategy Development and Reform (BAppSci, MEnvSci, PhD)

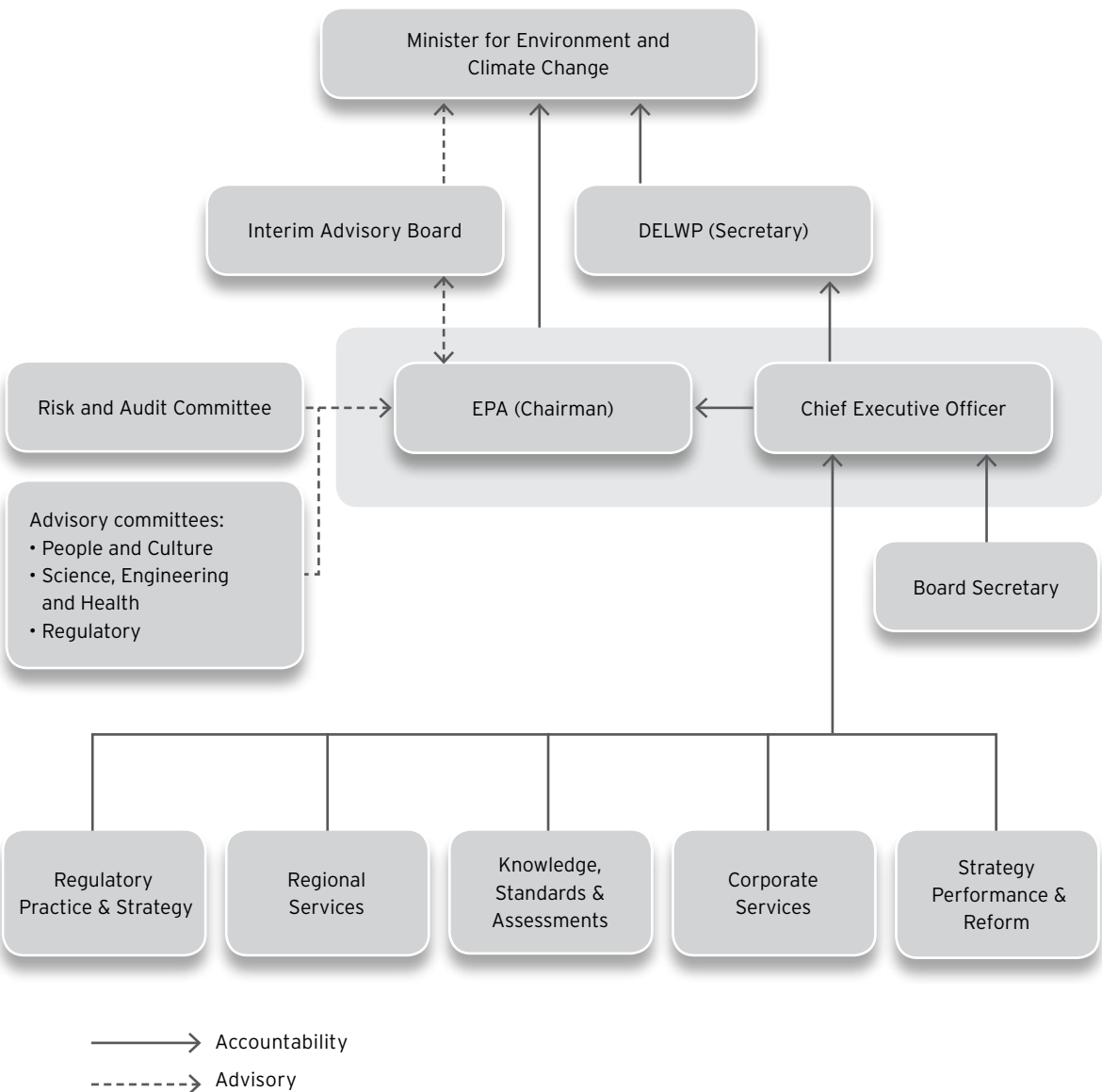
Cathy Wilkinson joined EPA in March 2015. The Strategy Development and Reform directorate leads cross-organisational implementation of reforms following the Ministerial Advisory Committee Independent Inquiry into EPA as well as the development of a new organisational strategy.

Annie Volkering, Executive Director Corporate Services (BAppSci, DipEd, GradDip)

Annie Volkering joined EPA in January 2012 and has led Corporate Services since July 2014. The Corporate Services directorate includes EPA's core business support services of finance, technology, people and culture, legal, risk and strategic advice. Corporate Services also includes EPA's customer service function.

9. ORGANISATIONAL STRUCTURE AND GOVERNANCE ARRANGEMENTS CONTINUED

Figure 9.1: EPA Victoria's organisational structure as of 30 June 2017



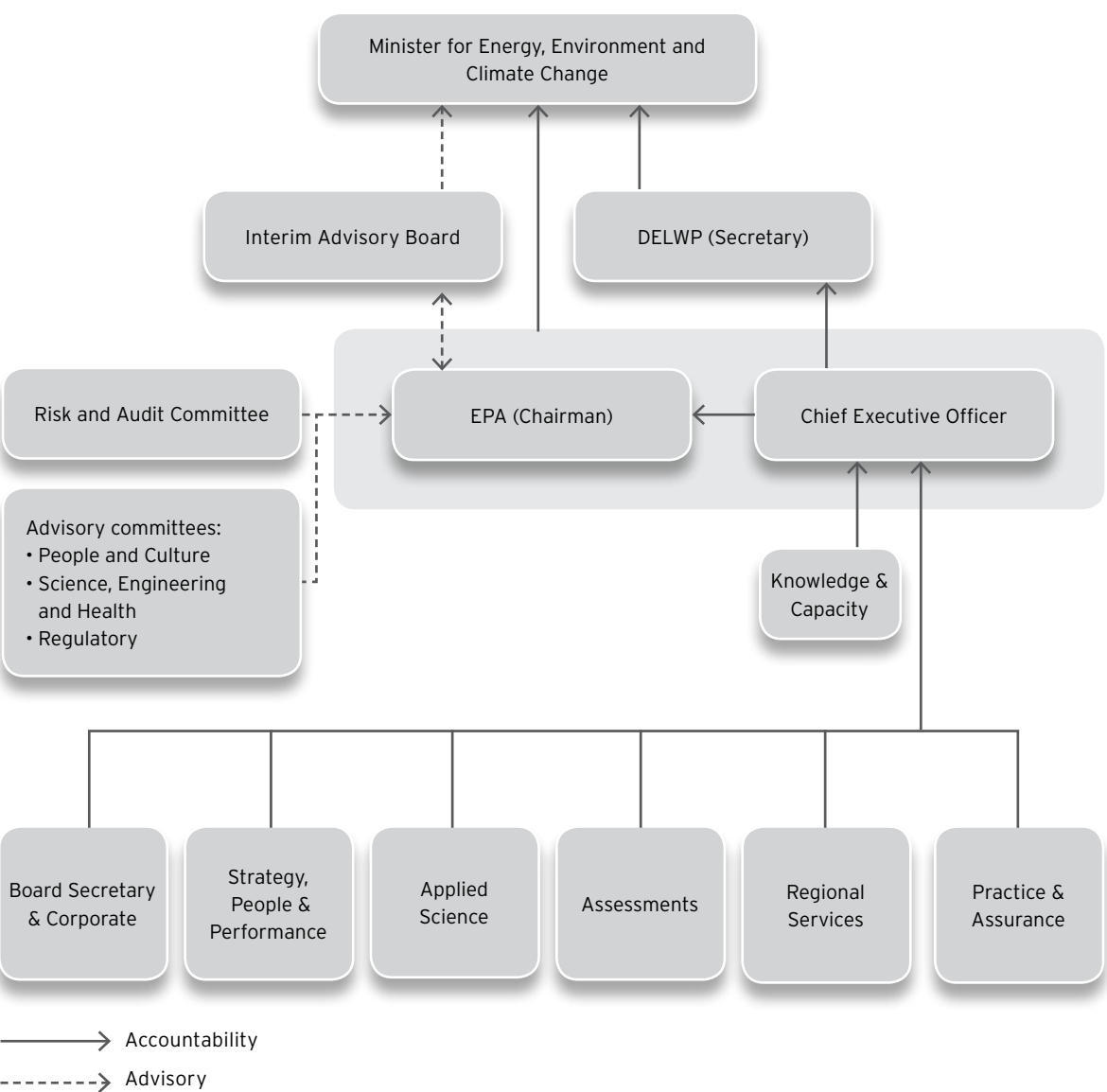
Changes from 1 July 2017

To position us to deliver on the Government's vision for EPA, we introduced a new organisational structure on 1 July 2017. EPA now comprises six directorates: Board Secretary & Corporate; Strategy, People & Performance; Applied Science; Assessments; Regional Services, and Practice & Assurance.

This realignment recognises EPA is growing, with new governance structures and functions to deliver our reform program, while meeting increased expectations on day-to-day operations and service delivery. Moreover, the new structure:

- places science, led by Victoria's Chief Environmental Scientist, at the centre of everything we do
- ensures greater alignment between strategy, reform delivery, performance and people
- maintains a strong core service delivery model for all Victorians
- provides for the Capability Assessment, as per recommendation 20.2 from the Independent Inquiry into EPA.

Figure 9.2: EPA Victoria's organisational structure as of 1 July 2017



9. ORGANISATIONAL STRUCTURE AND GOVERNANCE
ARRANGEMENTS CONTINUED

Occupational health and safety (OHS)

Policies, systems and processes

EPA's safety vision is to eliminate work-related injuries and illnesses, unsafe work practices and promote the health, safety and wellbeing of all employees, contractors, volunteers, and visitors. The objectives of EPA's 2014–17 Occupational Health & Safety (OHS) Strategy is to help achieve this vision through:

- creating a positive safety culture
- maintaining an effective safety management system
- reducing risk in the workplace.

The OHS Strategy supports the continuous improvement of the EPA OHS Management System that is AS/NZS 4801:2001 certified. The OHS Committee consists of 18 elected health and safety representatives and six managers, 5 per cent of the total EPA staff, and is chaired by the Executive Director Regional Services or Executive Director Corporate Services.

In 2016–17, EPA developed several new initiatives to improve the health and safety of staff including:

- a Safety Link App for mobile phones to enable tracking of field staff
- a hearing management program for all field staff
- an occupational violence training pilot
- initiation of a review of all protective clothing and personal protective equipment.

During the year, EPA also maintained AS/NZS 4801:2001 certification, continued providing a health and wellbeing program, ergonomic assessments and the roll out of sit/stand desks. All EPA OHS policies and procedures are consistent with the *Occupational Health and Safety Act 2004*, Occupational Health and Safety Regulations 2007 and the *Accident Compensation Act 1985*. The *Victorian Public Service Enterprise Agreement 2016* covers the formal agreement with the Community and Public Sector Union regarding issues and obligations for OHS.

Incident management

EPA had 91 incidents reported in 2016–17, 63 resulted in injury or impact to an individual. Slips, trips and falls, equipment or building-related incidents and sprains and strains account for over half of all the incidents. There were three lost time injuries for 2016–17; two were due to wrist strain injuries and one due to an employee sustaining a broken leg.

In 2016–17, 31 per cent of total reported incidents related to field work. EPA employees attending environmental incidents, responding to pollution and emergency reports, and entering a wide variety of non-EPA facilities and workplaces represent the most significant identified risk for EPA employees. EPA continued to focus on managing these risks through refresher training, reviewing and upgrading OHS procedures, identifying appropriate equipment, and supporting the commitment of EPA employees to their safety and safe work practices.

EPA offers employees and their immediate families access to an Employee Assistance Program which provides confidential, professional counselling for personal or work-related issues. In 2016–17, 51 people accessed EPA's Employee Assistance Program. Psychological incidents accounted for 13 per cent of all OHS incidents reported in 2016–17.

There were three standard WorkCover claims for 2016–17.

Performance against OHS management measures

Table 9.2: Performance against OHS management measures

Measure	Key performance indicator	Notes	2017	2016	2015
Incidents	No. of incidents	1	91	97	98
	Rate per 100 FTE	3	18.13	25.00	27.2
	Injury rate		2.15	2.56	2.84
	LTI		4	0	1
	LTIFR		3.867	0.00	1.89
Claims	No. standard claims	2	3	3	1
	Rate per 100 FTE	3	0.59	0.77	0.27
	No. of lost time claims		1	0	0
	Rate per 100 FTE	3	0.19	0	0
	No. of claims exceeding 13 weeks		1	0	0
Fatalities	Rate per 100 FTE	3	0.19	0	0
	Fatality claims		0	0	0
Claim costs	Average cost per standard claim	2	\$17,428	\$723	\$1,873
Return to work	Percentage of claims with return to work (RTW) plan <30 days		100%	100%	100%
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IPRs)		Completed	Completed	Completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs		Completed	Completed	Completed
Risk management	Percentage of workplace inspections completed		75%	75%	65%
	No. of AS 4801 external audit recommendations		2	2	4
	Percentage of AS 4801:2001 external audit recommendations actioned		100%	100%	100%
Training	Percentage of managers and staff that have received OHS training:				
	• induction		90%	85%	10%
	• management training		15%	20%	5%
	• contractors, temps, and visitors		75%	70%	10%
	Percentage of HSRs trained:				
	• acceptance of role		80%	73%	100%
	• retraining (refresher)		25%	15%	40%
	• reporting of incidents and injuries		10%	0%	25%

1. Incidents data sourced from EPA's internal system, EPASS, as at 30 June 2017.
2. Data sourced from the Victorian WorkCover Authority as at 30 June 2017.
3. Based on an FTE of 502.

Table 9.3: EPA premium performance rate

	2017	2016	2015
Performance rate	0.3477%	1.2921%	0.5564%

Employment and conduct principles

EPA is committed to applying best practice principles when appointing and retaining its people. Processes reflect and conform to Section 8 of the *Public Administration Act 2004* ensuring decisions are based on merit, fairness, equity and freedom from discrimination.

10. WORKFORCE DATA

Values and employment principles

EPA continues to review policies that underpin our workforce strategies. Policies focus on upholding public sector conduct and values, alignment with the VPSC Employment Standards, managing and valuing diversity and creating a safe and healthy workplace for our employees.

The new EPA Organisational Strategy *Our Environment, Our Health* contains newly endorsed values that align with the VPSC Employment standards that will be promoted and internalised within the organisation.

All EPA employees are covered by the *Victorian Public Service Enterprise Agreement 2016*, except for executives who hold individual employment contracts under the *Public Administration Act 2004*.

Comparative workforce data

Table 10.1: Full-time equivalent (FTE) staffing trends from 2012 to 2017

	2017	2016	2015	2014	2013	2012
FTE	461	388	341	312	325	364

Table 10.2: Summary of employment in June of 2016 and 2017

	Ongoing employees				Fixed-term and casual employees	
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE	FTE
June 2017	406	330	76	381.93	79.04	
June 2016	351	274	77	323.28	65.03	

Table 10.3: Details of employment levels in June of 2016 and 2017

	2017								2016															
	All Employees				Ongoing				Fixed-term and casual employees				All Employees				Ongoing				Fixed-term and casual employees			
	Headcount	FTE	Full Time (headcount)	Part Time Headcount	FTE	Headcount	FTE	Headcount	FTE	Headcount	FTE	Full Time (headcount)	Part Time Headcount	FTE	Headcount	FTE	Headcount	FTE						
Gender:																								
Male	215	210.19	165	13	174.84	37	35.35	229	185.44	145	12	154.04	32	31.4										
Female	274	250.78	165	63	207.09	46	43.69	189	202.87	131	63	169.24	35	33.63										
Age																								
15-24	9	8.2	5	0	5	4	4	4	3.6	2	0	2	2	1.6										
25-34	132	128.66	90	8	96.03	32	32	110	105.58	70	12	77.9	28	27.68										
35-44	181	166.38	113	43	142.32	27	27	158	141.54	94	41	119.59	23	21.95										
45-54	106	98.88	71	19	83.68	16	16	94	88.29	66	16	76.49	12	11.8										
55-64	55	53.25	46	5	49.3	4	4	50	47.7	43	5	45.7	2	2										
65+	6	5.6	5	1	5.6		0	2	1.6	1	1	1.6	0	0										
VPS 1-6 Grades	476	448.37	318	75	369.33	83	79.04	410	381.11	270	73	316.07	67	65.04										
VPS 1	1	0.2	0	0	0	1	0.2	1	0.6	0	0	0	1	0.6										
VPS 2	14	13	4	1	4.4	9	8.6	9	9	5	0	5	4	4										
VPS 3	75	70.83	56	9	61.63	10	9.2	74	69.32	47	13	55.32	14	14										
VPS 4	166	156.06	113	24	128.82	29	27.24	152	140.89	101	24	115.25	27	25.64										
VPS 5	156	146.69	97	32	119.69	27	27	122	113	80	27	98	15	15										
VPS 6	64	61.59	48	9	54.79	7	6.8	52	48.3	37	9	42.5	6	5.8										
Senior Employees	13	12.6	12	1	12.6	0	0	8	7.20	6	2	7.2	0	0										
STS	5	4.6	4	1	4.6	0	0	2	1.2	0	2	1.2	0	0										
PS	0	0	0	0	0	0	0	0	0	0	0	0	0	0										
SMA	0	0	0	0	0	0	0	0	0	0	0	0	0	0										
SRA	0	0	0	0	0	0	0	0	0	0	0	0	0	0										
Executives	8	8	8	0	8	0	0	6	6	6	0	6	0	0										
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0										
Total Employees	489	460.97	330	76	381.93	83	79.04	418	388.31	276	75	323.27	67	65.04										

Diversity and Inclusion Plan

In 2016-17, EPA continued to foster a culture or inclusiveness that recognises, values and celebrates the diversity of our people and managed this through a range of policies including Recruitment and Selection, Managing Flexible Work Arrangements and Preventing and Managing Discrimination, and Bullying and Harassment policies.

Significant milestones for the year included:

- conducting a Workforce Diversity and Inclusion Survey to inform and support the forthcoming EPA Victoria Diversity and Inclusion Strategy
- establishing Diversity & Inclusion Coaches across the organisation to support an inclusive culture and provide peer support
- participating in a State Government initiative to improve gender equity and female participation in emergency management
- completing a review to ensure our facilities is accessible for people with a disability
- taking part in the LGBTI in the Victorian Public Service (LIPS) Human Resources practitioners network to ensure our policies and practices align to the broader Victorian Public Service position
- participating in the Victorian Public Service de-identified recruitment pilot.

EPA Victoria remains committed to championing a high-performing, inclusive culture to deliver organisational excellence and enable world-class environmental regulation. To that end, in the upcoming year, EPA will establish a new Diversity and Inclusion Strategy that outlines our five-year action plan which is aligned with the new Organisational Strategy and State Government priorities. In addition, a new Diversity and Inclusion Policy will be developed and published across the organisation.

Executive officer data

An **executive officer** (EO) is defined as a person employed as a public service body head or other executive under Part 3, Division 5 of the *Public Administration Act 2004*. All figures in the following tables reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

Table 10.4: Number of EOs classified into ‘ongoing’ and ‘special projects’

Classification	All		Ongoing		Special projects	
	No.	Var.	No.	Var.	No.	Var.
EO-1	1	-	1	-	-	-
EO-2	7	-	6	-	1	-
EO-3	-	-	-	-	-	-
Total	8	-	7	-	1	-

Table 10.5: Breakdown of EOs into gender for ‘ongoing’ and ‘special projects’

Classification	Ongoing				Special Project			
	Male		Female		Male		Female	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
EO-1	1	-	-	-	-	-	-	-
EO-2	4	+2	2	-	-	-	1	+1
EO-3	-	-	-	-	-	-	-	-
Total	5	+2	2	-	-	-	1	+1

Table 10.6: Reconciliation of executives numbers

		2017	2016
	Executives with remuneration over \$100,000 (financial statements Note 41)	7	5
Add	Vacancies (see Table 10.5)	0	0
	Executives employed with total remuneration below \$100,000	0	0
	Accountable officer (CEO)	1	1
Less	Separations	0	0
	Total executives at 30 June	8	6

11. OTHER DISCLOSURES

Victorian Industry Participation Policy Act 2003

The Victorian Industry Participation Policy Act 2003 requires departments and public sector bodies to report on the implementation of the Victorian Industry Participation Policy (VIPP). Departments and public bodies are required to apply VIPP to all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

Details of contracts commenced to which the VIPP applied are as follows: nil.

Government advertising expenditure

There were no advertising campaigns with a media spend of \$100,000 or greater in 2016–17.

Consultancy expenditure

Details of consultancies (valued at \$10,000 or greater)

In 2016–17, there were 18 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2016–17 in relation to these consultancies was \$1,096,395 (excluding GST) including externally funded projects. Details of individual consultancies are outlined below.

Table 11.1: Details of consultancies (valued at \$10,000 or greater)

Consultants	Purpose of consultancy	Start date	End date	Total approved project fee (\$ excl. gst)	Expenditure 2015–16 (\$ excl. gst)	Future expenditure (\$ excl. gst)
10 Consulting Group	Strategic and statutory planning guidance on assessing noise risks	11/04/2017	30/09/2017	43,464	29,827	13,637
Aecom Australia P/L	Fishermans Bend urban groundwater quality assessment	10/02/2017	31/12/2017	389,091	103,200	285,891
Aither Pty Ltd	Project development and reporting system support	22/02/2017	30/06/2017	22,273	22,273	–
Aither Pty Ltd	Reform implementation plan	9/06/2017	9/09/2017	190,720	133,504	57,216
Arcadis Australia Pacific Pty Ltd	Hazardous waste market assessment	27/05/2017	30/06/2017	45,170	45,170	–
Biosis Research Pty Ltd	Review of EPA Victoria's strategic planning advisory function	30/05/2017	31/07/2017	43,464	17,506	25,958
Blueprint Information Security	Advice on information security risks of storing and processing data on Office 365 infrastructure	5/01/2017	21/02/2017	11,900	11,900	–
Cube Group Management Consulting (Australia) Pty Ltd	Project/program management framework with capacity to be tailored to the risk, complexity and value of the project	30/11/2016	30/04/2017	105,500	105,500	–
Data Agility Pty Ltd	Science data reform	3/04/2017	30/06/2018	231,086	164,587	66,499
Deliberatepractice Pty Ltd	Framework to guide the identification of capability needs for EPA Connect	23/09/2016	31/12/2016	42,318	42,318	–

Table 11.1: continued

Consultants	Purpose of consultancy	Start date	End date	Total approved project fee (\$ excl. gst)	Expenditure 2015–16 (\$ excl. gst)	Future expenditure (\$ excl. gst)
DLA Environmental Services Pty Ltd	Develop appropriate short-and medium-term air quality values to assess public health risks	8/05/2017	30/09/2017	33,173	30,514	–
Ernst & Young Pty Ltd	Greenhouse gas (GHG) inventory and management plan	17/06/2016	31/12/2017	55,357	17,735	37,622
Evocate Pty Ltd	EPA SharePoint project	26/04/2016	31/08/2016	85,099	31,410	–
Max Hardy Consulting Pty Ltd	Advice and delivery support for EPA's air monitoring in the Latrobe Valley	26/05/2016	31/12/2016	35,145	25,650	–
Pacific Environment Operations Pty Ltd	Ambient Air Quality National Environment Protection Measure (AAQ NEPM) consultancy services	26/11/2015	31/08/2017	269,260	111,678	90,267
Pitcher Partners Consulting	Review and analysis of strategic options for the provision of IT-managed services	28/11/2016	31/03/2017	44,909	44,523	–
Pricewaterhouse Coopers	EPA Litter Program review of regulatory compliance and revenue collection	17/05/2016	1/09/2016	53,856	49,100	–
Workwell Consulting Pty Ltd	Advice for organisational strategy development project plan	25/11/2016	30/06/2017	110,000	110,000	–

Details of consultancies under \$10,000

In 2016–17 there were six consultancies engaged during the year where the total fee payable to the individual consultancies was less than \$10,000. The total expenditure incurred during 2016–17 in relation to these consultancies was \$32,027 excluding GST.

Disclosure of major contracts

EPA did not enter into any contract over \$10 million in value during 2016–17.

Information and communication technology expenditure

Details of information and communication technology (ICT) expenditure

For the 2016–17 reporting period, EPA had a total ICT expenditure of \$9.7 million, with the details shown below.

(\$ thousands)			
Business as usual (BAU) ICT expenditure	Non business as usual (non BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and Capital expenditure)		
\$8,433	\$1,276	\$1,071	\$204

11. OTHER DISCLOSURES CONTINUED

ICT expenditure refers to EPA's costs in providing business-enabling ICT services. It comprises business as usual (BAU) ICT expenditure and non business as usual (Non BAU) ICT expenditure. BAU ICT expenditure is ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability. Non BAU ICT expenditure relates to the delivery of ICT projects primarily associated with the 'Bringing our Environment Protection Authority Into the Modern Era' Initiative.

National Competition Policy

Under the National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

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

EPA continues to comply with the requirements of the National Competition Policy.

Competitive neutrality requires Government businesses to ensure where services compete, or potentially compete with the private sector, that any advantages arising solely from their ownership be recovered if they are not in the public interest.

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by EPA. For the 12 months ending 30 June 2017, EPA received 58 applications. Of these requests, two were from Members of Parliament and journalists, and the remainder were from the general public. Of the total requests received by EPA, the majority were acceded to and released in part. Of the decisions finalised, no reviews were requested; however, as of 30 June 2017, five applications were still within the review request period.

Making a request

Access to information under Freedom of Information (FOI) is obtainable through a written request, as detailed in section 17 of the Act. Applications must be as detailed and specific as possible so that the EPA FOI officer can identify and locate relevant documents. All applications must include the statutory \$28.40 Application Fee (from 1 July 2017). This fee does not include the costs for the provision of access to the requested material.

A Freedom of Information request can be made by writing to:

Carrie Rafferty (Freedom of Information Officer)
EPA Victoria
GPO Box 4395
Melbourne VIC 3001

Requests can also be lodged online at www.foi.vic.gov.au.

Compliance with the *Building Act 1993*

EPA does not own or control buildings. However, we comply with the building and maintenance provision of the *Building Act 1993* to the extent that we are responsible as a tenant in leased premises.

Compliance with the Act 2012

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

EPA does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct. We are committed to ensuring transparency and accountability in our administrative and management practices and support the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

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

Reporting procedures

Disclosures of improper conduct or detrimental action by EPA or any of our employees and/or officers may be made to:

Protected Disclosures Coordinator
EPA Victoria
PO Box 4395
Melbourne Victoria 3000
Telephone: 1300 372 842
Email: protected.disclosure@epa.vic.gov.au

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

Independent Broad-based Anti-corruption Commission (IBAC) Victoria
Level 1, North Tower, 459 Collins Street
Melbourne Victoria 3001.
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001
Phone: 1300 735 135
Internet: www.ibac.vic.gov.au
Email: (see website above for the secure email disclosure process, which also provides for anonymous disclosures)

Further information

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

Table 11.2: Disclosures under the Protected Disclosure Act 2012

	2016–17	2015–16
The number of disclosures made by an individual to EPA and notified to the Independent Broad-based Anti-corruption Commission	0	3
Assessable disclosures	0	1

11. OTHER DISCLOSURES CONTINUED

Office-based environmental impacts

Table 11.3: Greenhouse gas Inventory key inputs

Reporting year	2016–17
Total full-time equivalent employees (FTE) ¹	461
Total office area (m ²)	10,793
Baseline (2009–10) emissions (tCO ₂ e)	4,822

1. This is an increase of 73 FTE from 2015–16.

EPA's Environment Management System (EMS) has been established to reduce our impact on the environment. The system is supported by a staff-run working group, called Green Stars, who organise initiatives that promote environmental awareness including 'ride to work' and 'walk to work' day.

EPA's greenhouse gas inventory has been prepared using the National Greenhouse Accounts (NGA) Factors updated by the Australian Government's Department of Environment in August 2016 and management methods where appropriate emissions calculation methods and factors were not available in the NGA Factors. A detailed description of the methodologies and conversation factors applied can be found in EPA's Greenhouse Gas Inventory Management Plan.

Victorian Government TAKE2 Pledge Program

TAKE2 is the Victorian Government's collective climate change initiative. It enables all Victorians including State and local government, businesses, community, educational organisations and individuals to be part of Victoria's action on climate change and pledge their commitment to take action to reduce greenhouse gas emissions and keep the global temperature rise to under two degrees. EPA has committed to the State Government's TAKE2 program through the following three pledges:

Table 11.4: EPA TAKE2 pledges

EPA Pledge	Status	Action
Pledge 1 Environmental Sustainability Management Capability Development	In progress	<p>In 2016–17, EPA:</p> <ul style="list-style-type: none">commenced an internal review on the status and operational effectiveness of EPA's Environmental Management Systems. This review is assessing the tasks associated with our legal and internal reporting requirements, as well as our obligations if we are to maintain a position of influence and reputational excellence in organisational environmental managementcontinued to build on our internal behaviour change program through the reinvigoration of several staff-led initiatives throughout the yearmeasured and reported half-yearly results of EPA office's waste audit to identify problem areas and implement mitigations to improve staff waste management within the organisation. <p>EPA aims to further develop our capability in 2017–18 to better engage staff, implement the actions identified in the EMS internal review, and find new opportunities to improve our environmental performance.</p>
Pledge 2 Procurement Policy includes sustainability consideration	Completed	EPA assesses all procurement over \$50,000 with weighted criteria regarding potential suppliers' efforts to minimise their own environmental impacts and the impacts of the services they provide. The policy commits to actively consider aspects of procurement that will impact the environment.
Pledge 3 Sustainable paper procurement	Completed	EPA specifies a minimum 80% recycled paper for all our paper procurement.

Energy

EPA consumes electricity and natural gas within our facilities for lighting, heating, cooling and powering electrical appliances such as computers. Electricity consumption also includes a portion of green power which represents electricity consumed from renewable energy sources. Table 11.5 shows EPA's energy consumption performance for the 2017 and 2016 financial years ended 30 June. Data for electricity and natural gas consumption was obtained from invoices provided by EPA's energy retailers. Where data was not available, consumption was estimated using daily consumption rates for information that was available.

EPA continued our behaviour change initiatives throughout the reporting period which were aimed at ensuring staff maximises the energy-saving potential in EPA offices and with equipment. This includes turning off computers at the power point and the use of energy-efficient office heating, cooling and lighting where possible.

Table 11.5: Energy use

Indicator	2016–17			2015–16 ³		
	Electricity ¹	Natural gas ²	Green Power	Electricity	Natural gas	Green Power
Total energy usage segmented by primary source (MJ)	3,939,519	15,338,030	175,274	4,349,700	9,044,644	178,074
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (tCO ₂ e)	1,302	850	–	1,585	501	–
Percentage of electricity purchased as green power	4.4	–	–	4.1	–	–
Units of energy used per FTE (MJ/FTE)	8,546	33,271	380	11,211	23,311	459
Units of energy used per unit of office	365	1,421	16	413	859	17

1. A metering error for previous years was discovered and has affected the apportioning of base building grid consumption for the period between August 2014 and April 2017. Data used for 2016–17 has been corrected to eliminate the error. Additionally, historical trends support reduction in energy consumption over time, as there is an incentive to reduce energy to obtain high NABERS rating.
2. Gas use of the cogeneration plant was doubled compared to last year due to minimal operation of the plant from November 2015 to May 2016.
3. These numbers have been updated since previous publications. The total greenhouse gas emissions for 2015–16 remain unchanged.

Energy targets

EPA's Sustainability Plan sets objectives for achievement by June 2016. This includes a target for energy intensity expressed in megajoules per square-meter of floor area (MJ/m²). The targets set out in the Sustainability Plan were adopted for the 2017 reporting year. Table 11.6 below presents EPA's performance against our energy intensity target showing that the target was met.

Table 11.6: Current performance against Sustainability Plan targets for energy use

Measure	June 2017 target	Current progress
Energy (electricity) use per m ² per year	550 MJ	365 MJ

Waste

EPA's primary source of waste is from staff within our offices. The waste generated by EPA is separated into landfill, recycling (including paper, cardboard, e-waste and commingled) and compost (organics recycling). Table 11.7 shows EPA's energy consumption performance for the 2017 and 2016 financial years ended 30 June.

EPA initiatives to reduce waste focused on ensuring good waste management behaviour by our staff. This included internal signage and communications to encourage staff to avoid generating waste where possible and then increase waste diversion to recycling and reduce the amount of waste sent to landfill.

11. OTHER DISCLOSURES CONTINUED

Table 11.7: Waste

Indicator	2016–17			2015–16		
	Landfill	Commingled recycling	Compost	Landfill	Commingled recycling	Compost
Total units of waste disposed of by destination (kg/yr)	3,710	13,776	6,128	3,275	8,570	5,630
Units of waste disposed of per FTE by destinations (kg/FTE)	8.05	29.88	13.29	8.44	22.09	14.51
Recycling rate (percentage of total waste)	84%			81%		
Greenhouse gas emissions associated with waste disposal (tCO ₂ e)	4.79	–	–	4.72	–	–

Waste targets

EPA's waste target for 2017 remained unchanged from 2016. The target is a waste intensity target expressed as the quantity of waste generated per full-time equivalent employee. Table 11.8 below presents EPA's performance against our waste intensity target showing that the target was met.

EPA uses internal signage and communications to encourage reduced waste and to increase the recycling of organic materials.

Table 11.8: Current performance against Sustainability Plan targets for waste

Measure	June 2017 target	Current progress
Waste generated per FTE per year	60 kg	51 kg

Paper

Paper is consumed by EPA for office printing. Table 11.9 shows EPA's paper consumption performance for the 2017 and 2016 financial years ended June 30.

EPA has introduced 'swipe printing' that requires staff to confirm print jobs with their identification cards prior to the execution of the print job. EPA has also invested in digital solutions to reduce paper consumption. This includes providing tablets to senior leadership and allowing our staff to bring their own portable electronic devices to access the secure network at the Head Office location in Carlton to encourage greater digital consumption of information through portable devices.

Table 11.9: Paper use

Indicator	2016–17	2015–16
Total units of copy paper used (reams)	2,866	2,153
Units of copy paper used per FTE (reams/FTE)	6.2	5.5
Percentage of 76–100% recycled content copy paper purchased	99.4	99.7
Percentage of 50–75% recycled content copy paper purchased	0.0	0.3
Percentage of 0–50% recycled content copy paper purchased	0.6	0.00

Paper use targets

EPA's paper consumption target for 2017 remained unchanged from 2016. The target is a paper consumption intensity target expressed as the number of reams of paper consumed per full-time equivalent employee. Table 11.10 below presents EPA's performance against our paper consumption intensity target showing that the target was not met. An increase in paper used per full-time equivalent employee occurred during the reporting period. EPA expects to decrease our paper consumption for 2017–18 due to transitioning all staff to portable electronic devices.

Table 11.10: Current performance against Sustainability Plan targets for waste

Measure	June 2017 target	Current progress
Reams of A4-equivalent paper used per FTE per year	5.00	6.22

Water

EPA's water use includes water consumed across all seven office facilities. Table 11.11 shows EPA's water use performance for the 2017 and 2016 financial years ended June 30. The data is based on water meter readings at all metropolitan and regional offices. Where data was not available, consumption was estimated using daily consumption rates for information that was available.

EPA's Head Office location in Carlton has a 4 Star NABERS rating for base building water, which is an improvement from 3.5 stars in 2015–16. Good water use is practised by EPA staff and water-efficient appliances are used wherever it is practical to do so. Some variations from previous year's consumption can be attributed to water usage data being available for sites that were previously estimated or not available.

Table 11.11: Water use (office facilities only)

Indicator	2016–17	2015–16
Total units of metered water consumed by usage types (kilolitres)	8,986	5,219
Units of metered water consumed in offices per FTE (kilolitres/FTE)	19.49	13.45
Units of metered water consumed in offices per unit of office area (kilolitres/m ²)	0.83	0.50

Water use targets

EPA's water target for 2017 remained unchanged from 2016. The target is a water use intensity target expressed as the number of kilolitres consumed per square-meter of floor area (MJ/m²). Table 11.12 below presents EPA's performance against our water use intensity target showing the target was not met.

Table 11.12: Current performance against Sustainability Plan targets for waste

Measure	June 2017 target	Current progress
Water use per year (kilolitres/m ²)	0.28	0.83

Transport

EPA's transport footprint includes vehicles, air travel and staff commuting. Table 11.13 shows EPA's energy consumption and greenhouse gas emissions performance for the 2017 and 2016 financial years ended 30 June.

EPA is moving towards more efficient vehicles and encourages carpooling to reduce its transport footprint. In addition, staff members are encouraged to use public transport for official work whenever possible. EPA's video conferencing facilities have greatly reduced the need for staff to travel to other offices. A greater percentage of staff commuting to the head office in the CBD use more sustainable forms of transport than in the greater Melbourne and regional offices where the transport infrastructure may not be as extensive.

Table 11.13: Transport

Indicator	2016–17			2015–16		
	Diesel	Petrol	LPG	Diesel	Petrol	LPG
Total energy consumption by vehicles (MJ)	1,230,558	1,010,083	577,741	1,089,364	1,173,128	908,522
Total vehicle travel associated with entity operations (km)	399,317	362,703	175,698	305,841	400,93	278,641
Total greenhouse gas emissions from vehicle fleet (tCO ₂ e)	91	72	37	81	84	59
Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (tCO ₂ e)	0.23	0.20	0.21	0.26	0.21	0.21
Air travel	2016–17			2015–16		
Total distance travelled by aeroplane (km)	305,817			375,289		
Travel to work	2016–17			2015–16		
Percentage of employees using sustainable modes of transport (public transport, cycling, walking, or carpooling) to and from work or working from home	78%			80%		

11. OTHER DISCLOSURES CONTINUED

Transport targets

EPA's transport targets for 2017 remained unchanged from 2016. The first is EPA's target to increase vehicle fleet fuel efficiency, expressed as emissions generated per kilometre travelled, against an 2013–14 baseline. The second is EPA's target to increase the percentage of employees using sustainable modes of transport to travel to work or working from home, against an 2013–14 baseline. Sustainable modes of transport include public transport, cycling, walking and carpooling. Table 11.14 presents EPA's performance against these targets. EPA has exceeded our increase in fuel efficiency target for 2016–17. However, our progress towards the sustainability transport target has decreased since 2015–16 when progress of 8per cent was achieved.

Table 11.14: Current performance against Sustainability Plan targets for transport

Measure	June 2017 target	Current progress
Increase in fuel efficiency of vehicle fleet	10%	16%
Increase in use of sustainable transport for work purposes	10%	5%

Greenhouse gas emissions

Table 11.15 summarises EPA's greenhouse gas emissions. EPA invests in voluntary carbon offsets to ensure we are carbon neutral.

Table 11.15: Greenhouse gas emissions

Indicator	2016–17	2015–16
Total greenhouse gas emissions associated with energy use (tCO ₂ e)	2,153	2,092
Total greenhouse gas emissions associated with vehicle fleet (tCO ₂ e)	200	223
Total greenhouse gas emissions associated with air travel (tCO ₂ e)	53	70
Total greenhouse gas emissions associated with waste production (tCO ₂ e)	5	5
Total emissions from other sources (tCO ₂ e)*	591	466
Greenhouse gas emissions offsets purchased (tCO ₂ e)	3,100	3,000

*Greenhouse gas emissions from other sources include: vehicle refrigeration, building refrigeration and air conditioning, taxi use, public transport use, boat fuel, printing and publications, catering, couriers, commuting, reticulated water and paper use.

Greenhouse gas emissions targets

EPA's greenhouse gas emissions target for 2017 remained unchanged from 2016. The target is an absolute emissions target set from EPA's 2009–10 emissions baseline. Progress on greenhouse gas emissions related targets is below.

Table 11.16: Current performance against Sustainability Plan targets for greenhouse gas

Measure	June 2017 target	Current progress
Reduction in greenhouse gas emissions since 2009–10	15%	38%

Procurement

EPA applies sustainability criteria to the purchase of stationary, cleaning, paper, catering and venue hire to minimise our environmental impact. EPA also continued to use ecologically sustainable design guidelines for new buildings or office fit-outs. Examples of how we have incorporated environmental procurement decisions are:

- 100 per cent of computer screens are LCD
- 100 per cent of printers, multifunction devices and photocopiers, including portable printers that enable onsite printing of inspection reports, have duplex capacity
- all procurement over \$50,000 is assessed with weighted criteria regarding potential suppliers' efforts to minimise their own environmental impacts and the impacts of the services they provide.

Other information available on request

Information listed below (as per the Financial Reporting Directive 22B of the *Financial Management Act 1994*) is held at EPA's head office in Melbourne, located at 200 Victoria Street, Carlton, and is available on request, subject to the *Freedom of Information Act 1982*:

- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by EPA about itself, and where they can be obtained
- details of changes in prices, fees, charges, rates and levies charged by EPA
- details of any major external reviews carried out in respect of the operation of EPA
- details of major research and development activities undertaken by EPA
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by EPA to develop community awareness of EPA and our services
- details of assessments and measures undertaken to improve occupational health and safety of employees not otherwise detailed in the report of operations
- a general statement on industrial relations within EPA, and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by EPA, the purpose of each committee, and the extent to which the purposes have been achieved
- details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

In addition, EPA confirms that:

- declarations of pecuniary interests have been duly completed by all relevant officers of EPA.

A request for information can be made by writing to:
Carrie Rafferty (Freedom of Information Officer)
EPA Victoria
GPO Box 4395
Melbourne VIC 3001

11. OTHER DISCLOSURES CONTINUED

Attestation for compliance with Standing Direction 3.7.1

I, Cheryl Batagol, certify that the Environment Protection Authority Victoria has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. The Environment Protection Authority Victoria’s Risk and Audit Committee has verified this.



Cheryl Batagol
Chairman
Environment Protection Authority Victoria

25 August 2017

Compliance with the Data.Vic Access Policy

Consistent with the Data.Vic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at www.data.vic.gov.au/ in machine readable format.

12. DEFINITIONS

The following definitions explain scientific and technical terms used in this Annual Report.

Acidification (land): Acidification of land occurs when soil pH decreases over time to become more acidic.

Air quality: The condition of the air described by the presence of air pollution or other contamination at a particular place and time. Air quality can be investigated by measuring levels of common pollutants such as ozone, carbon monoxide and small particles.

AirWatch: AirWatch is an interactive map that shows air quality information measured by EPA’s air monitoring stations around Victoria. It is available at www.epa.vic.gov.au.

Ballast water: Ballast water is water carried in ships’ ballast tanks to improve stability, balance and trim. It is taken up or discharged when cargo is unloaded or loaded, or when a ship needs extra stability. When ships take on ballast water, plants and animals that live in the ocean are also picked up. Discharging this water releases these organisms into new areas where they can become pests.

Carbon monoxide: Carbon monoxide is a colourless and odourless gas that comes mainly from car exhausts. It is toxic to humans at concentrations above 35 parts per million (ppm).

Macroinvertebrate: Any freshwater invertebrate that is large enough to be seen with the naked eye (with a body usually longer than 2 millimetres). This diverse group includes crustaceans (such as shrimp), insects, mites, molluscs and worms.

Nitrogen dioxide (NO₂): Nitrogen dioxide is a gas that is known to affect the throat and the lungs. In levels encountered in polluted air, people with respiratory problems, particularly infants, children and the elderly, may be affected. EPA monitors nitrogen dioxide in Victoria’s air through AirWatch.

Ozone (O₃): Ozone is a gas that occurs in the upper atmosphere, where it serves a useful purpose in protecting humans from UV radiation. Ozone is very reactive, affecting the linings of the throat and lungs, restricting the air passages and making breathing difficult. EPA monitors ozone in Victoria’s air through AirWatch.

pH: pH is a measure of the hydrogen ion concentration of a solution. Solutions with a high hydrogen ion concentration have a low pH and those with a low concentration have a high pH. A solution with a low pH – less than 7 – is an acidic solution, whereas one with a high pH – greater than 7 – is alkaline or basic. A solution with a pH of 7 is neutral.

PM₁₀: Particles in the air with a diameter less than 10 micrometres. These particles can be a variety of shapes and sizes (up to 10 micrometers). They are small enough to get into the lungs and can cause health problems. Sources of these particles include combustion, crushing or grinding operations, pollen, road dust and sea salt. EPA monitors PM₁₀ in Victoria’s air through AirWatch.

PM_{2.5}: Particles in the air smaller than 2.5 micrometres in diameter. General sources of these particles include all types of combustion, including motor vehicles, power plant emissions and fires. Fine particles pose the greatest risk to human health, as their size means they can be breathed deep into the lungs. These particles are up to 30 times smaller than the width of a single human hair. EPA monitors P_{2.5} in Victoria’s air through AirWatch.

PFAS: Per- and polyfluorinated alkyl substances are a group of manufactured chemicals that have historically been used in firefighting foams and other industrial and consumer products for many decades.

Pollution abatement notices (PANs): PANs are issued under section 31A of the *Environment Protection Act 1970*. They aim to prevent further occurrence of pollution or potential environmental risk through installation of risk controls and changes to onsite processes and practices.

Post-closure pollution abatement notices (PC PANs): In order to ensure that the risks are appropriately quantified and managed, owners of closed landfill sites are issued with pollution abatement notices that require the closed landfill to be managed so there are no unacceptable risks to the environment. These are referred to as PC PANs.

Prescribed industrial waste (PIW): PIW is waste that is potentially harmful to humans or the environment and has the properties set out in the Environment Protection (Industrial Waste Resource) Regulations 2009. PIW can take different forms – solid, liquid or gaseous. Examples of PIW include waste paints and solvents, contaminated soil, waste oil and filter cake.

State Environment Protection Policies (SEPPs): SEPPs are subordinate legislation made under the provisions of the *Environment Protection Act 1970* to provide more detailed requirements and guidance for the application of the Act to Victoria.

Sulfur dioxide (SO₂): Sulfur dioxide is an irritant gas that attacks the throat and lungs. Its effect on health is increased by the presence of airborne particles. Prolonged exposure to sulfur dioxide can lead to increases in respiratory illnesses like chronic bronchitis. EPA monitors sulfur dioxide in Victoria’s air through AirWatch.

µg/m³: The concentration of an air pollutant in micrograms per cubic metre of air.

Underground petroleum storage systems (UPSS): UPSS have the potential to leak, leading to expensive cleanup costs, damage to the environment and risks to human health.

Visibility reduction: Visibility reduction is a measure of how visual range is affected by very small particles in the air. The higher the visibility reduction measurement, the lower the visual range is. For example, very smoky conditions at an air monitoring station would show a high value for visibility reduction.

13. DISCLOSURE INDEX

EPA's Annual Report is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of EPA's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
Ministerial Directions		
Report of operations – FRD guidance		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant ministers	7
FRD 22H	Purpose, functions, powers and duties	7
FRD 8C	Departmental objectives, indicators and outputs	n/a
FRD 22H	Initiatives and key achievements	9–20
FRD 22H	Nature and range of services provided	3
Management and structure		
FRD 22H	Organisational structure	27–31
Financial and other information		
FRD 8C, SD 4.2(k)	Performance against output performance measures	21–24
FRD 8C	Budget portfolio outcomes	n/a
FRD 10	Disclosure index	48–49
FRD 12A	Disclosure of major contracts	37
FRD 15C	Executive officer disclosures	35
FRD 22H	Employment and conduct principles	34
FRD 22H	Occupational Health and Safety Policy	32
FRD 22H	Summary of the financial results for the year	25–26
FRD 22H	Significant changes in financial position during the year	25–26
FRD 22H	Major changes or factors affecting performance	25–26
FRD 22H	Subsequent events	25–26
Financial Report		
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	38
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	38
FRD 22H	Statement on National Competition Policy	38
FRD 22H	Application and operation of the <i>Protected Disclosure 2012</i>	39
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	n/a
FRD 22H	Details of consultancies over \$10,000	36–37
FRD 22H	Details of consultancies under \$10,000	37
FRD 22H	Statement of availability of other information	45
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SD 4.2(g)	Specific information requirements	8–24
SD 4.2(j)	Sign off requirements	2

Legislation	Requirement	Page reference
Financial statements required under Part 7 of the FMA		
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SD4.2(b)	Comprehensive operating statement	49
SD4.2(b)	Balance sheet	50
SD4.2(b)	Cash flow statement	52
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	53
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Other disclosures as required by FRDs in notes to the financial statements		
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FRD 11A	Disclosure of ex gratia expenses	91
FRD 13	Disclosure of parliamentary appropriations	60
FRD 21C	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the Financial Report	88
FRD 102	Inventories	n/a
FRD 103F	Non-financial physical assets	62
FRD 104	Foreign currency	n/a
FRD 106	Impairment of assets	63
FRD 109	Intangible assets	65
FRD 107A	Investment properties	n/a
FRD 110	Cash flow statements	52
FRD 112D	Defined benefit superannuation obligations	56
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	n/a
FRD 114A	Financial instruments – general government entities and public non-financial corporations	78
FRD 119A	Transfers through contributed capital	51
Legislation		
<i>Freedom of Information Act 1982</i>		38
<i>Building Act 1993</i>		38
<i>Protected Disclosure Act 2012</i>		39
<i>Carers Recognition Act 2012</i>		n/a
<i>Victorian Industry Participation Policy Act 2003</i>		36
<i>Financial Management Act 1994</i>		53

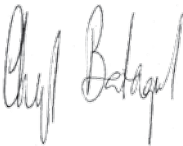
14. RESPONSIBLE BODY’S DECLARATION

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of the Authority at 30 June 2017.

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

We authorise the attached financial statements for issue on 21 August 2017.



Cheryl Batagol
Responsible Body and
Chairman
Environment Protection Authority

Melbourne
21 August 2017



Nial Finegan
Accountable Officer and
Chief Executive Officer
Environment Protection Authority

Melbourne
21 August 2017



Matthew Dale
Chief Financial Officer
Environment Protection Authority

Melbourne
21 August 2017

15. INDEPENDENT AUDITOR’S REPORT




Independent Auditor’s Report

To the Chairman of the Environment Protection Authority

Opinion	<p>I have audited the financial report of the Environment Protection Authority (the authority) which comprises the:</p> <ul style="list-style-type: none">balance sheet as at 30 June 2017comprehensive operating statement for the year then endedstatement of changes in equity for the year then endedcash flow statement for the year then endednotes to the financial statementsdeclaration in the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority 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 authority 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>
Chairman’s responsibilities for the financial report	<p>The Chairman of the authority 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 Chairman 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 Chairman is responsible for assessing the authority’s ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

15. INDEPENDENT AUDITOR’S REPORT CONTINUED

Auditor’s responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none">• 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 authority’s internal control• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chairman• conclude on the appropriateness of the Chairman’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 authority’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 authority 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. <p>I communicate with the Chairman 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.</p>
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MELBOURNE 28 August 2017	 Roberta Skliros <i>as delegate for the Auditor-General of Victoria</i>
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16. HOW THESE FINANCIAL STATEMENTS ARE STRUCTURED

The Environment Protection Authority (the Authority) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2017 and provides users with information about the Authority’s stewardship of resources entrusted to it. It is presented in the following structure:

Financial statements:

Comprehensive operating statement

Balance sheet

Statement of changes in equity

Cash flow statement

Notes to the financial statements:

1. About this report

The basis on which the financial statements have been prepared and compliance with reporting regulations

2. Funding delivery of our services

Revenue recognised in respect of grants and other income sources

3. The cost of delivering services

Operating expenses of the Authority

4. Financial information by output

Outputs and administered (non-controlled) items

5. Key assets available to support service delivery

Infrastructure, plant and equipment, intangible assets and investments

6. Other assets and liabilities

Working capital balances and other key assets and liabilities

7. Financing our operations

Borrowings, cash flow information and leases

8. Risks, contingencies and valuation judgements

Financial risk management, contingent assets and liabilities as well as fair value determination

9. Other disclosures

17. COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		(\$ '000)	
	Notes	2017	2016
Income from transactions			
Revenue	2.2	40,572	40,475
Grants from Departments	2.3	20,616	23,004
Grants - reform funding (i)	2.3	11,825	-
Municipal and Industrial landfill levy distribution from Department	2.3	28,386	27,698
Total income from transactions		101,399	91,177
Expenses from transactions			
Employee expenses	3.1.1	(51,393)	(41,952)
Grant expenses	3.1.2	(3,541)	(5,635)
Depreciation and amortisation	5.1.1	(4,716)	(4,404)
Interest expense	7.1.2	(66)	(78)
Other operating expenses	3.1.3	(32,294)	(22,764)
Total expenses from transactions		(92,010)	(74,833)
Net result from transactions (net operating balance)		9,389	16,344
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	9.7 (a)	(75)	55
Net gain/(loss) on statutory receivables	9.7 (b)	(6,312)	(1,397)
Net gain/(loss) on financial instruments	9.7 (c)	567	(9,743)
Other gains/(losses) from other economic flows	9.7 (d)	87	(365)
Total other economic flows included in net result		(5,733)	(11,450)
Net result		3,656	4,894
Comprehensive result		3,656	4,894

Notes:

(i) In 2016-17, the Authority received additional Municipal and Industrial (M&I) landfill levy distributions in relation to the Government's response to the Independent Inquiry into the Authority. This represented the first year of a five-year program as part of the 'Bringing Our Environment Protection Authority Into the Modern Era' Initiative.

The accompanying notes form part of these financial statements.

18. BALANCE SHEET AS AT 30 JUNE 2017

		(\$ '000)	
	Notes	2017	2016
Assets			
Financial assets			
Cash and cash equivalents		59,202	36,462
Managed investment fund	5.3	62,089	61,522
Receivables	6.1	33,657	40,694
Total financial assets		154,948	138,678
Non-financial assets			
Property, plant and equipment	5.1	18,404	17,344
Intangible assets	5.2	11,062	12,906
Non-financial assets classified as held-for-sale	9.5	57	21
Other non-financial assets	6.3	2,280	408
Total non-financial assets		31,803	30,679
Total assets		186,751	169,357
Liabilities			
Employee-related provisions	3.1.1	10,850	9,046
Payables	6.2	9,238	6,615
Provisions	6.4	11,008	4,110
Borrowings	7.1	1,551	1,556
Total liabilities		32,647	21,327
Net assets		154,104	148,030
Equity			
Accumulated surplus		147,060	143,404
Contributed capital		3,361	943
Physical asset revaluation surplus	9.6	3,683	3,683
Net worth		154,104	148,030

The accompanying notes form part of these financial statements.

19. STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

				(\$ '000)
	Physical asset revaluation surplus	Accumulated surplus	Contributions by owner	Total
Balance at 1 July 2015	2,779	557,811	11,467	572,057
Net result for the year	–	4,894	–	4,894
Asset revaluations	904	–	–	904
Contributed from owner	–	–	943	943
Transfer to contributed capital (i)	–	(419,301)	419,301	–
Net assets transferred to Department (ii)	–	–	(430,768)	(430,768)
Balance at 30 June 2016	3,683	143,404	943	148,030
Net result for the year	–	3,656	–	3,656
Contributed from owner	–	–	2,418	2,418
Balance at 30 June 2017	3,683	147,060	3,361	154,104

Notes:

- (i) These amounts were transferred from accumulated surplus to contributed capital due to insufficient contributed capital for the purpose of the transfer of the Sustainability Fund balance to the Department on 1 July 2015.
(ii) Assets representing the balance of the Sustainability Fund were transferred from the Authority to the Department as at 1 July 2015.

The accompanying notes form part of these financial statements.

20. CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

			(\$ '000)
	Notes	2017	2016
Cash flows from operating activities			
Receipts			
Receipts from Government		61,928	50,734
Receipts from other entities		45,898	84,254
Goods and services tax recovered from the ATO		2,795	3,033
Interest received		988	2,287
Total receipts		111,610	140,308
Payments			
Payments of grants and other transfers		(3,541)	(5,635)
Payments to suppliers and employees		(83,094)	(70,379)
Goods and services tax paid to the ATO		(121)	(146)
Interest and other costs of finance paid		(66)	(78)
Total payments		(86,823)	(76,238)
Net cash flows from operating activities	7.2.1	24,787	64,070
Cash flows from investing activities			
Proceeds/payment for financial assets (i)		(567)	129,743
Payments for non-financial assets		(3,645)	(2,246)
Proceeds from sale of non-financial assets		(36)	(21)
Net cash flows from/(used in) investing activities		(4,248)	127,476
Cash flows from financing activities			
Cash transferred on activity transferred in – Machinery of Government changes (ii)		186	–
Owner's contribution from State		2,418	943
Owner's contribution to State (i)		–	(430,768)
Repayment of finance leases		(403)	(399)
Net cash flows (used in) financing activities		2,200	(430,224)
Net increase / (decrease) in cash and cash equivalents		22,740	(238,678)
Cash and cash equivalents at beginning of the financial year		36,462	275,140
Cash and cash equivalents at end of the financial year	7.2	59,202	36,462

Notes:

- (i) Assets representing the balance of the Sustainability Fund were transferred from the Authority to the Department as at 1 July 2015, which has a significant impact on the comparability of 2017 and 2016 balances.
(ii) The Independent Inquiry into the Authority released in May 2016 recommended the creation of a consolidated and enhanced environmental health capability at the Authority. On 12 December 2016, staff were transferred from the Department of Health and Human Services (DHHS) through a section 30 notice under the *Public Administration Act 2004* to the Authority.

The accompanying notes form part of these financial statements.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1. About this report

The Authority is a reporting entity established under the *Environment Protection Act 1970* and is classified as an administrative office of the Department of Environment, Land, Water and Planning (the Department) under the *Public Administration Act 2004*:

Its principal address is: **Environment Protection Authority Victoria**
200 Victoria Street
Carlton VIC 3053

The financial statements include all the controlled activities of the Authority.

A description of the nature of the Authority's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

Basis of preparation

These financial statements are presented in Australian dollars, the functional and presentation currency of the Authority.

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

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. The most significant management estimates relate to accrued revenue associated with levies, recycle rebates and site remediation works and disposal of chemical stockpile. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised 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 (AASs) that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

All amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable AASs, including interpretations issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure 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.

The general purpose financial statements have been prepared on a going concern basis.

2. Funding of delivery of our services

Introduction

The Authority's objectives are to be an effective environmental regulator and an influential authority on environmental impacts.

The Authority derives the majority of its revenue from M&I landfill distributions, Prescribed Industrial Waste (PIW) levies, earnings on investments and Litter fines.

Other income comprises grants and reform funding received from the Department.

Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Revenue
- 2.3 Other income - grants
- 2.4 Contribution by owners

2.1 Summary of income that funds the delivery of our services

		(\$ '000)	
	Notes	2017	2016
Revenue	2.2	40,572	40,475
Grants from Department	2.3	20,616	23,004
Grants – reform funding	2.3	11,825	–
Grants – M&I landfill levy distribution from Department	2.3	28,386	27,698
Total income from transactions		101,399	91,177

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. All amounts of income over which the Authority does not have control are disclosed as administered income in the schedule of administered income and expenses (refer Note 4.1).

2.2 Revenue

	(\$ '000)	
	2017	2016
Licence levy	364	353
PIW levy	32,013	21,822
Interest from financial assets – public sector	1,002	1,224
Interest and holding gains from financial assets – non-public sector	1,879	11,843
Litter fines	4,240	4,569
Miscellaneous	724	238
Environment audit fees	350	426
Total revenue	40,572	40,475

Revenue is recognised on an accrual basis in accordance with AASB 118 Revenue. Landfill levies, such as PIW levy, received during the year, are recorded in the year the revenue was earned. Levies for which landfill operators have not yet submitted returns at the end of the financial year, are recorded as accrued revenue.

Interest income includes interest received on bank term deposits and other investments. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

2.3 Other income – grants

	(\$ '000)	
	2017	2016
Grants from Department	20,616	23,004
Grants - reform funding (i)	11,825	–
Grants - M&I landfill levy distribution from Department	28,386	27,698
Total other income	60,827	50,702

Notes:
(i) During the year the Authority received funding in relation to the Government’s response to the Independent Inquiry into the Authority. This represented the first year of a five-year program of work as part of the ‘Bringing Our Environment Protection Authority Into the Modern Era’ Initiative.

Grants can be received as general-purpose grants which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be received as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

2.4 Contributions by owners

During the course of the year, the Authority received \$2.40 million. These amounts were received from the Department and have been reported as a contributed capital transfer, as required by FRD 119A – Transfers through Contributed Capital, under the *Financial Management Act 1994* (30 June 2016 \$0.94 million).

3. The cost of delivering services

Introduction

This section provides an account of the expenses incurred by the Authority in delivering services and outputs. In Section 2, the revenue that enables the delivery of our services was disclosed and in this note the costs associated with provision of services are recorded.

Structure

- 3.1 Expenses incurred in delivery of services
 - 3.1.1 Employee benefits
 - 3.1.2 Grant expenses
 - 3.1.3 Other operating expenses

3.1 Expenses incurred in delivery of services

	(\$ '000)		
	Notes	2017	2016
Employee expenses	3.1.1	51,393	41,952
Grant expenses	3.1.2	3,541	5,635
Other operating expenses	3.1.3	32,294	22,764
Total expenses incurred in delivery of services		87,228	70,351

3.1.1 Employee benefits

3.1.1(a) Employee benefits – comprehensive operating statement

	(\$ '000)	
	2017	2016
Salary and associated costs	47,416	38,677
Post-employment benefits:		
Defined contribution superannuation expense	3,656	2,936
Defined benefit superannuation expense	321	339
Total employee expenses	51,393	41,952

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

The amount recognised in the net result in relation for members superannuation plans is the employer contributions that are paid or payable to these plans during the reporting period.

The Department of Treasury and Finance (DTF) in its Annual Financial Statements, recognise on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans.

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

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

3.1.1(b) Employee benefits in the balance sheet

	(\$ '000)	
	2017	2016
Current provisions:		
Annual leave		
Unconditional and expected to be settled within 12 months	4,096	3,230
Unconditional and expected to be settled after 12 months	–	–
Long service leave		
Unconditional and expected to be settled within 12 months	732	501
Unconditional and expected to be settled after 12 months	4,103	3,547
Provisions for on-costs		
Unconditional and expected to be settled within 12 months	115	79
Unconditional and expected to be settled after 12 months	642	558
Total current provisions for employee benefits	9,688	7,916
Non-current provisions:		
Long service leave	1,005	977
On-costs	157	154
Total non-current provisions for employee benefits	1,162	1,130
Total provisions for employee benefits	10,850	9,046

All amounts disclosed are discounted to present values.

Reconciliation of movement in employee provisions

	(\$ '000)
	2017
Opening balance	9,046
Additional provisions recognised	5,180
Additions due to transfer in	186
Reduction arising from payments/other sacrifices of future economic benefits	(3,432)
Reduction resulting from re-measurement or settlement without cost	–
Unwind of discount and effect of changes in the discount rate	(130)
Closing balance	10,850
Current	9,688
Non-current	1,162

Wages, salaries and annual leave:

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in the provision for employee benefits as 'current liabilities', because the Authority does not have an unconditional right to defer settlement of these liabilities. The components of these liabilities are measured at:

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

Unconditional long service leave is disclosed as a current liability, even where the Authority does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

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

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

3.1.1(c) Superannuation contributions – comprehensive operating statement

Employees of the Authority are entitled to receive superannuation benefits and the Authority contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the net result of the Authority.

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the Authority are as follows:

	(\$ '000)	
	2017	2016
Defined benefit plans:		
Emergency Services and State Superannuation Fund (ESS)	321	339
Total defined benefit plans	321	339
Defined contribution plans:		
Vic Super	2,326	2,089
Other	1,330	847
Total defined contribution plans	3,656	2,936
Total	3,977	3,275

3.1.2 Grant expenses

	(\$ '000)	
	2017	2016
Grants to Victorian Government entities within portfolio	1,589	2,715
Grants to Victorian Government entities outside portfolio	1,352	3
Grants to external organisations	600	2,917
Total grant expenses	3,541	5,635

Transactions in which the Authority provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'grant expenses'. Grants can either be operating or capital in nature.

Grants were paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grant expenses are recognised as an expense in the reporting period in which they are paid or payable.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

3.1.3 Other operating expenses

	(\$ '000)	
	2017	2016
Consultants and contracted services	6,603	6,430
Agency costs	3,041	1,945
Shared services management fee	1,846	1,737
Occupancy and utilities (i)	2,245	2,008
Supplies and services	15,716	8,080
Victorian Auditor-General's Office – audit or review of the financial statements	55	54
Operating lease rental expenses:		
Lease payments	2,788	2,510
Total other operating expenses	32,294	22,764

Notes:
(i) During the year, the Authority recognised additional provisions for the treatment of chemical stockpiles and site remediation works on contaminated sites. Refer Note 6.4.1.

Other operating expenses generally represent the day-to-day running costs incurred in normal operations which are recognised as an expense in the reporting period in which they are incurred.

Operating lease payments (including contingent rentals) are recognised on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

4. Financial information by output

Introduction

The Authority's sole output as defined in the Victorian Government's Budget Paper 3, is Statutory Activities and Environment Protection.

Taxes, fines and regulatory fees: The Authority collects Litter fines and PIW levies on its own behalf, but all other taxes, fines and regulatory fees are collected on behalf of the State.

Structure

- 4.1 Authority (controlled) outputs
- 4.2 Administered (non-controlled) items

Distinction between controlled and administered items

The distinction between controlled and administered items is based on whether the Authority has the ability to deploy the resources in question for its own benefit (controlled outputs) or whether it does so on behalf of the State (administered items). The Authority remains accountable for transactions involving administered items, but it does not recognise these items in its primary financial statements.

4.1 Authority (controlled) outputs

All financial activities associated with this output are reported in the comprehensive operating statement of the financial statements.

4.2 Administered (non-controlled) items

The Authority administers or manages other activities on behalf of the State. The transactions relating to these State activities are reported as administered items in this note. Administered transactions give rise to income, expenses, assets and liabilities and are determined on an accrual basis. Administered income includes taxes, fees and fines.

Administered assets include government income earned but yet to be collected. Administered liabilities include government expenses incurred but yet to be paid. The controlled Authority's financial statements and these administered items are consolidated into the financial statements of the State.

In respect to M&I landfill levy, the Authority does not control the revenue and acts as an agent for the Department that recognises the revenue. Refer Note 9.4.

The Authority recognises amounts collected and payable to the Department as assets and liabilities determined on an accrual basis.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

4.2.1 Administered (non-controlled) items

	(\$ '000)	
	2017	2016
Administered income from transactions		
Regulatory fees	15,146	14,769
Miscellaneous	1,836	2,716
Fines	706	399
User charges	276	148
Total administered income from transactions	17,964	18,132
Payments into the consolidated fund	(17,679)	(19,229)
Total administered expenses from transactions	(17,679)	19,229)
Administered net result from transactions (net operating balance) for the year	285	(1,097)
Administered other economic flows included in administered net result		
Net gain/(loss) on receivables	(68)	(22)
Total administered other economic flows included in administered net result	(68)	(22)
Total administered comprehensive result for the year	217	(1,119)
Administered financial assets		
Cash and deposits	20,700	–
Receivables	34,832	50,591
Accrued revenue	50,768	47,945
Total administered financial assets	106,300	98,536
Total administered assets	106,300	98,536
Administered liabilities		
Creditors and accruals (i)	104,995	97,464
Unearned income	1	(1)
Total administered liabilities	104,996	97,463
Total administered net assets	1,304	1,073

Notes:
(i) M&I landfill levies owing to the Department.

5. Key assets available to support service delivery

Introduction

The Authority controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the Authority to be utilised for service delivery.

Significant judgement: Fair value measurements of non-financial physical assets

The determination of fair values of non-financial physical assets requires significant judgement to be applied (including methodologies and assumptions).

Changes in assumptions could have a material impact on the fair values of the assets being valued.

Structure

- 5.1 Property, plant and equipment: carrying amount
 - 5.1.1 Depreciation, amortisation and impairment
 - 5.1.2 Reconciliation of movements in carrying values of property, plant and equipment
- 5.2 Intangible assets
- 5.3 Investments
 - 5.3.1 Ageing analysis of investments

5.1 Property, plant and equipment: carrying amount

	(\$ '000)	
	2017	2016
Buildings leasehold improvements		
At fair value (i)	13,193	13,193
Less: accumulated depreciation	(8,308)	(7,787)
At fair value (ii)	10,082	9,295
Less: accumulated depreciation	(5,447)	(4,652)
Total buildings leasehold improvements	9,520	10,049
Plant and equipment		
At fair value (iii)	15,373	14,624
Less: accumulated depreciation	(10,817)	(10,308)
Total plant and equipment	4,556	4,316
Work-in-progress		
At cost	2,843	1,458
Total work-in-progress	2,843	1,458
Leased motor vehicles		
At fair value	2,196	2,149
Less: accumulated depreciation	(711)	(628)
Total leased motor vehicles	1,485	1,521
Net carrying amount of property, plant and equipment	18,404	17,344

Notes:
(i) During 2015–2016, an independent valuation of the Authority's building leasehold assets was performed by Napier & Blakeley, in accordance with instructions from the Valuer-General Victoria, to determine the fair value of building leasehold improvements. These assets were classified as Level 3 in the fair value hierarchy defined in AASB13. The valuation assumptions included envisaging reconstruction to a modern equivalent standard and temporary protection of adjoining buildings where appropriate. Any revaluation increment arising on the revaluation of an asset has been credited to the appropriate class of the asset revaluation surplus. On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.
(ii) During the financial year, the Authority reviewed the fair value of all other buildings leasehold improvements and it was determined that the fair value was not materially different to the depreciated replacement cost. Therefore, the depreciated replacement cost has been considered as fair value for all other buildings leasehold improvements as at 30 June 2017.
(iii) The Authority measures items of plant and equipment at cost on initial recognition as an asset. During the financial year, the Authority reviewed the fair value of plant and equipment and it was determined that the fair value was not materially different to the depreciated replacement cost. Therefore, the depreciated replacement cost has been considered as fair value for plant and equipment as at 30 June 2017.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

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

The fair value of plant, equipment and vehicles, is determined by reference to the asset’s depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short life of the assets concerned.

The cost of a leasehold improvement is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvement, whichever is shorter.

Subsequent measurement: Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset’s highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Note 8.3 includes more details in connection with fair value determination.

5.1.1 Depreciation, amortisation and impairment

All plant and equipment that have a limited useful life are depreciated. Depreciation is calculated on a straight-line basis, at rates that allocate the asset’s value, less any estimated residual value, over its estimated useful life.

The following useful lives of assets are used in the calculation of depreciation for both current and prior years:

Asset class	Useful life
Buildings leasehold improvements	5 – 25 years
Plant and equipment	2 – 25 years
Leased motor vehicles	0 – 3 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned separate useful lives distinct from the item of plant and equipment to which they relate.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

In the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be written-off and the asset replaced (unless a specific decision to the contrary has been made).

Charge for the period

	(\$ '000)	
	2017	2016
Building leasehold improvements	1,315	1,077
Leased motor vehicles	433	421
Plant and equipment	924	858
Software (i)	2,044	2,048
Total depreciation and amortisation	4,716	4,404

Notes:
(i) Includes amortisation costs relating to the Authority’s Customer Relationship Management System of \$1.99 million (2016: \$2.03 million)

Impairment: Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

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

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset’s carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

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

5.1.2 Reconciliation of movements in carrying values of property, plant and equipment

	(\$ '000)				
	Buildings leasehold improvements at valuation and fair value	Plant and equipment at fair value	Leased motor vehicles at fair value	Work-in-progress	Total
2017					
Opening balance	10,049	4,316	1,521	1,458	17,344
Additions	787	1,268	713	2,843	5,611
Disposals	–	(104)	(280)	–	(385)
Transfer to:					
Non-financial assets held-for-sale	–	–	(34)	–	(34)
Building lease improvements	–	–	–	(787)	(787)
Plant and equipment	–	–	–	(671)	(671)
Depreciation	(1,315)	(924)	(433)	–	(2,672)
Closing balance	9,520	4,556	1,485	2,843	18,404
2016					
Opening balance	10,483	3,548	1,510	573	16,114
Additions	–	1,633	692	1,458	3,783
Disposals	(2)	(7)	(239)	–	(248)
Adjustments to asset revaluation					
surplus	904	–	–	–	904
Write-offs	(259)	–	–	–	(259)
Transfer to:					
Non-financial assets held-for-sale	–	–	(21)	–	(21)
Plant and equipment	–	–	–	(573)	(573)
Depreciation	(1,077)	(858)	(421)	–	(2,355)
Closing balance	10,049	4,316	1,521	1,458	17,344

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

5.2 Intangible assets

	(\$ '000)	
	2017	2016
Gross carrying amount at cost		
Opening balance	20,675	20,660
Additions to software	199	15
Disposals of software	–	–
Closing balance	20,869	20,675
Accumulated amortisation and impairment		
Opening balance	(7,769)	(5,721)
Amortisation expense (i)	2,044	2,048
Disposals	–	–
Closing balance	(9,807)	(7,769)
Net book value at the end of the financial year	11,062	12,906

Notes:

(i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the comprehensive operating statement.

Initial recognition

Intangible assets are measured at cost less accumulated amortisation and impairment. Capitalised software costs are amortised on a straight-line basis over their useful lives of 3 to 10 years for both current and prior years.

For software intangibles, when the recognition criteria in AASB 138 *Intangible assets* are met (this criteria includes the asset having a significant future economic benefit which is reliably measured and represents development costs), internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment.

Subsequent measurement

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Authority.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified. The policy in connection with testing for impairment is outlined in section 5.1.1.

Significant intangible assets

The Authority had previously capitalised the development of its SAP Customer Relationship Management System (SAP-CRM). The asset has a \$10.8 million carrying amount (2016: \$12.8 million). The system has been amortised over 10 years based on the expected useful life.

5.3 Investments

	(\$ '000)	
	2017	2016
Non-current investments		
Managed investment fund	62,089	61,522
Total non-current investments	62,089	61,522

Managed investments consist of funds deposited with the Victorian Funds Management Corporation Capital Stable Fund and are classified as a financial asset. The Fund invests in a combination of asset classes which include cash deposits, fixed term deposits and equities which are subject to movements in equity prices.

5.3.1 Ageing analysis of investments

	(\$ '000)					
	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1–3 months	3 months – 1 year	1–5 years
2017						
Managed investment fund	62,089	62,089	–	–	–	–
Total	62,089	62,089	–	–	–	–
2016						
Managed investment fund	61,522	61,522	–	–	–	–
Total	61,522	61,522	–	–	–	–

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

6. Other assets and liabilities

Introduction	Structure
This section sets out those assets and liabilities that arose from the Authority's operations.	6.1 Receivables
	6.1.1 Movement in the provision for statutory doubtful debt receivables
	6.1.2 Ageing analysis of contractual financial assets
	6.2 Payables
	6.2.1 Maturity analysis of contractual payables
	6.3 Other non-financial assets
	6.4 Other provisions
	6.4.1 Reconciliation of movement in other provisions

6.1 Receivables

	(\$ '000)	
	2017	2016
Current receivables		
Contractual		
Trade debtors	100	4,470
Amounts owing from Commonwealth Government	660	543
Interest receivable	263	249
	1,023	5,262
Statutory		
Amounts owing from the Consolidated Fund (i)	8,178	15,229
Fines and regulatory fees	11,649	10,056
Allowance for doubtful debts (See also Note 6.1.1 below)	(8,155)	(2,819)
Amounts owing from the Department	12,955	6,924
Accrued revenue - Environment Protection Fund (ii)	7,485	5,566
GST input tax credit recoverable	522	278
	32,634	35,234
Total current receivables	33,657	40,496
Non-current receivables		
Contractual		
Amounts owing from Commonwealth Government	-	198
Total non-current receivables	-	198
Total receivables	33,657	40,694

Notes:
(i) The amounts recognised from Victorian Government represent funding for all commitments incurred through the Environment Protection Fund and are drawn from the Consolidated Fund as the commitments fall due.
(ii) Accrued revenue comprises estimated PIW levies which remain unpaid at 30 June 2017.

Contractual receivables are classified as financial instruments and include receivables from the Commonwealth Government and accrued interest receivable.

Statutory receivables do not arise from contracts; however, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments. They include amounts owing from the Victorian Government, debtors in relation to fines and regulatory fees, PIW levy and GST input tax credits recoverable.

6.1.1 Movement in the provision for statutory doubtful debt receivables

	(\$ '000)	
	2017	2016
Balance at beginning of the year	(2,819)	(2,316)
Reversal of provision for receivables written-off during the year as uncollectible	976	894
Increase in provision recognised in the net result	(6,312)	(1,397)
Balance at end of the year	(8,155)	(2,819)

Doubtful debts: A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written-off when identified, including Litter fines based on historical collection patterns of debt referred to the Infringement Court and other regulatory fees that the Authority believes it prudent to provide for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

The Authority assesses whether there is objective evidence that a financial asset or group of financial assets is impaired, at the end of each reporting period. Objective evidence includes financial difficulties of the debtor, default payments and debts which are more than 90 days overdue. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written-off by mutual consent are classified as a transaction expense. The bad debts not written-off by mutual consent and allowance for doubtful debt receivables are classified as 'other economic flows'.

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

6.1.2 Ageing analysis of contractual financial assets

	(\$ '000)					
	Carrying amount	Not past due and not impaired	Past due but not impaired			
2017			Less than 1 month	1-3 months	3 months-1 year	1-5 years
Cash and cash equivalents	59,202	59,202				
Receivables:						
Trade debtors	100	100	-	-	-	-
Receivables from Commonwealth Government	660	660	-	-	-	-
Interest receivables	263	263	-	-	-	-
Total	60,225	60,225	-	-	-	-
2016						
Cash and cash equivalents	36,462	36,462				
Receivables:						
Trade debtors	4,470	4,470	-	-	-	-
Receivables from Commonwealth Government	741	741	-	-	-	-
Interest receivables	249	249	-	-	-	-
Total	41,922	41,922	-	-	-	-

The carrying amounts disclosed above exclude statutory amounts (for example, amounts owing from Victorian Government and GST input tax credit recoverable).

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

6.2 Payables

	(\$ '000)	
	2017	2016
Current payables - unsecured		
Contractual		
Trade creditors	2,520	1,498
Accruals	3,437	1,999
Salaries and other employee entitlements	2,071	1,682
Total current payables	8,028	5,179
Non-current payables - unsecured		
Contractual		
Trade creditors	1,210	1,385
Statutory		
Financial assurance cash deposits (i)	-	51
Total non-current payables	1,210	1,436
Total payables	9,238	6,615

Notes:

(i) Assurances are held to offset potential cleanup costs which may be incurred by the Authority. Clients have the option of lodging either cash deposits or bank guarantees. Note 8.3 shows details of bank guarantees held at 30 June 2017.

Payables include contractual and statutory amounts. Contractual payables consist of trade creditors and other sundry liabilities. Statutory payables consist of financial assurance held to offset potential cleanup costs. Trade creditors represent liabilities for goods and services provided to the Authority prior to the end of the financial year that are unpaid, and arise when the Authority becomes obliged to make future payments in respect of the purchase of those goods and services. Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

6.2.1 Maturity analysis of contractual payables

	(\$ '000)						
	Carrying amounts	Nominal amount	Maturity dates				
2017			Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years
Trade creditors	3,730	3,730	2,498	22	-	1,210	-
Accruals	3,437	3,437	3,437	-	-	-	-
Salaries and other employee entitlements	2,071	2,071	2,071	-	-	-	-
Total	9,238	9,238	8,006	22	-	1,210	-
2016							
Trade creditors	2,883	2,883	1,352	19	128	1,263	121
Accruals	1,999	1,999	1,999	-	-	-	-
Salaries and other employee entitlements	1,682	1,682	1,682	-	-	-	-
Total	6,564	6,564	5,033	19	128	1,263	121

Maturity analysis is presented using the contractual undiscounted cash flows.

The carrying amounts disclosed exclude statutory amounts (for example, GST payables). The Authority intends to settle the above financial liabilities in line with its contractual obligations.

6.3 Other non-financial assets

	(\$ '000)	
	2017	2016
Prepayments	2,280	408
Total other non-financial assets	2,280	408

Other non-financial assets include prepayments, which represent payments in advance of receipt of goods or services, or that part of expenditure made in one accounting period covering a term extending beyond that period.

6.4 Other provisions

	(\$ '000)	
	2017	2016
Current provisions		
Site remediation and disposal of chemical stockpile (i)	6,655	1,959
Total current provisions	6,655	1,959
Non-current provisions		
Site remediation and disposal of chemical stockpile (i)	3,155	1,012
Site restoration of leasehold improvement (ii)	1,198	1,139
Total non-current provisions	4,353	2,151
Total provisions	11,008	4,110

Notes:

(i) The amounts disclosed are nominal amounts.

(ii) The amounts disclosed are discounted to present values.

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

The amount recognised as a provision, is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

6.4.1 Reconciliation of movements in other provisions

			(\$ '000)
2017	Site remediation and disposal of chemical stockpile	Site restoration of leasehold improvement	Total
Opening balance	2,971	1,139	4,110
Additional provisions recognised	7,158	–	7,158
Reduction arising from payments/other sacrifices of future economic benefits	(319)	–	(319)
Unwind of discount and effect of changes in the discount rate	–	59	59
Closing balance	9,810	1,198	11,008
2016			
Opening balance	3,028	1,083	4,111
Additional provisions recognised	567	–	567
Reduction arising from payments/other sacrifices of future economic benefits	(624)	–	(624)
Unwind of discount and effect of changes in the discount rate	–	56	56
Closing balance	2,971	1,139	4,110

Site remediation and disposal of chemical stockpile

The Authority holds chemical stockpiles from two sources and site remediation works on contaminated sites, as follows:

- 1) Chemicals from the Chemcollect program, a chemical collection program run under joint agreement between the Commonwealth and the Authority. The estimated cost of disposing of the remaining chemicals as at 30 June 2017 is \$3.14 million (2016: \$1.79 million).
- 2) The Authority continues to hold a stockpile of dangerous goods (chemicals) collected as part of a rural chemical collection program, run by the former Melbourne Metropolitan Board of Works. The estimated cost of disposing of these chemicals as at 30 June 2017 is \$1.36 million (2016: \$0.78 million).
- 3) The Authority has continued its work with a local council in relation to a remediation of a contaminated site. The total cost of the remaining remediation is estimated to be \$0.47 million (2016: \$0.40 million). Refer to Contingent Liabilities (Note 8.1).
- 4) Through the Authority's compliance and enforcement activities, a commercial site in regional Victoria has been identified as posing a severe risk to human health and the environment due to the nature of its operations and its proximity to the local community. The estimated cleanup cost of the site as at 30 June 2017 is \$4.85 million (2016: nil).

Site restoration of leasehold improvement

The provision for site restoration of leasehold improvement represents the present value of the future payments that the Authority is presently obligated to make in respect of make good clauses under a non-cancellable operating lease agreement. The estimate will vary if the Authority exercises its option for a further term. The unexpired term of the lease is five years.

7. Financing our operations

Introduction

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

Structure

- 7.1 Borrowings
 - 7.1.1 Maturity analysis of borrowings
 - 7.1.2 Interest expense
- 7.2 Cash flow information and balances
 - 7.2.1 Reconciliation of net result to cash flow from operating activities
- 7.3 Trust account balances
- 7.4 Leases
 - 7.4.1 Operating leases
 - 7.4.2 Finance leases
- 7.5 Commitments for expenditure
 - 7.5.1 Total commitments payable

7.1 Borrowings

		(\$ '000)
	2017	2016
Current borrowings – secured		
Finance lease liabilities (i)	803	671
Total current borrowings	803	671
Non-current borrowings – secured		
Finance lease liabilities (i)	748	885
Total non-current borrowings	748	885
Total borrowings	1,551	1,556

Notes:

(i) Secured by the assets leased. Finance leases are effectively secured as the rights of the leased assets revert to the lessor in the event of a default.

'Borrowings' refer to interest-bearing liabilities relating to public borrowings and finance leases, and are classified as financial instruments. Borrowings are initially measured at fair value, being the cost of the borrowings, net of transaction costs (refer to Note 7.4 Leases).

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the net result over the period of the borrowing using the effective interest method.

7.1.1 Maturity analysis of borrowings

							(\$ '000)
	Carrying amount	Nominal amount	Maturity dates				
2017			Less than 1 month	1–3 months	3 months – 1 year	1–5 years	5+ years
Finance lease liabilities	1,551	1,610	142	176	525	767	–
Total	1,551	1,610	142	176	525	767	–
2016							
Finance lease liabilities	1,556	1,634	121	93	508	912	–
Total	1,556	1,634	121	93	508	912	–

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

7.1.2 Interest expense

Interest expense is recognised in the period in which it is incurred. Costs incurred in connection with the borrowing of funds include interest component of finance lease repayments and the increase in financial liabilities.

	(\$ '000)	
	2017	2016
Interest on finance leases	66	78
Total interest expense	66	78

7.2 Cash flow information and balances

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

Due to the State of Victoria’s investment policy and Government funding arrangements, Government departments (including the Authority) generally do not hold a large cash reserve in their bank accounts. Cash received by the Authority from the generation of revenue is generally paid into the State’s bank account, known as the Public Account.

Similarly, any Authority expenditure, including that in the form of cheques drawn by the Authority for the payment of goods and services to its trade creditors is made via the Public Account. The process is such that, the Public Account would remit to the Authority the cash required for the amount drawn on the cheques. This remittance by the Public Account occurs upon the presentation of the cheques by the Authority’s suppliers or creditors.

Investments comprise deposits held with the Treasury Corporation of Victoria. Deposits at call have had a floating interest rate between 1.45 per cent and 1.70 per cent (2016: 1.70 per cent and 1.95 per cent). Fixed term deposits have had an average interest-bearing rate of 1.70 per cent (2016: 2.20 per cent).

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of cash flows*.

	(\$ '000)	
	2017	2016
Cash at bank (i)	–	(1)
Cash on hand	9	8
Deposits held with Treasury Corporation of Victoria		
Investments - deposits at call	1,909	1,171
Investments - fixed term deposits	57,284	35,284
Balance as per cash flow statement	59,202	36,462

Notes:
(i) The above funding arrangements often result in the Authority having a notional shortfall in the cash at bank required for payment of unrepresented cheques at the reporting date.

7.2.1 Reconciliation of net result cash flows from operating activities

	(\$ '000)	
	2017	2016
Net result for the year	3,656	4,894
Non-cash movements:		
(Gain)/loss on sale or disposal of non-current assets	75	(55)
Depreciation and amortisation of non-current assets	4,716	4,404
Impairment of statutory receivables	6,312	1,397
Movements in assets and liabilities:		
(Increase)/decrease in receivables	725	54,338
(Increase)/decrease in other non-financial assets	(1,872)	(203)
Increase/(decrease) in payables (i)	2,658	(1,115)
Increase/(decrease) in provisions	8,517	410
Net cash flows from operating activities	24,787	64,070

Notes:
(i) During the year, the Authority recognised additional provisions for the treatment of chemical stockpiles and site remediation works on contaminated sites. Refer Note 6.4.1

7.3 Trust account balances

The *Environment Protection (Amendment) Act 2006* introduced increased and differential levies on the disposal of PIW to landfill to reflect the level of hazard posed by the different categories of PIW. The Authority only receives a portion of these levies for operational purposes based on the PIW Revenue Charter. The remainder is held in a separate account within the Environment Protection Fund for the purposes of funding specific environmental protection initiatives, including the HazWaste Fund approved by the Minister for Energy, Environment and Climate Change and the Authority's Chairman.

HazWaste Fund

The HazWaste Fund account forms part of the Environment Protection Fund, which is managed by the Authority. In January 2007, the Victorian Government developed a strategy to reduce hazardous waste. The HazWaste Fund was established to achieve specific waste reduction targets, by supporting organisations to accelerate reductions in the volume and hazard of hazardous waste generated in Victoria. Revenue from the increase in PIW levy fees from manufacturing sources was contributed to the fund until the end of the 2012-13 financial year. In June 2017, the Fund was closed with the residual balance continued to be held in the Environment Protection Fund.

The following table is a reconciliation of the Fund balance.

	(\$ '000)	
	2017	2016
Opening balance	24,417	26,117
Receipts	–	–
Payments		
Grants to recipients	331	1,580
Administrative expenses	207	120
Closing balance	23,879	24,417

7.4 Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

7.4.1 Operating leases

The Authority has entered into a number of operating lease agreements where the lessors effectively retain the risks and benefits incidental to ownership of the leased items. Lease payments are charged to the net result over the lease term as payments made are representative of the pattern of benefits derived from the use of the leased asset.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. In the event that lease incentives are received to enter into operating leases, the aggregate costs of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Commitments in relation to leases contracted at the reporting date but not recognised as liabilities are:

	(\$ '000)	
	2017	2016
Non-cancellable operating lease payables		
Not longer than one year	3,010	2,762
Longer than one year and not longer than five years	9,463	11,476
Longer than five years	615	826
Non-cancellable operating lease payables	13,088	15,064

7.4.2 Finance leases

Under the DTF's vehicle leasing policy, vehicles leased after 1 February 2004 are subject to finance lease arrangements, where the Authority retains the risks and benefits incidental to ownership of these leased vehicles.

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease asset or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

		(\$ '000)			
	Notes	Minimum future lease payments (i)		Present value of minimum future lease payments	
		2017	2016	2017	2016
Finance lease liabilities payable					
Not longer than one year		843	722	803	671
Longer than one year and not longer than five years		767	912	748	885
Minimum future lease payments		1,610	1,634	1,551	1,556
Less: future finance charges		(59)	(78)	–	–
Present value of minimum lease payments		1,551	1,556	1,551	1,556
Included in the financial statements as:					
Current finance borrowings lease liabilities	7.1			803	671
Non-current finance borrowings lease liabilities	7.1			748	885
Non-current finance borrowings lease liabilities				1,551	1,556

Notes:

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

7.5 Commitments for expenditure

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources. Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable.

In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

7.5.1 Total commitments payable

The following commitments have not been recognised as liabilities in the financial statements:

	(\$ '000)	
	2017	2016
Capital expenditure commitments (i)		
Property, plant and equipment payable		
Not longer than one year (ii)	599	46
Longer than one year and not longer than five years	–	–
Total capital expenditure commitments	599	46
Other expenditure commitments (i)		
Payable		
Not longer than one year	878	803
Longer than one year and not longer than five years	5,252	5,019
Total other expenditure commitments	6,130	5,822

Notes:

(i) All amounts shown in the commitments note are nominal amounts inclusive of GST.

(ii) Finance lease and non-cancellable operating lease commitments are disclosed in Note 7.4.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

8. Risks, contingencies and valuation judgements

Introduction	Structure
The Authority is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.	<div>8.1 Contingent assets and contingent liabilities</div> <div>8.2 Financial instruments</div> <div>8.2.1 Financial risk management objectives and policies</div> <div>8.2.2 Credit risk</div> <div>8.2.3 Liquidity risk</div> <div>8.2.4 Market risk</div> <div>8.3 Fair value determination</div>

8.1 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.

These are classified as either quantifiable, where potential economic benefit is known, or non-quantifiable. There were no contingent assets for the Authority at 30 June 2017.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority; or
- present obligations:
 - that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

The Authority has the following non-quantifiable contingent liabilities:

- 1) The Authority is currently contesting a claim in the Supreme Court relating to the rejection of a recycling rebate of waste deposited into a landfill received from a landfill operator.

Like any other party to civil litigation, the Authority may be required to pay damages and other party costs if the Authority is unsuccessful. In accordance with AASB 137 *Provisions, contingent liabilities and contingent assets*, the Authority has not disclosed the value of matters on the grounds that it may seriously prejudice the outcome of the claim. The Authority believes it has acted in accordance with the *Environment Protection Act 1970* and is defending the claim.
- 2) At 30 June 2017, the Authority has a number of civil litigation matters, for which the Authority may be liable for legal costs if unsuccessful. Due to the diversity of issues associated with these matters and the opportunity for new evidence to be adduced during the court process, it is not possible to reliably quantify the financial effect of litigation and it is therefore impractical to do so.
- 3) The Authority has recognised a liability for works related to a contaminated site (Note 6.4). On completion of the works, the Authority may have a further unquantified obligation, dependent upon subsequent tests and community negotiation. Therefore, quantification of the financial effect, if any, cannot be reliably estimated and is therefore impractical to do so.

8.2 Financial Instruments

The Authority is exposed to a number of financial risks including: credit risk, liquidity risk, market risk (interest rate risk, foreign currency risk and equity price risk).

As a whole, the Authority's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

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. Due to the nature of the Authority's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example, taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial instruments: presentation*.

Categories of financial instruments

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

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through net result on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value, attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows.

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

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have been designated at fair value through net result upon recognition may be reclassified out of the fair value through net result category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Available for sale financial instrument assets that meet the definition of receivables may be reclassified into the receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

8.2.1 Financial risk management objectives and policies

The Authority’s principal financial instruments comprise:

- cash assets
- term deposits
- receivables (excluding statutory receivables)
- investments in managed scheme
- payables (excluding statutory payables) and
- finance lease payables.

The carrying amounts of the Authority’s contractual financial assets and financial liabilities by category are in the table below.

Categorisation of financial instruments

(\$ '000)				
	Category	Note	2017	2016
Contractual financial assets				
Cash and cash equivalents	Not applicable	7.2	59,202	36,462
Investments in managed fund	Fair value	8.3	62,089	61,522
Receivables	Loans and receivables	6.1	1,023	5,460
Total contractual financial assets (i)			122,314	103,444
Contractual financial liabilities				
Payables	Financial liabilities at amortised cost	6.2	9,238	6,564
Finance lease liabilities	Financial liabilities at amortised cost	6.2	1,551	1,556
Total contractual financial liabilities (ii)			10,789	8,120

Notes:
(i) The total amount of financial assets disclosed here excludes statutory receivables (that is, amounts owing from Victorian Government and GST input tax credit recoverable).
(ii) The total amount of financial liabilities disclosed here excludes statutory payables (that is, taxes payable).

Net holding gain/loss on financial instruments by category

(\$ '000)			
	Net holding gain/(loss)	Total interest income/(expense)	Total
2017			
Financial assets designated at fair value through net result	567	1,879	2,446
Total contractual financial assets	567	1,879	2,446
2016			
Financial assets designated at fair value through net result	(9,743)	11,843	2,100
Total contractual financial assets	(9,743)	11,843	2,100

8.2.2 Credit risk

The Authority’s exposure to credit risk arises from the potential default of counterparties on their contractual obligations resulting in financial loss to the Authority. The credit risk on financial assets of the Authority which have been recognised on the balance sheet, is generally the carrying amount, net of any provisions for doubtful debts.

Maximum exposure to credit risk is the carrying amounts of financial assets.

As at the reporting date, there is no evidence to indicate that any of the financial assets were impaired.

8.2.3 Liquidity risk

Liquidity risk arises when the Authority is unable to meet its financial obligations as they fall due. The Authority operates under the Government’s fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high-quality liquid assets.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities. For disclosure of the contractual maturity analysis for the Authority’s financial liabilities refer to Note 6.2.1.

8.2.4 Market risk

The Authority’s exposures to market risk are primarily through interest rate and equity risks with only insignificant exposure to foreign currency. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

Equity risk

The Authority is exposed to equity price risk through its investment in the Victorian Funds Management Corporation’s Capital Stable Fund. The fund manager, on behalf of the Authority, closely monitors performance and manages equity price risk through diversification of its investment portfolio. The Authority’s sensitivity to equity is detailed in the table ‘Other price risk sensitivity’.

Foreign currency risk

The Authority is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

Interest rate risk

Exposure to interest rate risk is insignificant and might arise primarily through the Authority’s variable rate cash deposits. The Authority’s exposure is insignificant due to its policy to minimise risk by mainly undertaking fixed rate investments with relatively even maturity profiles which are managed by Treasury Corporation of Victoria.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

Interest rate exposure of contractual financial instruments

(\$ '000)					
2017	Weighted average interest rate %	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
Financial assets					
Cash and cash equivalents	1.80	59,202	57,284	1,909	9
Receivables:					
Trade debtors		100	–	–	100
Receivables from Commonwealth Government		660	–	–	660
Interest receivables	1.80	263	263	–	–
Other receivables		–	–	–	–
Total financial assets		60,225	57,547	1,909	769
Financial liabilities					
Payables		9,238	–	–	9,238
Finance lease liabilities	3.95	1,551	1,551	–	–
Total financial liabilities		10,789	1,551	–	9,238
2016					
Financial assets					
Cash and cash equivalents	2.20	36,462	35,284	1,171	7
Receivables:					
Trade debtors		4,470	–	–	4,470
Receivables from Commonwealth Government		741	–	–	–
Interest receivables	2.20	249	249	–	–
Other receivables		–	–	–	–
Total financial assets		41,922	35,533	1,171	5,218
Financial liabilities					
Payables		6,564	–	–	6,564
Finance lease liabilities	5.41	1,556	1,556	–	–
Total financial liabilities		8,120	1,556	–	6,564

Sensitivity disclosure analysis and assumptions

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the Authority believes the following movements are 'reasonably possible' over the next 12 months:

- A movement of 25 basis points up and down (2016: 25 basis points up and down) in market interest rates (AUD) from year-end rates of 1.45 per cent (2016: 1.70 per cent); and
- The Authority's sensitivity to equity price risk has been assessed as a movement of 15 per cent up and down (2016: 15 per cent up and down) in equity prices.

Market risk exposure

(\$ '000)					
2017	Carrying amount	Interest rate risk			
		-25 basis points		+ 25 basis points	
		Net result	Equity	Net result	Equity
Contractual financial assets:					
Cash and cash equivalents (i)	59,202	(5)	(5)	5	5
Receivables	1,023	–	–	–	–
Contractual financial liabilities:					
Payables	9,238	–	–	–	–
Finance lease liabilities	1,551	–	–	–	–
Total impact	71,014	(5)	(5)	5	5
2016					
		- 25 basis points		+ 25 basis points	
Contractual financial assets:					
Cash and cash equivalents (i)	36,462	(3)	(3)	3	3
Receivables	5,460	–	–	–	–
Contractual financial liabilities:					
Payables	6,564	–	–	–	–
Finance lease liabilities	1,556	–	–	–	–
Total impact	50,042	(3)	(3)	3	3

Notes:

- (i) Cash and cash equivalents includes a deposit of \$1.90 million (2016: \$1.17 million) that is exposed to floating rate movements. Sensitivities to these movements are calculated as follows:
- 2017: \$1.90 million x -0.0025 = -\$5 thousand; and \$1.90 million x +0.0025 = \$5 thousand
 - 2016: \$1.17 million x -0.0025 = -\$3 thousand; and \$1.17 million x +0.0025 = \$3 thousand

Other price risk sensitivity

(\$ '000)			
2017	Carrying amount as at 30 June 2017	Equity price	
		-15% movement net result	+15% movement net result
Contractual financial assets:			
Managed investments (i)	62,089	(1,863)	1,863
Total impact		(1,863)	1,863
2016			
Contractual financial assets:			
Managed investments (i)	61,522	(1,846)	1,846
Total impact		(1,846)	1,846

Notes:

- (i) Managed investments include monies deposited with the Victorian Funds Management Corporation in the Capital Stable Fund. This is classified as a non-current financial asset. The Fund invests in a combination of asset classes which include cash deposits, fixed term deposits and equities which are subject to movements in equity prices. Investment held as at 30 June 2017 is \$62.09 million (2016 \$61.52 million). The Authority's exposure to equity risk is approximately 20 per cent of the Capital Stable Fund portfolio mix which equates to \$12.42 million (2016 \$12.3 million). Sensitivities to these movements are calculated as follows:
- 2017: \$12.42 million x -0.15 = -\$1.863 million; and \$12.42 million x 0.15 = \$1.863 million
 - 2016: \$12.30 million x -0.15 = -\$1.846 million; and \$12.30 million x 0.15 = \$1.846 million

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

8.3 Fair value determination

Significant judgement: Fair value measurement of assets and liabilities

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

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

Consistent with AASB 13 *Fair Value measurement*, the Authority determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and 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 relevant Financial Reporting Directions.

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

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

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

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

How this section is structured

For those assets and liabilities for which fair value determination is determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value)
- which level of the fair value hierarchy was used to determine the fair value
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
 - a reconciliation of the movements in fair values from the beginning of the year to the end; and
 - details of significant unobservable inputs used in the fair value determination.

This section is divided between financial instruments and non-financial physical assets.

Fair value determination: property, plant and equipment

(\$ '000)				
2017	Carrying amount	Fair value measurement at the end of the reporting period using:		
		Level 1	Level 2	Level 3
Building leasehold improvements	9,520	–	–	9,520
Plant and equipment	4,556	–	–	4,556
Leased motor vehicles	1,485	–	–	1,485
2016				
Building leasehold improvements	10,049	–	–	10,049
Plant and equipment	4,316	–	–	4,316
Leased motor vehicles	1,521	–	–	1,521

Building leasehold improvements

Buildings are valued using depreciated replacement cost method and therefore considered to be Level 3 in the fair value hierarchy. Depreciation rates are reflective of expected lives.

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using depreciated replacement cost method and therefore classified as Level 3 in the fair value hierarchy.

There were no changes in valuation techniques throughout the period 30 June 2017. For all assets measured at fair value, the current use is considered the highest and best use.

Leased motor vehicles

Leased motor vehicles are valued using depreciated replacement cost method and therefore classified as Level 3 in the fair value hierarchy. The Authority acquires new vehicles and at times disposes of them before the end of their economic life. Depreciation rates set are reflective of expected utilisation of the vehicle.

Reconciliation of Level 3 fair value movements

(\$ '000)			
2017	Buildings leasehold improvements	Plant and equipment	Leased motor vehicles
Opening Balance	10,049	4,316	1,521
Purchases	787	1,268	713
Disposals	–	(104)	(280)
Depreciation	(1,315)	(924)	(433)
Transfer assets held-for-sale	–	–	(34)
Closing balance	9,520	4,556	1,485
2016			
Opening Balance	–	3,548	1,510
Purchases	–	1,633	692
Disposals	(261)	(7)	(239)
Transfers in / (out) of Level 3 (i)	10,483	–	–
Adjustment to asset revaluation surplus	904	–	–
Depreciation	(1,077)	(858)	(421)
Transfer assets held-for-sale	–	–	(21)
Closing balance	10,049	4,316	1,521

Notes:
(i) Building leasehold improvements were re-classified as Level 3 in the fair value hierarchy defined in AASB 13 as a result of the independent valuation performed during the 2015–16 year.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

Description of significant unobservable inputs to Level 3 valuations

2017	Valuation technique	Significant unobservable inputs
Buildings leasehold improvements	Depreciated replacement cost	Building costs Useful life of buildings
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and Equipment
Leased motor vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles
2016		
Buildings leasehold improvements	Depreciated replacement cost	Building costs Useful life of buildings
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and Equipment
Leased motor vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles

Significant unobservable inputs have remained unchanged since June 2016.

On-balance sheet

The net fair value of cash, cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Authority approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists, or by discounting the expected future cash flows by current interest rates for assets and liabilities with similar risk profiles.

The fair value and net fair value of financial instruments assets and liabilities is determined as follows:

- Level 1 – the fair value of financial instruments with standard terms and conditions and traded in active liquid markets is 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.
- Level 3 – the fair value in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Authority considers the carrying amount of financial assets and liabilities recorded in the financial statements to be a fair approximation of their fair value, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

Off-balance sheet

The Authority has accepted financial assurances (bank guarantees) that it may draw down on if required. These have a monetary face value which approximates their carrying value. The value of these financial assurances is \$160.30 million (2016: \$155.50 million).

The Authority has potential financial liabilities which may arise from certain contingencies disclosed in Note 8.1.

Financial assets measured at fair value

(\$ '000)				
2017	Carrying amount	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Contractual financial assets:				
Managed investments	62,089		62,089	
Total	62,089		62,089	
2016				
Contractual financial assets:				
Managed investments	61,522		61,522	
Total	61,522		61,522	

There have been no transfers between levels during the period.

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale.

Managed Investment Scheme

The Authority invests in a Managed Investment Fund (Capital Stable Fund) with the Victorian Funds Management Corporation. In measuring fair value, the fund manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investment, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of the funds may be used as an input into measuring their fair value.

In measuring this fair value, the NAV of the fund is adjusted, as necessary, to reflect restrictions and redemptions, future commitments and other specific factors of the fund.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

9. Other disclosures

Introduction	Structure
This section includes additional material disclosures required by accounting standards, for the understanding of this financial report.	9.1 Remuneration of executives
	9.1.1 Remuneration of other personnel
	9.2 Responsible persons
	9.3 Remuneration of auditors
	9.4 Related parties
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	9.6 Reserves
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	9.8 Subsequent events
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9.1 Remuneration of executives

The number of executive officers, other than the accountable officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide 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 Authority, or on behalf of the Authority, 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.

During this financial year the Victorian Government changed the remuneration arrangements for all executive officers within the Victorian Pubic Service. All EPA executives elected to participate in the new system of remuneration which does not include performance bonuses.

	(\$ '000)
Remuneration (i)	2017
Salaries and other short-term employee benefits	1,256
Post-employment benefits	123
Other long-term employee benefits	31
Total remuneration	1,410
Total number of executives	7
Total annualised employee equivalents (ii)	5.5

Notes:
(i) Note that for the first year of implementation (2016–17), no comparatives are required.
(ii) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

9.1.2 Remuneration of other personnel

The following disclosures are made in relation to other personnel of the Authority, i.e. contractors charged with significant management responsibilities.

No payments have been made to contractors with significant management responsibilities.

9.2 Responsible persons

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

Names

The persons who held the positions of Minister, Responsible Body and Accountable Officer in the Authority are as follows:

Minister for Energy, Environment and Climate Change	The Hon. Lily D'Ambrosio MP (1 July 2016 to 30 June 2017)
Responsible Body and Chairman:	Cheryl Batagol (1 July 2016 to 30 June 2017)
Accountable Officer and Chief Executive Officer:	Nial Finegan (1 July 2016 to 30 June 2017)

Remuneration

Amounts relating to the Minister are reported in the financial statements of the Department of Parliamentary Services.

Remuneration received or receivable by the Chairman as Responsible Body in connection with duties associated with her role as the Chairman of the Authority during the reporting period was in the range: \$120,000 – \$130,000 (2016: \$120,000 – \$130,000).

Remuneration received or receivable by the Accountable Officer (Chief Executive Officer) in connection with the management of the EPA during the reporting period was in the range: \$320,000 – \$330,000 (2016: \$280,000 – \$290,000).

Other transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

9.3 Remuneration of auditors

	(\$ '000)	
	2017	2016
Victorian Auditor-General's Office		
Audit or review of the financial statements	55	54
Total remuneration of auditors	55	54

9.4 Related parties

The Authority is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Authority include:

- all key management personnel and their close family members
- all cabinet ministers and their close family members
- 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.

Key management personnel of the Authority include the Chairman, members of the Executive Leadership Team and Members of the Interim Advisory Board (i).

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

	(\$ '000)
Compensation	2017
Salaries and other short-term employee benefits	1,736
Post-employment benefits	167
Other long-term employment benefits	38
Total	1,941

Notes:
(i) On 9 January 2017, the Minister for Energy, Environment and Climate Change established a non-statutory, Ministerial Advisory Committee, to be known as the Environment Protection Authority Interim Advisory Board.

Transactions with key management personnel and other related parties

Given the breadth and depth of State Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public ; for example, stamp duty and other Government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Purchasing Board requirements.

Outside of normal citizen type transactions with the Authority, there were no related party transactions that involved key management personnel and their close family members that have been considered material for disclosure. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that the Authority's financial position and net result may have been affected by the existence of related parties, and by transactions and outstanding balances, including commitments, with such parties.

Significant transactions with Government-related parties

During the year, the Authority had the following Government-related entity transactions in respect of its controlled outputs:

	2017	2016
Receipts		
Amounts recognised as income in the comprehensive operating statement.		
Grants from Department for the operations of the Authority	32,466	23,004
Amounts transferred during the year and recognised as a capital contribution in the balance sheet. Grants from Department for capital works.	2,418	943
	34,884	23,947
Payments		
Amounts recognised as expenditure in the comprehensive operating statement. Specific purpose grants paid to Victorian Government entities	2,941	2,718
	2,941	2,718

The Authority administers or manages other activities on behalf of the State (Note 4.2). During the year, the Authority had the following administered transactions with Government-related entities: \$207.58 million (2016: \$150.93 million) collected and passed onto the Department from M&I landfill levy. In addition, the Authority made payments of \$17.68 million (2016: \$19.23 million) into the Consolidated Fund for other administered (non-controlled) items.

9.5 Non-financial assets classified as held-for-sale

	2017	2016
Leased vehicles held-for-sale (i) – opening balance	21	–
Assets identified for disposal during the year	57	21
Asset disposals	(21)	–
Total non-financial assets classified as held-for-sale	57	21

Notes:
(i) Leased vehicles held-for-sale represent motor vehicles identified for immediate disposal in their current condition through the VicFleet disposal process. It is anticipated that these disposals will be completed within the next 12 months.

Non-financial assets classified as held-for-sale, are measured at the lower of the carrying amount and fair value less costs to sell and are not subject to depreciation.

Non-financial assets, disposal groups and related liabilities are treated as current and classified as held-for-sale, if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

9.6 Reserves

	2017	2016
Physical asset revaluation surplus (i)		
Balance at beginning of financial year	3,683	2,779
Revaluation increments/(decrements)	–	904
Balance at end of financial year	3,683	3,683

Notes:
(i) The physical assets revaluation surplus arises on the revaluation of building leasehold improvements.

9.7 Other economic flows included in net result

	2017	2016
(a) Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of property, plant and equipment	(75)	55
Total net gain/(loss) on non-financial assets	(75)	55
(b) Net gain/(loss) on statutory receivables		
Impairment of statutory receivables	(6,312)	(1,397)
Total net gain/(loss) on statutory receivables	(6,312)	(1,397)
(c) Net gain/(loss) on financial instruments		
Net gain/loss on financial instruments	567	(9,743)
Total net gain/(loss) on financial instruments	567	(9,743)
(d) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service leave liability (i)	146	(309)
Unwinding of provisions	(59)	(56)
Total other gains/(losses) from other economic flows	87	(365)

Notes:
(i) Revaluation gain/(loss) due to changes in bond rate.

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

Revaluation gains/(losses) of non-current physical assets

Non-current physical assets are measured at fair value on a cyclical basis, in accordance with the Financial Reporting Directions issued by the Minister for Finance. A full revaluation normally occurs every five years, but may occur more frequently if fair value assessments indicate material changes in values. The majority of non-current assets held by the Authority are ‘fit-out’ leasehold improvements to buildings. The depreciated cost of leasehold improvements is an acceptable approximation of fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in other comprehensive income and accumulated in equity under the revaluation surplus, except that the net revaluation increase shall be recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except that the net revaluation decrease shall be recognised in other comprehensive income to the extent that a credit balance exists in the revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds, the carrying value of the asset at that time.

Impairment of non-financial assets

Refer Note 5.1.1 Depreciation, amortisation and impairment.

Other gains/(losses) from other economic flows

Includes the gains or losses from the revaluation of present value of the long service leave liability due to changes in the bond interest rates.

9.8 Subsequent events

The Authority had no material events that occurred after 30 June 2017.

9.9 Ex-gratia payments

The Authority wrote-off a number of Litter fines during the course of the year in accordance with its Litter fine write-off policy. The total amount of write-offs for the year was \$0.98 million (2016: \$0.89 million).

There were no other ex-gratia actions or payments other than those described in the preceding paragraph.

9.10 AASs issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of these new standards and advises the Authority of their applicability and early adoption where applicable.

The table below highlights applicable AASs that are issued but not effective for the 2016–17 reporting period in accordance with paragraph 30 of AASB 108 Accounting policies, changes in accounting estimate and errors.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on the Authority’s financial statements
AASB 9 Financial instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment when incurred.	1 January 2018	The assessment has identified that 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 2010–7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none">• the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and• other fair value changes are presented in net result. If this approach creates or enlarges an accounting mismatch in the net result, the effect of the changes in credit risk are also presented in net result.	1 January 2018	The assessment has identified that the financial impact of available-for-sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the net result. Changes in own credit risk in respect of liabilities designated at fair value through net result will now be presented within other comprehensive income (OCI).
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	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.	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on the Authority's financial statements
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 January 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.</p> <p>Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the net result.</p> <p>No change for lessors.</p>
AASB 1058 <i>Income of not-for-profit entities</i>	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 January 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

9.11 Glossary of technical terms

The following is a summary of the major technical terms used in this report:

Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transactions'.

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
 - (i) to receive cash or another financial asset from another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

- (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

- (a) A contractual or statutory obligation:
 - (i) To deliver cash or another financial asset to another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial statements

A complete set of financial statements comprises:

- (a) A comprehensive operating statement for the period;
- (b) A balance sheet as at the end of the period;
- (c) A statement of changes in equity for the period;
- (d) A statement of cash flow for the period;
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) Comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of financial statements*; and
- (g) A balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statement, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB101.

Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general-purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Intangible assets

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

Interest expense

Costs incurred in connection with the borrowing of funds include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance lease repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

21. NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 CONTINUED

Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as other non-owner changes in equity.

Net result from transactions (net operating balance)

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Non-financial assets

Non-financial assets are all assets that are not ‘financial assets’. It may include land, buildings infrastructure, plant and equipment and intangible assets.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. These include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal. In simple terms, other economic flows are changes arising from market re-measurements.

Payables

Includes short and long-term trade debt, trade creditors, grants and interest payable.

Receivables

Includes amounts owing from short and long-term trade credit, accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. User charges include revenue from the sale of goods and services revenue.

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Authority.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers.

Transactions can be in kind (for example, assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

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