

One little year. A lot to report.

2006-2007 Annual Report

The logo for Sustainability Victoria features a stylized green chevron symbol above the word "Sustainability" in a bold, black, sans-serif font. Below "Sustainability", the word "victoria" is written in a smaller, lowercase, green, sans-serif font.

Sustainability
victoria

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Copies of this Annual Report are available electronically on the Sustainability Victoria website, sustainability.vic.gov.au

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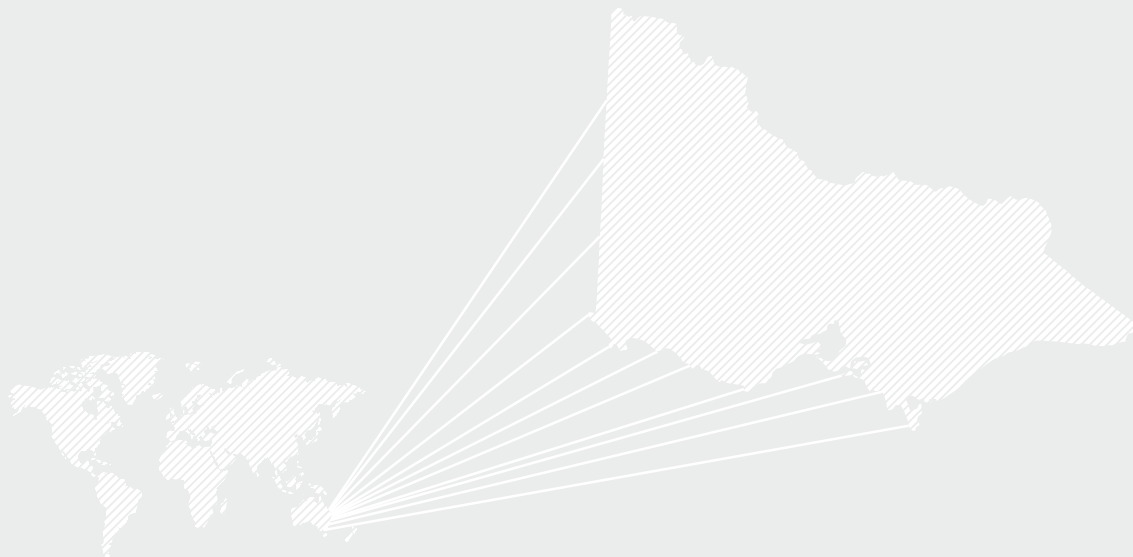
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01 About Sustainability Victoria



Sustainability Victoria is the Victorian Government agency charged with helping Victorians to act now on climate change.

Our aim is to build a more resource efficient future for all Victorians.

Our mandate is to work in the areas of energy, materials and water to achieve sustainable and lasting change. We work in partnership with community organisations, local governments, industry organisations, businesses and others to help Victorians live and work in more sustainable ways in order to mitigate the effects of climate change on our environment and to secure a low carbon future for all Victorians.

We show Victorians how to become smarter and more efficient in the way they use energy, water and products and services to reduce waste and greenhouse gas emissions. We help Victorians to become ResourceSmart.

We're a government agency

Sustainability Victoria is a statutory authority established under the *Sustainability Victoria Act 2005*. We were formed on 1 October 2005, succeeding the Sustainable Energy Authority Victoria and EcoRecycle Victoria.

The Honourable John Thwaites MP, Minister for Water, Environment and Climate Change (Minister for Water and Environment to 29 November 2006) was the responsible Minister for the reporting period.

Our vision

Victorians demonstrating sustainable resource use to support a thriving community and economy.

Our purpose > Sustainability Victoria's purpose is to show the way to:

- Becoming carbon neutral by reducing our greenhouse gas emissions; and
- Reducing our everyday environmental impacts by developing more sustainable patterns of consumption and production.

Our values

Inspiration

We motivate others to action
We seek to inspire and motivate Victorians to become involved in creating a ResourceSmart Victoria.

Action

We make things happen
Everything we do is dedicated to reducing Victorians' greenhouse gas emissions and changing the way Victorians supply and use resources.

Leading Thinking

We apply the best ideas
We contribute, challenge, communicate and apply the world's leading thinking in climate change and environmental sustainability. We encourage debate and discussion to help formulate new ways of responding to the challenges we face.

Collaboration

We work with others to achieve
We work in partnership with individuals and organisations across both the public and private sectors to deliver ResourceSmart outcomes.

Our themes

We aim to engage Victorians to change behaviour as we drive towards a low carbon future. We support the uptake of innovative technologies and processes, influence climate change strategies, and build our own capabilities to help Victorians to take action.

Sustainability Victoria's objective is to facilitate and promote environmental sustainability in the use of resources

Our functions are to:

- Ensure that our objective is met to the maximum extent that is practicable
- Foster a stewardship ethos in relation to the use of resources
- Facilitate the implementation of environmentally sustainable measures in all sectors of the Victorian economy, including local government, business and households
- Provide information and advice on issues relating to environmental sustainability
- Provide information and advice on the efficient use of energy, including renewable energy, and the resulting benefit to all sectors of the Victorian community
- Encourage and promote the development and use of environmentally sustainable practices, markets, technologies and industries, including resource efficiency, energy efficiency, renewable energy and water
- Promote throughout Victoria waste avoidance, waste reduction and recovery, reuse, recycling of resources and best practices in waste management
- Facilitate the uptake of fledgling technologies, industries, markets and practices in environmental sustainability, including demonstration projects
- Facilitate the development of voluntary environmental sustainability initiatives
- Contribute to the development of strategies and measures for the implementation of government policy objectives on increased resource efficiency
- Develop and publish implementation strategies for the achievement of government policy objectives for environmental sustainability, including increased resource efficiency

- Work in conjunction with the Department of Sustainability and Environment and, where appropriate, in conjunction with other government departments, on environmental sustainability policies and strategies
- Develop and implement community education and awareness strategies in relation to environmental sustainability
- Develop and implement strategies to foster sustainable markets for recovered resources and recycled materials
- Plan on a statewide basis, and facilitate, the management of waste in accordance with Victorian legislation and government policies
- Develop, and contribute to the development of, plans, guidelines, codes of practice and reports on issues relating to environmental sustainability
- Monitor and evaluate research and development on environmental sustainability issues, including resource efficiency and renewable energy
- Develop tools to measure, monitor and report on government waste, water and energy targets
- Enter into agreements to further environmental sustainability, including agreements to provide financial assistance for that purpose
- Provide advice on the implementation of environmental sustainability policies
- Provide advice to the Minister on issues concerning environmental sustainability and environmentally sustainable markets, including issues relating to resource efficiency, renewable energy, greenhouse gases and waste management.

We also provide the Secretariat function for the Victorian Government's Sustainability Fund.

Victorian Government policy and targets direct our activities

Policy Framework

- Victorian Greenhouse Strategy (2002, 2005)
- Victorian Greenhouse Challenge for Energy (2004)
- Our Water Our Future (2004)
- Towards Zero Waste (2005)
- Our Environment Our Future Sustainability Action Statement (2006)
- Renewable Energy and Energy Efficiency Action Plans (2006)
- Victorian Government commitments: Tackling Climate Change; and Water – Make Every Drop Count (2006)

Targets

Greenhouse	Energy
<ul style="list-style-type: none"> • Reduce Victoria's greenhouse gas emissions by 60% below 2000 levels by 2050 • Reduce household emissions by 10% by 2010 • Cut Government's energy use by a further 5% by 2010 	<ul style="list-style-type: none"> • Increase low emissions generation to 20% by 2020 • At least 10% of Victoria's electricity consumption to come from renewable energy sources by 2016 • Increase Government's use of Green Power to 25%
Leading Thinking	Inspiration
<ul style="list-style-type: none"> • A 1.5 million tonne reduction in the projected quantity of solid waste generation by 2014 • The recovery of 75% of solid waste to be reused, recycled and/or converted into energy by 2014 • A 25% improvement from 2003 littering levels by 2014 • Phasing out of free single-use lightweight plastic bags by the end of 2008 	<ul style="list-style-type: none"> • Reduce the total per capita water usage in the Central Region (including metropolitan Melbourne Area) by at least 25% by 2015 and 30% by 2020, compared to 1990 levels • Reduce the water usage of the non-residential sector in the Central Region by at least 1% per year • Achieve 20% recycling of treated effluent by 2010 in the Melbourne Metropolitan Area

02 Our Board



Left to right clockwise: Mike Hill; Cheryl Batagol (Deputy Chair); Tanya Ha; Carolyn Lloyd; Don Chambers; Mick Bourke; Bob Welsh (Chair); Colin Sutherland; Absent: Dr Russell Peel.

Role of the Board

The Board is responsible for good governance and effective leadership of Sustainability Victoria by:

- Setting the strategic direction, objectives and performance targets of the organisation
- Selecting the chief executive and monitoring performance against agreed objectives
- Monitoring the operational and financial performance of the organisation
- Overseeing compliance with laws, regulations and other obligations
- Managing and monitoring the Board's and its committees' own conduct and performance
- Setting and monitoring internal controls to manage known and emerging risks
- Ensuring appropriate conduct and effective stakeholder relationships.

Board profile

The Board of Sustainability Victoria consists of nine members comprising a non-executive Chair, non-executive Deputy Chair and seven non-executive directors. The Board of Sustainability Victoria is appointed in accordance with the *Sustainability Victoria Act 2005*. Members may be appointed for any period up to five years and may be reappointed. The Minister is responsible for all appointments to the Sustainability Victoria Board, ensuring that collectively the Board members of Sustainability Victoria have relevant skills, experience and knowledge to oversee our strategy and functions.

Board members

Chair

Bob Welsh

1 October 2005 -

Bob is the Chief Executive of VicSuper, President of the Environment Protection Board and the Chair of the Investor Group on Climate Change Australia/ New Zealand. Bob has been awarded the prestigious international Sustainability Leadership Award for his pioneering work implementing sustainability principles into business operations.

Deputy Chair

Cheryl Batagol

1 October 2005 -

Cheryl is the Chair of Melbourne Water, member of the Victorian Catchment Management Council and has also joined the Board of Tintern Schools as a director. Cheryl has 30 years experience in the waste management industry, including commercial, industrial and trade waste management and treatment. Cheryl served as the Chair of EcoRecycle Victoria from 2003-2005.

Mick Bourke

1 October 2005 -

Mick has held the role of Chair and Chief Executive Officer of EPA Victoria since August 2002. Prior to this, he headed up organisations including City West Water Ltd and Coliban Water.

Don Chambers

1 October 2005 -

Don has extensive experience in the manufacturing and farming industries, local government and sustainability issues. Don is currently the Chair of Keep Australia Beautiful National and is a board member of Keep Australia Beautiful Victoria. He is a former mayor of Indigo Shire and past board member of North East Water.

Tanya Ha

1 October 2005 -

Tanya is a science journalist, author, television presenter and regular green commentator in the Australian media. Tanya has a strong background in the environmental not-for-profit sector and established the Melbourne office for the Planet Ark Environmental Foundation. She also serves on the Board of Keep Australia Beautiful National.

Mike Hill

1 October 2005 -

Mike is Chair of the Moreland Energy Foundation, ECO-Buy Limited, the Natural Resources and Conservation League and the Victorian Local Sustainability Advisory Committee. Mike is a former councillor and Mayor of both the Brunswick and Moreland City Councils.

Carolyn Lloyd

1 October 2005 -

Carolyn has a long involvement in the building and construction industry. Carolyn is a co-opted member (immediate past Chair) of the Building Practitioners Board, Deputy Chair of VicUrban and was a former Chief Executive Officer of the Housing Industry Association, Victoria. She served on the boards of EcoRecycle Victoria and the Sustainable Energy Authority of Victoria.

Dr Russell Peel

1 October 2005 -

Russell has extensive knowledge in cleaner production and sustainable development in the industrial context. Russell is the Director of Health, Safety and Environment at Fosters Group Limited, a member of the National Packaging Covenant Council and of the Packaging Stewardship Forum of the Australian Food and Grocery Council.

Colin Sutherland

20 March 2006 -

Colin has extensive experience in the electricity and energy industry. Colin is a member of the State's Earth Resources Advisory Council, Director of VENCORP and former General Manager of Edison Mission Energy Australia Limited and the Joint Ventures controlling the Loy Yang B, Valley Power and Kwinana Co-generation power stations.

Operation of the Board

The Board has adopted a Corporate Governance Charter and Framework to guide its own operations and to govern how it provides direction and oversight to the organisation. This ensures that the Board fulfils its responsibilities and manages its own performance.

Board meetings

The Board meets monthly, with a special meeting held for annual and strategic business planning. An annual agenda is established to ensure proper and timely attendance to all relevant matters.

Board committees

The Board has established two committees to assist in carrying out its corporate governance responsibilities. Each committee operates under approved terms of reference, which are reviewed annually. Minutes of committee meetings are tabled at the subsequent Board meeting for noting.

Audit and Risk Committee

The Audit and Risk committee ensures an appropriate control environment is maintained by the organisation, with a principal focus on risk management, statutory and regulatory compliance, financial management and audit assurance.

The Committee's key achievements this year were audits of Sustainability Victoria's financial performance and the Sustainability Fund, and the creation of policies for project and contract management and disaster recovery.

The Audit and Risk Committee is comprised wholly of independent non-executive Board members and satisfies the criteria for independence in accordance with the Standing Directions of the Minister for Finance.

Membership: Mick Bourke (Chair), Cheryl Batagol, Mike Hill

Human Resources Committee

The Human Resources Committee oversees the remuneration and human resource practices at Sustainability Victoria, ensuring that employment policies and people practices comply with all relevant legislation and best employment practice.

This year, the Committee modified their Terms of Reference and approved procedures for the organisation including induction and occupational health and safety and the implementation of a major organisational culture change project for Sustainability Victoria.

Membership: Carolyn Lloyd (Chair), Don Chambers, Russell Peel, Tanya Ha (from 21 May 2007)

Board support

The Board is supported by a Board Secretary and each Board committee is provided with the support of an Executive Officer. In addition, representatives of the executive management team and staff attend Board and committee meetings to present on key items for decision.

Declaration of pecuniary interests

The Board is required to consider all matters before them in a fair and unbiased manner, unaffected by considerations of self-interest or personal gain. Directors must disclose any personal or pecuniary interest in matters decided or under consideration by the Board. All Directors have met the requirements of declaring pecuniary interests.

Delegations

The Board of Sustainability Victoria has established delegations of authority to empower Board committees and management. The Board delegates limited decision making power to its committees through its committee charters. All recommendations outside these delegated authorities are referred to the full Board for decision.

Disclosures

The Board of Sustainability Victoria annually makes disclosures to comply with requirements for transparency and to demonstrate best practice in corporate governance.

Remuneration and benefits

No Board member has received, or has become entitled to receive, any benefit other than a remuneration benefit included in Note 17 to the financial statements. Board member remuneration is paid in accordance with the guidelines for the appointment and remuneration of part-time non-executive directors of state government boards and members of statutory authorities.

Meeting attendance

	Board	Audit and Risk Committee	Human Resources Committee
	(11 meetings)	(4 meetings)	(3 meetings)
B. Welsh	10		
C. Batagol	10	3	
M. Bourke	9	3	
D. Chambers	11		3
T. Ha*	9		0
M. Hill	11	4	
C. Lloyd	10		2
R. Peel	10		3
C. Sutherland	9		

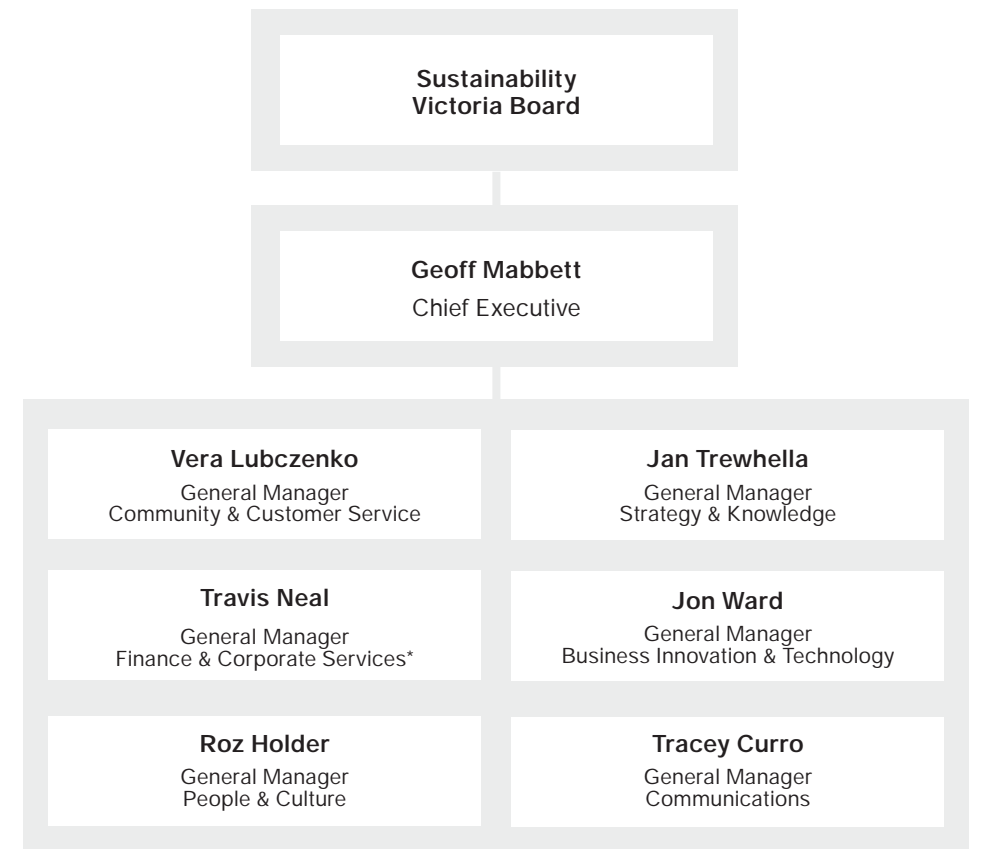
* Joined Human Resources Committee 21 May 2007

03 Our team



Left to right: Monty Sangar, Communications; Michelle Ogulin, Resource Recovery; and Paul Pitrone, Built Environment.

Organisational Structure



** Derek Jones was Acting General Manager Finance and Corporate Services from 26 February to 30 June 2007. Chiang Yip was appointed to commence in this role from 2 July 2007.*

Executive management

The executive management team, comprising six direct reports to the Chief Executive, replaces the interim leadership team that supported the Chief Executive while the organisation's structure was developed in 2006. The executive management team is accountable for line management, strategic direction, key organisational functions and delivery of the programs committed to in our Business Plan. All appointments to the revised management structure of Sustainability Victoria were finalised in October 2006.

Geoff Mabbett Chief Executive

*BEng (Hons), MEng Sci, MIE (Aust),
CP Eng MAICD*

Geoff joined Sustainability Victoria in January 2006. Prior to this, Geoff held roles as Chief Executive Officer of Metrowater Ltd, Auckland's retail water utility and Western Water, servicing Victoria's fast growing north-west region. He has more than 25 years experience in a range of organisations, with a focus on water resources and environmental management.

Tracey Curro General Manager Communications

B.Bus - Communications

Tracey commenced with Sustainability Victoria in September 2006, bringing 20 years media experience in television, print and radio. Tracey has worked on all three commercial television networks across news, lifestyle and public affairs on nationally broadcast programs, while her independent production company created and marketed documentary and lifestyle programming to Australian and international broadcasters. Tracey manages the Communications group, and is responsible for internal and external communications, ministerial liaison, sponsorship and media.

Roz Holder General Manager People & Culture

BA (Hons), Grad. Dip. Human Resources

Roz has 20 years experience in all human resources disciplines, working for private sector multi-national businesses in retail, finance, IT and shared service industries. With a focus on cultural change processes in her most recent roles, Roz joined Sustainability Victoria in September 2006 to manage the organisation's human resources function encompassing recruitment, retention, occupational health and safety and organisational development.

Vera Lubczenko General Manager Community and Customer Service

B. Ed (Env.Sci.) Grad Dip (GIS)

Vera's career spans 25 years in the community, government, education and environment sectors. Before commencing with Sustainability Victoria in October 2006, Vera managed a range of statewide community-based natural resource management programs including the Victorian Waterwatch program and regional catchment strategies, as well as the Victorian Water Trust. Vera is responsible for our Community and Customer Service group, which is charged with making it easier for all Victorians to make sustainable choices.

Jan Trehwella General Manager Strategy and Knowledge

BA (Hons)

Prior to joining Sustainability Victoria in October 2006, Jan was the General Manager of the Vocational Education and Training Division of the Victorian Department of Education and Training. Jan brings 12 years senior executive experience in education and training to Sustainability Victoria, and is responsible for our relationships with a range of government agencies and developing strategies for the renewable, energy efficiency, materials and water sectors. Jan also manages Sustainability Victoria's knowledge management and research systems.

Jon Ward General Manager Business Innovation and Technology

MAppSc (Env.Eng.), BAppSc (Chem)

Jon Ward has over 25 years experience in environmental sustainability covering waste management, regulatory programs, business behaviour change and cleaner production. He spent 12 years with EPA Victoria and nine years with the United Nations working on environmental programs in developing countries before joining Sustainability Victoria's predecessor, EcoRecycle Victoria. Jon is responsible for helping Victorian businesses to use resources more productively and identify new opportunities from an increased focus on sustainability.

Chiang Yip General Manager Finance and Corporate Services

B Com, MBA, CA

Chiang's experience spans more than 20 years in the private and public sectors. Prior to joining Sustainability Victoria, Chiang worked at KPMG with responsibility for advising clients on budget and financial management, systems and process improvement. Chiang has also worked with the Victorian Department of Treasury and Finance and the New Zealand Treasury, pioneering the implementation of accrual based financial management. Chiang's responsibilities include the Chief Financial Officer and Company Secretary roles, and managing the organisation's risk management, program and contract monitoring and reporting functions.

Chiang replaces Travis Neil, who left Sustainability Victoria in February 2006.

Our workforce

Sustainability Victoria enjoys a well balanced workplace in terms of age, gender, and educational and cultural diversity. Our employees have a wide range of professional skills including engineering, information management, administration, communications, public policy, science, accounting, arts and architecture.

To achieve our business objectives, the skills and capabilities we require will continue to evolve through an emphasis on learning and development, performance management, strategic recruitment and the use of external resources to bring in specialist skills as required.

A safe workplace

Sustainability Victoria is committed to ensuring a safe and risk-free work environment.

Following a 2006 external audit of our health and safety management system we developed a Safety Plan to address all identified gaps and improvement opportunities. This included developing new policies and procedures, conducting a job safety analysis on all identified hazards and putting risk control measures in place to minimise or eliminate all identified risks.

A revised Occupational Health and Safety (OH&S) Policy Statement was issued this year and a comprehensive suite of supporting OH&S policies with specific responsibilities for employees, contractors, temporary staff and visitors was also developed. We established an OH&S Working Group and have qualified first aid officers and fire wardens located across the office.

The Working Group, comprising staff and management representatives, meets monthly to report workplace hazards and incidents, review hazard management measures, update OH&S management procedures, review internal audit results and discuss training requirements. Policies, working group membership and meeting minutes are available to employees on our corporate intranet.

We are proud of our excellent safety record with no reportable incidents, no lost time injuries and no Workcover claims this year. However we did record six minor work related injuries/illnesses this year, one of which resulted in medical treatment beyond first aid.

As benchmarked against organisations in Mercer's Human Resources Effectiveness Monitor (September 2006), our annual OH&S results are best practice compared with the national median for organisations overall and government organisations (pg21).

Employee wellbeing

We promote the general health and wellbeing of all staff, who are encouraged to balance their work and personal commitments. We provide flexibility for individual employees to ensure they are not disadvantaged at work by family responsibilities, and support employees with paid carer's leave, paid maternity leave, working from home arrangements and part time employment.

Employees are also offered free and confidential access to professional counselling, subsidised gym membership and lunchtime yoga classes, free flu vaccinations, defensive driver training and access to our popular "Sopranability Victoria" choir classes.

Merit and equity

Sustainability Victoria is committed to maintaining a workplace free of harassment, discrimination and bullying. We believe that a workplace culture based firmly on the principles of merit and equity will ensure that we can attract and retain talented employees who will provide outstanding service to our stakeholders.

All of our people management systems and procedures have been designed to ensure that employees are treated fairly, and that all decisions relating to their employment, including recruitment, remuneration, access to training and development and promotion opportunities, are based strictly on the merit and equity principles embodied in the *Public Administration Act 2004*.

We provide an avenue for staff members who feel they have been treated unfavourably on the basis of a personal attribute to register their complaint. Equal opportunity principles are available on our intranet and comprehensive training is planned for all employees in 2007/08.

No equal opportunity issues were reported this year.

Industrial relations

All of our employees, with the exception of executive officers, are covered by the Victorian Public Service Agreement. All employees have access to union membership. There were no days lost due to industrial action this year. All employee concerns are dealt with promptly and fairly, consistent with our merit and equity principles.

Measuring our performance

We committed to establish indicators for turnover, absenteeism and employee satisfaction this year.

We recorded a staff turnover rate of 29% largely due to the uncertainty created during the merger of the two former organisations and our restructure process. This rate is higher than the industry median of 12.5% (Mercer's Human Resources Effectiveness Monitor September 2006), and we expect it to reduce next year as culture change initiatives start to take effect.

Our absenteeism of 34.3 hours average lost time per employee per annum for 2006/07 is below the industry median of 38.6 hours (Mercer's Human Resources Effectiveness Monitor September 2006).

Employee satisfaction was measured at 3.5 this year, on a scale of 1 (not at all satisfied) to 5 (satisfied to a very great extent). This was measured in the culture survey undertaken by staff and is slightly lower than the historical average for survey respondents.

A set of metrics to monitor our people and culture performance has been developed to include regular measures in absenteeism, staff turnover, retention, culture, demographics and OH&S. We will consistently measure and report on our performance from next year.

Workforce statistics

	at 30 June 2007	at 30 June 2006
Workforce		
Number of staff positions	122	105
Full Time Equivalents employed	113.71	100.72
Part Time Employees (%)	17.21	10.48
Employees under VPS Agreement (%)	96.72	96.19
Employees on individual (executive) employment contract (%)	3.28	3.81
Women as Board Members (%)	33.33	37.50
Women in executive and management positions (%)	41.67	38.00
Women in organisation (%)	53.28	51.43

Workforce composition

	at 30 June 2007			at 30 June 2006		
	Ongoing		Fixed term & casual employees	Ongoing		Fixed term & casual employees
	Employees (headcount)	FTE	FTE	Employees (headcount)	FTE	FTE

Gender						
Male	53	52	3	49	48	3
Female	57	51	8	46	42	7

Age						
Under 25	2	2	0	0	0	0
25-34	37	34	5	32	29	7
35-44	30	27	4	31	30	1
45-54	32	31	1	25	24	2
55-64	9	9	1	7	7	0
Over 64	0	0	0	0	0	0

Classification						
VPS 1	0	0	0	0	0	0
VPS 2	6	5	1	6	6	2
VPS 3	10	10	3	10	9	1
VPS 4	29	27	1	31	29	3
VPS 5	37	34	5	26	25	1
VPS 6	24	23	1	18	17	3
STS	0	0	0	0	0	0
Executives	4	4	0	4	4	0
Other	0	0	0	0	0	0

Average salaries by VPS classification and gender

Class	Gender	2006-07 Average Salary \$	No. of Staff	2005-6 Average Salary \$	No. of Staff
VPS 2	Female	44,087	6	42,397	7
	Male	43,356	1	41,738	2
VPS 3	Female	51,094	8	49,523	6
	Male	53,170	5	51,327	4
VPS 4	Female	61,740	21	58,835	18
	Male	63,861	10	60,801	14
VPS 5	Female	74,170	18	69,432	15
	Male	75,117	24	72,954	14
VPS 6	Female	94,207	10	91,342	7
	Male	97,127	15	95,299	14

Injuries and time lost 2006/07

Class	Incidence Rate ¹	Frequency Rate ²	Average Time Lost ³
Sustainability Victoria	0	0	0
National median ⁴	0.89	4.33	11.46
National median for government organisations ⁴	2.5	13.76	7.1

¹ number of lost time injuries per 100 employees

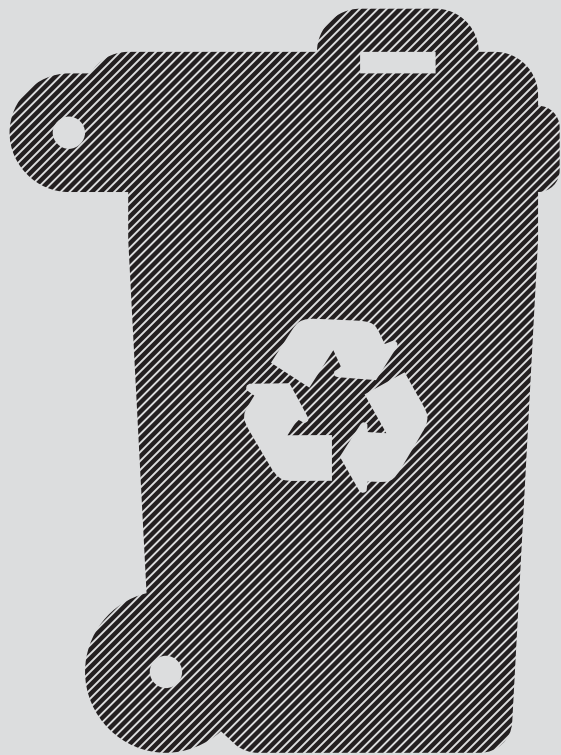
² number of lost time injuries per million hours worked

³ average time lost per occurrence

⁴ Source: Mercer's Human Resources Effectiveness Monitor September 2006

04

Our environmental performance



Sustainability starts with us.

It is critical that our operations exemplify our values and that we are held to account on our own environmental performance. Our environmental sustainability policy commits us to implement an accredited environmental management system to manage our environmental footprint.

Environmental Sustainability Policy

Sustainability Victoria supports, encourages and assists Victorians to use our resources more efficiently and reduce our everyday environmental impacts in accordance with the vision and objectives contained in Victoria's Environmental Sustainability Framework (Our Environment Our Future).

Sustainability Victoria will deliver environmentally sustainable outcomes for energy, materials and water, across all sectors of the Victorian economy and community. In support of this we are committed to leading by example, in particular through environmentally sustainable practices in our work place and activities.

While we acknowledge that sustainability addresses social and economic aspects as well as environmental, this policy focuses on the environmental impacts of Sustainability Victoria's operations and we recognise that this will improve our social and economic performance.

This commitment will be met by understanding the environmental aspects and impacts of our activities, where appropriate changing the way that we operate, ensuring that all staff and our contractors are aware of the expectations placed on them by these programs and by measuring our performance against agreed objectives.

To ensure these outcomes are achieved, Sustainability Victoria will develop, implement an Environmental Management System (EMS), certified to ISO 14001, to

ensure that all requirements specified in law or government commitments are met and exceeded where possible, and that we continually strive to improve against our benchmarks.

Sustainability Victoria will endeavour to continually reduce its ecological footprint by:

- Minimising the production of greenhouse gases through efficient practices of energy usage in the office environment, commuting and use of vehicles
- Offsetting all residual greenhouse gas emissions to achieve a carbon neutral organisation
- Purchasing with waste avoidance, closing the recycling loop with reduction of environmental impacts in mind
- Striving towards zero waste to landfill through waste reduction, reuse and recycling
- Minimising the use of water
- Engaging with suppliers and stakeholders to reduce the lifecycle impacts of our operations and products
- Influencing events we support through our sponsorships to be carbon neutral and low waste
- Training and supporting staff to work within the EMS framework and to reduce their personal lifestyle impacts.

Our achievements in terms of the agreed whole-of-government commitments will be monitored regularly, audited annually and published in our annual report.

Office-based environmental impacts

Environmental aspect	Description	Unit of Measure	2006-07	2005-06
Energy ¹	Use per FTE ²	Megajoules per FTE	6,721	6,799
	Use per square metre of office space	Megajoules/m ²	433	370
	Total use	Megajoules	764,240	741,722
	Total associated GHG emissions	Tonnes of CO ₂ equivalent	0	0
	Total Green Power	%	100	100
Paper ³	Use per FTE	Reams per FTE	5.73	8.98
	Total use	Reams	651	980
Waste ⁴	Generated per FTE	Kilograms per FTE	46.6	83.9
	Total recycled ⁵	Percentage	85	94
Water ⁶	Consumption per FTE	Kilolitres per FTE	1.0	n/a
	Total consumption	Kilolitres	116.1	n/a
Transportation ⁷	Energy consumption per FTE	Gigajoules per FTE	2.82	3.78
	Total energy consumption	Gigajoules	320	412
	Total associated GHG emissions	Kilograms of CO ₂ equivalent	22,229	32,000
	Travel associated with agency operations per FTE	Kilometres per FTE	1,647	1,895
	Total travel associated with agency operations	Kilometres	187,315	206,792
	Employees regularly using public transport, cycling or walking to and from work	Percentage	90.4%	91.7%

¹ Includes energy use of all sources used directly in Sustainability Victoria's office-based activities. During the period October 2006 to May 2007, energy consumption was abnormally high as server consolidation, commissioning of lighting and mechanical services were all 'works in process' for our relocation to 50 Lonsdale Street. From April 2007 to June 2007, we used 74.52 MJ/m². This is equivalent to 298 MJ/m² (or 491,700 total megajoules) projected over an entire year and puts our office space on target to achieve a 5 Star Australian Building Greenhouse Rating.

² FTE is Full Time Equivalent staff as at 30 June 2007.

³ One ream is equivalent to 500 sheets of A4 office paper.

⁴ Projected waste figure is based on four months of measurement.

⁵ The decrease in our recycling rate since 2005/06 is attributed to a reduction in paper consumption. Paper is a main component of the recycling stream.

⁶ No metering was available in 2005/06. Water figure is a projected figure based on three months of measurement for potable water consumption only. Total water consumption (potable water and recycled blackwater) is 1202KL or 10.6 KL per FTE.

⁷ Includes all passenger vehicles for Sustainability Victoria use

Reducing our impact

Action taken during the year to reduce our environmental impact includes:

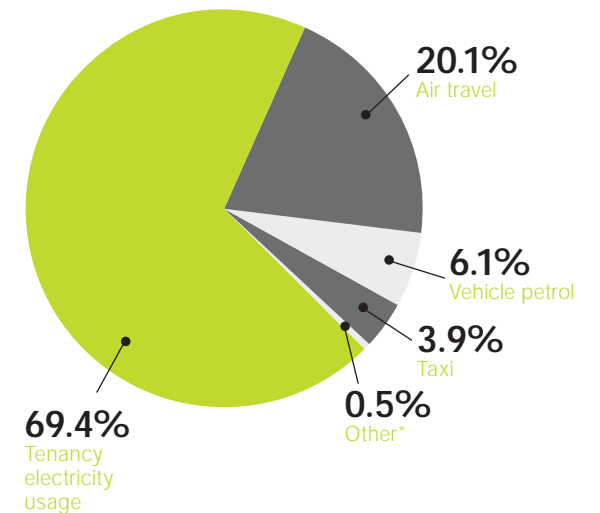
- Establishment of an EMS program, policy, objectives and targets for our new office at 50 Lonsdale Street, Melbourne, under the brand ResourceSmart Office
- Recruitment of a team of 12 'Green Leaders' to assist our EMS management team to manage our office based impacts. This voluntary staff group focus on our key areas of resource use; energy, paper, purchasing/contracting, travel, water and waste/recycling
- Consolidation and upgrade of servers to reduce energy in our IT infrastructure, and the need for cooling
- Replacement of almost all desktop computers with laptops, which consume approximately 65% less power
- Consolidation of previous office equipment to reduce the number of printers and photocopiers to five
- Further optimisation of our sensed lighting system (motion and daylight detection) to remove or dim unnecessary lights. Lighting deactivates across the office floor as space becomes vacant or daylight increases
- Implementation of a general power outlet master switch to automatically shut down all power points between 7pm and 7am (with the exception of refrigeration and inbound fax), and on weekends and public holidays
- Optimisation of on demand air-conditioning system in meeting rooms to use energy only as required
- Implementation of flow restrictors on all taps and shower heads
- Implementation of default double sided and secure mailbox printing to reduce unnecessary printing
- Placement of Waste Wise signage at waste recycling facilities
- Implementation of a six waste bin system, with five bins dedicated to recycling of organics, paper, commingled, other plastics, electronic waste, printer cartridges, corks, batteries and mobile phones
- Agreement with local cafes to allow staff to take their own plates and mugs when purchasing takeaway food and drinks to reduce packaging

- Availability of Metcards to staff for work-related travel in metropolitan Melbourne
- Availability of a financial incentive scheme for staff to purchase bicycles to promote sustainable work commuting
- Regular updates on our environmental performance to all staff via our corporate intranet, staff meetings, internal newsletters, noticeboard and emails.

Calculating our footprint

In addition to the energy we use in the office, we have measured the additional greenhouse pollution generated from our activities in 2006/07 including fleet vehicle petrol, taxi and air travel and solid waste. Before GreenPower and carbon offset purchases our total carbon footprint was 320 tonnes CO₂ equivalent. The majority of our greenhouse pollution comes from office electricity usage, which is 100% offset by government accredited GreenPower. Emissions from our fleet of six hybrid vehicles will be offset by the Whole of Victorian Government's Vehicle Fleet Offset tender, and we have committed to offset the additional estimated 16.5 tonnes of greenhouse gas pollution we generated over the year via a nominated carbon offset program.

Sustainability Victoria's greenhouse gas pollution sources 2006/07



*Total refrigerants, public transport, gas hot water, municipal solid waste

Note: Data was unavailable for building base services eg lifts, emergency lighting and blackwater treatment.

05

Legislative compliance

Building Act

Sustainability Victoria did not undertake any building works, which fall within the provisions of the *Building Act 1993*. All of our premises are leased.

Community inclusiveness

The Victorian Government is committed to delivering services in a way that supports and strengthens local communities. One of the Government's goals in this regard is to embrace diversity in local communities, supporting and advocating for indigenous communities, young Victorians, women and culturally and linguistically diverse communities.

Sustainability Victoria endeavours to ensure that our activities and operations reflect the cultural diversity in the community by taking into account youth, cultural and linguistic diversity, women's and indigenous affairs. Wherever appropriate, we incorporate consideration of indigenous affairs and issues into our policy and initiatives.

Freedom of Information Act

The Victorian *Freedom of Information Act 1982* gives individuals the right to request information held by Sustainability Victoria. During the year, we received one request for access to information in accordance with the Act. Full access was granted to the information requested.

Requests may be made to the Freedom of Information Officer:

Derek Jones
Sustainability Victoria
Level 28, 50 Lonsdale Street, Melbourne
Victoria 3000

All applicants must include the \$22.00 application fee. Sustainability Victoria manages its Freedom of Information procedures and processes in accordance with the *Freedom of Information Act 1982*.

Information Privacy Act

Sustainability Victoria collects and uses customer information in accordance with our Information Privacy Policy and the *Information Privacy Act 2000*. No complaints were received in 2006/07 for breaches of privacy.

National Competition Policy

Sustainability Victoria complied with the legislative requirements and principles agreed to under National Competition Policy.

Victorian Industry Participation Policy Act

The *Victorian Industry Participation Policy Act 2003* requires public bodies and Departments to report on the implementation of the Victorian Industry Participation Policy (VIIPP), which must be applied in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria. No contracts commenced this year to which this Act applied.

Whistleblowers Protection Act

The *Whistleblowers Protection Act 2001* aims to encourage and aid the making of allegations of improper conduct against staff of Victorian government authorities. Sustainability Victoria is committed to the aims and objectives of the Act and recognises the value of transparency and accountability in its administrative and management practices. Improper conduct by staff is not tolerated, nor actions that involve reprisals against those who come forward to disclose such conduct.

No disclosures were reported this year in accordance with the Act.

Disclosures of improper conduct or detrimental action by Sustainability Victoria or its employees may be made to the Protected Disclosure Officer or the Ombudsman Victoria.

Derek Jones
Sustainability Victoria
Level 28, 50 Lonsdale Street,
Melbourne Victoria 3000.
Telephone (03) 8626 8700
Facsimile (03) 9663 1007
Email derek.jones@sustainability.vic.gov.au

Ombudsman:
Mr George Brouwer
Level 9, 459 Collins Street,
Melbourne Victoria 3000
(DX 210174)
Telephone: 9613 6222
Toll free: 1800 806 314
Email: ombudvic@ombudsman.vic.gov.au

06 Summary of financial performance

Sustainability Victoria finished 2006/07 in a strong financial position with a net surplus of \$1.9 million. We invested \$38.6 million in sustainable outcomes this year, from total revenue of \$40.5 million.

Financial performance and position summary (\$'000)*

	2007	2006
Landfill Levy	20,259	17,317
Government grants	15,196	15,829
Other revenue from government	851	598
Interest	1,075	950
Other revenue	3,149	930
Total income	40,530	35,624
Total expenses	38,591	39,624
Net result for the period	1,939	(4,000)
Net cash flow from operating activities	(1,183)	1,035
Total assets	27,796	26,256
Total liabilities	4,243	4,642

* Sustainability Victoria was established on 1 October 2005 under the Sustainability Victoria Act 2005. A five year financial summary is not available for this reporting year.

Consultancy engagements in excess of \$100,000

Consultant	Particulars of consultancy	Total fees (\$)	Future commitments (\$)
National Electrical Contractors Association	Training and accreditation for electricians	110,000	35,000
Australian Business Council for Sustainable Energy	Develop training and accreditation for building energy analysis professionals	123,755	123,755
Australian Institute of Refrigeration and Air Conditioning	Develop training and accreditation for heating, ventilation and air conditioning specialists	145,000	41,250
Community Change Consultants Pty Ltd	Undertake the Victorian Litter Report 2007	160,600	160,600
Areeba Solutions Pty Ltd	Develop an online strategy for the Victorian Government's Energy Saving Campaign	175,000	35,000
National Centre for Sustainability - Swinburne University of Technology	Develop training and accreditation for facility managers	195,840	195,840
Eclipse Group Pty Ltd	Develop an online strategy, including a new ResourceSmart website.	535,000	440,000

Financial position and subsequent events

There have been no significant changes to the financial position of Sustainability Victoria during the financial year and no events subsequent to the balance date of 30 June 2007, which may significantly affect operations in subsequent years.

Major contracts

Sustainability Victoria did not enter into any contracts greater than \$10 million in value during the reporting period.

Consultancies

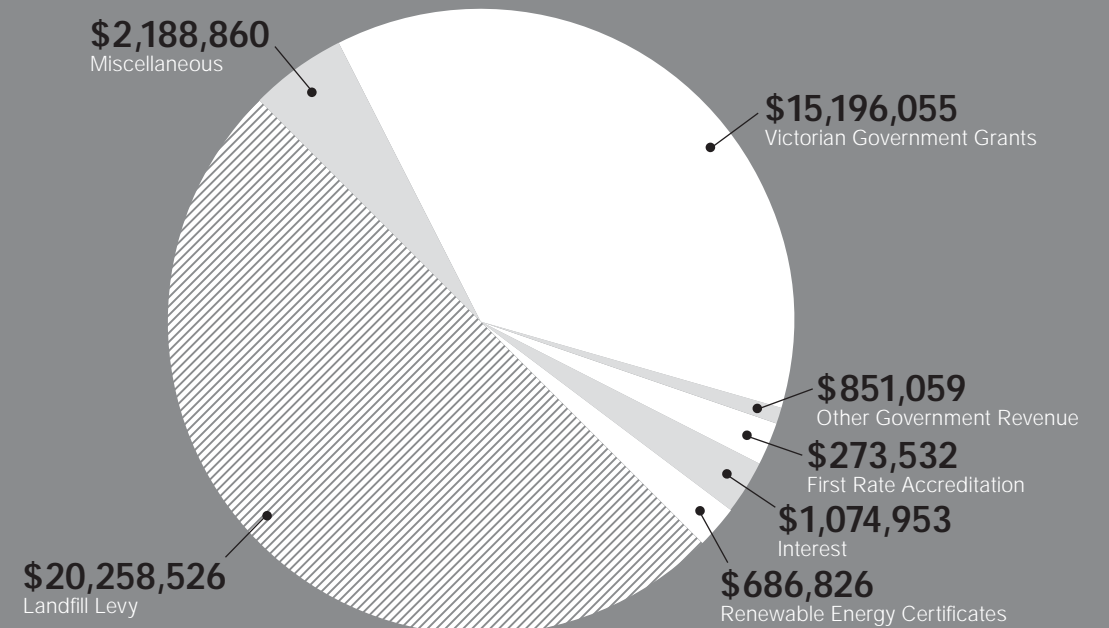
There were seven consultancies costing in excess of \$100,000 for the year 1 July 2006 to 30 June 2007. 65 consultancies engaged during the year cost less than \$100,000 each, at a total cost of \$2,553,606.

Information available on request

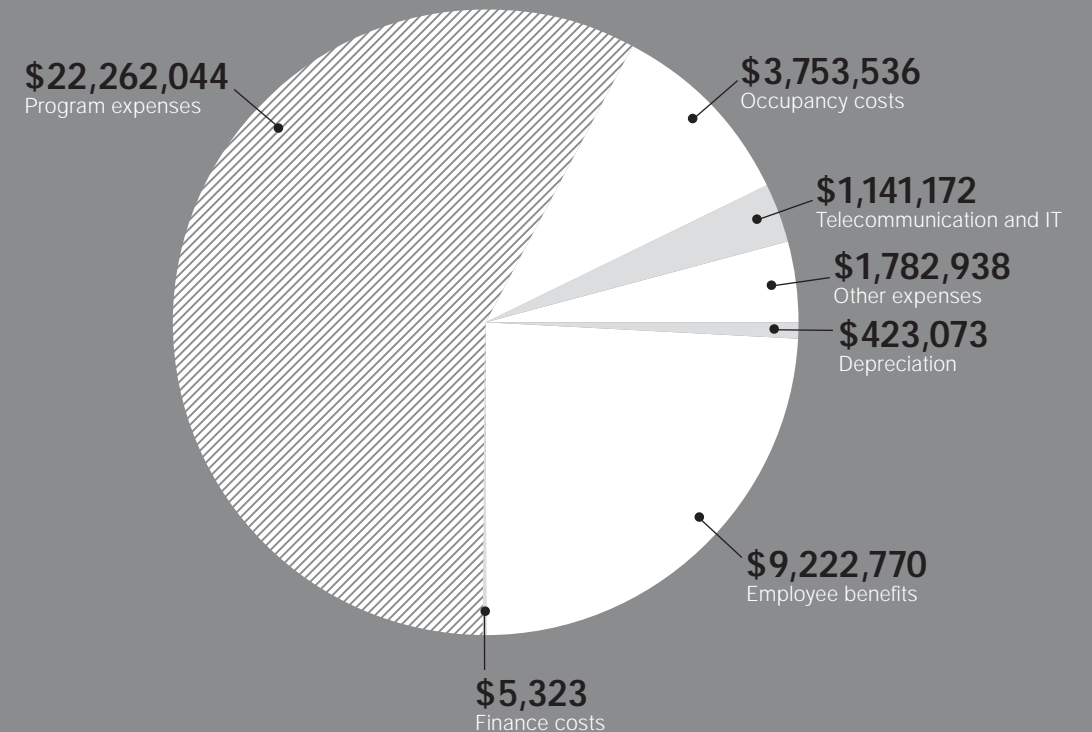
Information relevant to the headings listed in Financial Reporting Direction 22A of the *Financial Management Act 1994* is held at Sustainability Victoria's office and is available on request, subject to the *Freedom of Information Act 1982*.

Please contact 1300 363 744 (Victoria only) or (03) 8626 8700 (within the rest of Australia) or visit our website at sustainability.vic.gov.au

Sustainability Victoria revenue



Sustainability Victoria expenses



07

Annual Financial Report

Sustainability Victoria Operating Statement

For the financial year ended 30 June 2007

	Notes	2007 \$	2006 \$
Income			
Landfill levy	2 (a)	20,258,526	17,317,133
Government grants	2 (a)	15,196,055	15,828,645
Other revenue from government	2 (a)	851,059	597,859
Interest	2 (a)	1,074,953	950,508
Other revenue	2 (a)	3,149,218	929,841
Total Income		40,529,811	35,623,986
Expenses from ordinary activities			
Depreciation	7	(423,073)	(459,358)
Employee benefits		(9,222,770)	(9,147,512)
Program expenses	3 (a)	(22,262,044)	(26,235,342)
Impairment expenses	8	-	(686,826)
Occupancy costs		(3,753,536)	(1,030,489)
Telecommunication & IT		(1,141,172)	(499,369)
Finance costs		(5,323)	(8,393)
Other expenses		(1,782,938)	(1,556,306)
Total Expenses		(38,590,856)	(39,623,595)
Net Surplus / (Deficit) for the year		1,938,955	(3,999,609)

The above operating statement should be read in conjunction with the accompanying notes

Sustainability Victoria Balance Sheet

As at 30 June 2007

	Notes	2007 \$	2006 \$
Current Assets			
Cash & Cash Equivalents	4,19	14,442,619	16,011,704
Receivables	5,19	9,288,114	7,261,648
Inventories		-	42,731
Prepayments		-	73,325
Total Current Assets		23,730,733	23,389,408
Non-current Assets			
Receivables	5,19	747,083	-
Investment	6	-	31,671
Property, plant and equipment	7	766,974	970,845
Intangibles	8	2,551,068	1,864,242
Total Non-current Assets		4,065,125	2,866,758
Total Assets		27,795,858	26,256,166
Current Liabilities			
Payables	9,19	2,815,004	3,236,514
Provisions	10	1,117,848	1,115,696
Interest Bearing Liabilities	14,19	60,996	30,395
Total Current Liabilities		3,993,848	4,382,605
Non-current Liabilities			
Provisions	10	232,274	190,065
Interest Bearing Liabilities	14,19	16,731	69,446
Total Non-current Liabilities		249,005	259,511
Total Liabilities		4,242,853	4,642,116
Net Assets		23,553,005	21,614,050
Equity			
Contributed Capital	12 (a)	26,048,806	26,048,806
Accumulated Deficit	12 (b)	(2,495,801)	(4,434,756)
Total Equity		23,553,005	21,614,050

As at 30 June 2007, \$15.5 million was committed (Note 15) in contracts and payable upon the successful delivery of milestones in 2007-08 and beyond.

The above balance sheet should be read in conjunction with the accompanying notes.

Sustainability Victoria Statement of Changes in Equity

For the financial year ended 30 June 2007

	Notes	2007 \$	2006 \$
Total Equity at the beginning of the financial year		21,614,050	25,613,659
Net Surplus / (Deficit) for the financial year	12 (b)	1,938,955	(3,999,609)
Total Equity at the end of the financial year		23,553,005	21,614,050

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Sustainability Victoria Cash Flow Statement

For the financial year ended 30 June 2007

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from government grants		16,227,261	16,023,699
Receipts from government - other		936,165	1,694,010
Receipts from landfill levy		17,739,141	19,989,070
Receipts from clients		2,995,015	1,957,744
Interest received		1,004,683	995,825
Payments to suppliers and employees		(40,085,361)	(39,624,913)
Net cash (used) / provided by operating activities	11	(1,183,096)	1,035,435
Cash flows from investing activities			
Payments for property, plant and equipment	7	(448,125)	(296,318)
Proceeds from disposal of property, plant and equipment		62,136	49,612
Proceeds from sale of investments		-	3,000,000
Net cash (used) / provided by investing activities		(385,989)	2,753,294
Net (Decrease) / Increase in cash & cash equivalents		(1,569,085)	3,788,729
Cash & cash equivalents at the beginning of the financial year		16,011,704	12,222,975
Cash & cash equivalents at the end of the financial year	4	14,442,619	16,011,704

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the period ended 30 June 2007

Note 1 Summary of Significant Accounting Policies

1.1 General

Statement of Compliance

This general-purpose financial report has been prepared on an accrual and on going concern basis in Australian dollars, in accordance with the *Financial Management Act 1994*, Australian Equivalents to International Financial Reporting Standards (A-IFRS), applicable Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Interpretations.

The financial report was authorised for issue by Bob Welsh (Chair) and Geoff Mabbett (Chief Executive) on 17 September 2007.

Basis of Preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

Sustainability Victoria is the Secretariat of the Sustainability Fund, which is entitled to a percentage share of Landfill Levy receipts collected and managed by the Environment Protection Authority. Sustainability Victoria periodically invoices the Environment Protection Authority for Sustainability Fund grant payments made or about to be paid with all transactions (except Sustainability Victoria's management fee) processed through the Balance Sheet. The management fee is taken up by Sustainability Victoria as revenue. This treatment differs from 2006 when gross receipts and payments were processed through the Sustainability Victoria Operating Statement.

Comparative Amounts

Based on the approval given under 53 (1) (b) of the *Financial Management Act 1994*, to prepare consolidated financial statements in 2006, the 2006 consolidated figures have been used as comparatives in these financial statements and notes.

The 2006 consolidated figures include nine (9) months of Sustainability Victoria and three (3) months of EcoRecycle Victoria and Sustainable Energy Authority of Victoria.

Rounding of Amounts

Amounts in this financial report are expressed to the nearest dollar.

1.2 Revenue Recognition

Government appropriations, grants, and contributions are recognised as revenue when Sustainability Victoria obtains control over the assets comprising these receipts. Control over granted assets is normally obtained upon their receipt or upon earlier notification that a grant has been secured, and assets are valued at their fair value at the date of transfer. Where conditional grants were recognised as revenue during the year, the unspent portion of those grants are disclosed in note 2(b).

Revenue from the Landfill Levy is accrued as it is earned and brought to account in the period to which it relates, based on actual receipts during the year and estimates obtained from the Environment Protection Authority.

1.3 Goods and Services Tax

Revenues, expenses and assets are recognised net of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of an asset or part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investment or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

1.4 Program Expenses

Expenditure incurred for each of the various operating areas of Sustainability Victoria, has been disclosed in Note 3 (a) and includes grants, rebates, advertising campaigns and sponsorships. Grants, that form part of program expenditure, are accrued on the basis of the percentage of the contract performed as at the reporting date, with the unperformed component of the contract disclosed as Commitments at Note 15 of this report.

1.5 Cash & Cash Equivalents

For the purpose of the Cash Flow Statement, cash assets include cash on hand, cash at bank, deposit at call and short term deposits which are readily convertible to cash on hand and are subject to an insignificant risk of change in value, net of outstanding cheques yet to be presented by Sustainability Victoria's suppliers and creditors.

1.6 Receivables

Current receivables are carried at normal amounts due. Non current receivables are measured at amortised cost using the effective interest method.

1.7 Property, Plant and Equipment

In accordance with applicable Australian Accounting Standards, all assets are assessed annually for useful life and indications of impairment and where an asset's carrying value exceeds its recoverable amount, the difference is written-off by a charge to the operating statement.

Depreciation is provided on all non-current assets on a straight line basis so as to write off the net cost of each asset over its expected useful life in accordance with applicable Australian Accounting Standards. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period.

Office Furniture & Equipment	10% - 20%
Plant and Equipment	20% - 25%
Computer Equipment	25% - 33.3%
Motor Vehicles	15% - 20%
Leasehold improvement	20%

1.8 Leased Assets

Finance leases

Leases of property, plant and equipment where the Sustainability Victoria has substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the operating statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under a finance lease are depreciated over the shorter of the asset's useful life and the lease term.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the operating statement on a straight-line basis over the period of the lease, in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

1.9 Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost. Cost incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to Sustainability Victoria.

Intangible assets with indefinite useful lives are not amortised. The useful life of intangible assets that are not being amortised, are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, Sustainability Victoria tests all intangible assets with indefinite useful lives for impairment by comparing their recoverable amount with their carrying amount annually, and whenever there is an indication that the asset may be impaired, the excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

1.10 Inventory

Inventories are valued at the lower of cost and net realisable value.

1.11 Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to Sustainability Victoria.

1.12 Employee Benefits

Liabilities for salaries and annual leave are recognised, and are measured, as the amount unpaid at the reporting date at estimated future pay rates in respect of employees' service plus on-costs.

A liability for long service leave is recognised, and is measured, as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels plus on-costs, experience of employee departures and period of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Provisions made for unconditional long service leave are classified as current liability, where the employee has a present entitlement to the benefit. The non-current liability represents long service leave entitlements accrued for employees with less than 7 years of continuous service. The breakdown of the long service leave provision between Current and Non-Current Liabilities is shown in Note 10.

Sustainability Victoria does not recognise any defined benefit liability in respect of defined benefit superannuation plan because Sustainability Victoria has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial report.

1.12.1 Sick Leave

A sick leave provision has not been recognised, as sick leave is non-vesting.

1.12.2 Superannuation

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined Benefit Plans

The amount charged to the Operating Statement in respect of defined benefit superannuation plans represents the contributions made by Sustainability Victoria to the superannuation plan in respect of the current services of current employees. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Government Employees' Superannuation Fund

Superannuation contributions for the reporting period/year are included as part of employee benefits in the Operating Statement. The bases of superannuation contributions are determined by the various schemes. Contributions made by Sustainability Victoria to the major Superannuation Funds are as follows:

	2007 \$	2006 \$
Government Employees Superannuation Fund		
- New / Revised Scheme	36,252	36,237
Various other accumulation funds (9% contribution rate)	614,369	562,153
	650,621	598,390

Superannuation contributions outstanding at 30th June 2007 were \$14,709 (2006 - \$2,472)

There are no loans by the Superannuation Funds to Sustainability Victoria.

2 (a) Income

Income/revenue by source	2007 \$	2006 \$
Landfill Levy	20,258,526	17,317,133
Government Grants		
Revenue received during the financial period/year from State Government Departments and Agencies:		
Annual Appropriation	6,980,000	7,979,999
Solar Hot Water Rebate Program	700,000	1,300,000
Energy Task Force Initiative	1,273,000	847,000
Victorian Solar Innovation Initiative	1,000,000	730,000
Energy Savings Campaign	405,000	1,000,000
High Efficiency Gas Heater Rebate Program	1,444,000	-
Environmental Sustainability Action Statement	3,394,055	-
Victorian Greenhouse Strategy	-	2,710,000
Sustainability Fund	-	1,261,646
Total	15,196,055	15,828,645
Other Revenue from government		
Australian Government - Photovoltaic Rebate Program	65,139	63,550
E2WG Central Fund - National Framework for energy Efficiency	488,701	534,309
Sustainability Fund - Administration fee	297,219	-
Total	851,059	597,859
Interest	1,074,953	950,508
Other Revenue		
FirstRate Accreditation (inc. Software)	273,532	204,520
Fitout incentive - 50 Lonsdale Street	1,338,161	-
Renewable Energy Certificates	686,826	-
Miscellaneous	850,699	725,321
Total	3,149,218	929,841
Total Revenue from continuing operations	40,529,811	35,623,986

2 (b) Conditional Government Grants

Income/revenue by source	2007 \$	2006 \$
Grants recognised as revenue that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were: -		
Victorian Greenhouse Strategy	951,989	2,120,047
Solar Hot Water Rebate Program	699,906	738,535
High Efficiency Gas Heater Rebate Program	55,652	58,118
Environmental Sustainability Action Statement	2,231,764	-
Victorian Solar Innovation Initiative	395,816	-
Total Conditional Government Grants unspent at 30 June	4,335,127	2,916,700

3 (a) Program Expenses

	2007 \$	2006 \$
Excluding employment benefits were:		
Strategy & Knowledge	1,014,612	2,600,423
Business, Innovation & Technology	10,618,650	7,405,876
Community & Customer Service	8,844,700	14,964,009
Communications	1,784,082	1,265,034
Total Program Expenses	22,262,044	26,235,342

3 (b) Net losses

	2007 \$	2006 \$
Net loss on disposal of:		
Property, plant & equipment	166,787	3,028
	166,787	3,028

4 Cash and Cash Equivalent

	2007 \$	2006 \$
Short Term Deposits	13,526,346	10,948,778
Cash at Bank	914,573	5,059,066
Cash on Hand	1,700	3,860
Total	14,442,619	16,011,704

5 Receivables

	2007 \$	2006 \$
Current		
Accrued Landfill Levy	7,920,335	6,148,033
Trade Debtors	795,536	524,837
GST Receivable	428,396	515,201
Accrued Interest	143,847	73,577
Total	9,288,114	7,261,648
Non Current		
Accrued Landfill Levy	747,083	-
Total	747,083	-
Total	10,035,197	7,261,648

6 Investments

Investments are valued at market (net realisable) value, with interest revenues recognised as they accrue. Investments were as follows:

	2007 \$	2006 \$
Non Current		
CBA Term Deposit	-	31,671
Total	-	31,671

7 Property, Plant & Equipment

	2007 \$	2006 \$
Office Furniture & Equipment		
At Cost	444,008	1,218,166
Less: Accumulated depreciation	(209,488)	(837,395)
	234,520	380,771
Plant and Equipment		
At Cost	-	3,166
Less: Accumulated depreciation	-	(3,166)
	-	-
Computer Equipment		
At Cost	741,153	1,185,296
Less: Accumulated depreciation	(350,750)	(799,022)
	390,403	386,274

Motor Vehicles

At Cost	237,345	271,226
Less: Accumulated depreciation	(95,294)	(67,426)
	142,051	203,800

Leasehold Improvements

At Cost	-	259,772
Less: Accumulated depreciation	-	(259,772)
	-	-

Summary

At Cost	1,422,506	2,937,626
Less: Accumulated depreciation	(655,532)	(1,966,781)
	766,974	970,845

Reconciliations:

Carrying amount 2007	Office Furniture & Equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
Opening balance	380,771	386,274	203,800	970,845
Additions	155,104	293,021	-	448,125
Depreciation	(124,931)	(258,522)	(39,620)	(423,073)
Disposals	(176,424)	(30,370)	(22,129)	(228,923)
Closing balance	234,520	390,403	142,051	766,974

8 Intangibles

Intangibles are valued at cost and reviewed each period for impairment.

	2007 \$	2006 \$
Renewable Energy Certificates		
Opening Balance as at 1 July 2006	1,864,242	2,551,068
Reversal/(Loss) on Impairment	686,826	(686,826)
Closing Balance as at 30 June 2007	2,551,068	1,864,242

Subject to AASB 136 'Impairment of Assets' paragraph 119 the impairment loss recognised at 30 June 2006 has been reversed with the reversal amount taken to the Operating Statement.

9 Payables

	2007 \$	2006 \$
Trade Creditors	383,993	484,658
Accrued Expenses	2,431,011	2,751,856
Total	2,815,004	3,236,514

10 Provisions

	2007 \$	2006 \$
Current		
Annual leave and unconditional long service leave entitlements, representing 7 years of continuous services:		
Short-term employee benefits that fall due within 12 months after the end of the period, measured at nominal value:		
Annual Leave	646,354	582,842
Long Service Leave	228,452	179,162
Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value:		
Long Service Leave	243,042	246,315
Provision for Dismantling	-	107,377
Total	1,117,848	1,115,696
Non-Current		
Conditional long Service Leave	232,274	190,065
Total	232,274	190,065
Total Provisions	1,350,122	1,305,761
Movement in Provision for Dismantling:		
Opening balance	107,377	39,474
Less: Writeback of provision	(107,377)	67,903
Closing balance	0	107,377

11 Reconciliation of net cash (outflow) from operating activities to net surplus / (deficit)

	2007 \$	2006 \$
Net surplus / (deficit) for the period/year	1,938,955	(3,999,609)
Depreciation	423,073	459,358
Increase/ (Decrease) in dismantling asset	-	(6,936)
(Reversal)/Loss on impairment of intangible assets	(686,826)	686,826
Loss on disposal of assets	166,787	3,028
Increase/ (Decrease) in employee benefits	151,738	15,042
(Increase)/Decrease in receivables	(2,773,549)	3,641,316
(Increase)/Decrease in inventories	42,731	5,348
(Increase)/Decrease in prepayments	73,325	(32,719)
(Increase)/Decrease in investments	31,671	-
Increase/(Decrease) in payables	(421,510)	215,484
Increase/(Decrease) in finance lease liability	(22,114)	(19,606)
Increase/(Decrease) in provisions	(107,377)	67,903
Net cash (outflow) from operating activities	(1,183,096)	1,035,435

12 Movements in Equity

	2007 \$	2006 \$
(a) Contributed Capital at the beginning of the financial year	26,048,806	25,613,659
Transfer from Accumulated Surplus	-	435,147
Contributed Capital at the end of the financial year	26,048,806	26,048,806
(b) Accumulated Deficit at the beginning of the financial year	(4,434,756)	-
Surplus / (Deficit) for the year	1,938,955	(3,999,609)
	(2,495,801)	(3,999,609)
Transfer to Contributed Capital	-	(435,147)
Accumulated Deficit at the end of the financial year	(2,495,801)	(4,434,756)

13 Operating Lease Commitments

Lease payments for operating leases for office accommodation, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

The following commitments have been contracted for, by Sustainability Victoria.

	2007 \$	2006 \$
(i) not later than one year	705,973	130,571
(ii) later than one year but not later than five years	3,117,802	-
(iii) later than five years	9,293,560	-
Total	13,117,335	130,571

14 Finance Lease Commitments

A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The following commitments have been contracted for, by Sustainability Victoria.

	2007 \$	2006 \$
(i) not later than one year	62,335	36,041
(ii) later than one year but not later than five years	16,821	71,072
Minimum lease payment	79,156	107,113
Less: Future interest charge provided in the accounts	1,429	7,272
Total	77,727	99,841
Represented by:		
Current Liability	60,996	30,395
Non-Current Liability	16,731	69,446
Total	77,727	99,841

15 Commitments

Financial program commitments entered into and approved by Sustainability Victoria as at the reporting date, not included in the Balance Sheet and to be carried forward into the 2007-08 Financial Year (in the books of Sustainability Victoria) are \$15,523,726.

The majority of the commitments carried forward are forecast to be finalised in the 2007-08 financial year.

	2007 \$	2006 \$
Strategy & Knowledge	267,503	70,373
Business, Innovation & Technology	13,624,476	5,561,734
Community & Customer Service	1,061,793	8,540,324
Communications	531,918	17,745
Corporate Services	8,930	12,672
People & Culture	29,106	-
Total Program Expenses	15,523,726	14,202,848

16 Responsible Person-Related Disclosures

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.

Responsible Minister:

The Honourable John Thwaites MP

Minister for Water and Environment 1 July 2006 to 30 November 2006.

Minister for Water, Environment and Climate Change 1 December 2006 to 30 June 2007.

	Meetings Held	Meetings Attended
Board Members: 1 July 2006 to 30 June 2007		
Bob Welsh, Chairman	11	10
Cheryl Batagol	11	10
Mick Bourke	11	9
Tanya Ha	11	9
Colin Sutherland	11	10
Mike Hill	11	11
Don Chambers	11	11
Russell Peel	11	11

Carolyn Lloyd

11

10

Accountable Officer:

Geoff Mabbett, Chief Executive, 1 July 2006 to 30 June 2007

17 Remuneration**Remuneration of Responsible Persons**

Remuneration received or receivable by Responsible Officers and Accountable Officers under their relevant band was:

	Total Remuneration 2007	Base Remuneration 2007	Total Remuneration 2006	Base Remuneration 2006
Income Band	No.	No.	No.	No.
\$0 - \$9,999	8	8	13	13
\$10,000 - \$19,999	0	0	3	3
\$20,000 - \$29,999	1	1	1	1
\$30,000 - \$39,999	0	0	1	1
\$80,000 - \$89,999	0	0	0	1
\$110,000 - \$119,999	0	0	1	1
\$200,000 - \$209,999	0	0	1	0
\$270,000 - \$279,999	0	1	0	0
\$290,000 - \$299,999	1	0	0	0
Total numbers	10	10	20	20
Total amount	\$394,041	\$368,981	\$458,238	\$338,016

The remuneration of the Minister is reported in the financial statements of the Department of Premier and Cabinet.

Remuneration of Executives

The number of Executive Officers, other than Ministers, Responsible Officers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Several factors have affected total remuneration payable to executives over the year including payments for long service leave entitlements and performance bonuses received in accordance with the terms of individual employment contracts.

	Total Remuneration 2007	Base Remuneration 2007	Total Remuneration 2006	Base Remuneration 2006
Income Band	No.	No.	No.	No.
\$100,000 - \$119,999	2	1	0	0

Total amount	\$363,709	\$241,187	\$541,930	\$381,529		
	Floating interest rate	Fixed interest rate maturing Less than 1 year	Fixed interest rate maturing 1 -5 years	Non-interest bearing	Total carrying amount as per Balance Sheet	Weighted Ave. effective interest rate
	\$	\$	\$	\$	\$	%
Financial assets						
Cash Assets	5,672,022	8,768,897	-	1,700	14,442,619	6.32
Receivables		-	747,083	9,288,114	10,035,197	
Total Financial Assets	5,672,022	8,768,897	747,083	9,289,814	24,477,816	
Financial Liabilities						
Payables		-	-	2,815,004	2,815,004	
Finance leases		60,996	16,731	-	77,727	7.25
Total Financial Liabilities		60,996	16,731	2,815,004	2,892,731	

(c) Net Fair values

The aggregate fair values of financial assets and financial liabilities, recognised at balance date approximate their carrying values.

20 Contingent Assets and Liabilities

Sustainability Victoria had no contingent assets and liabilities as at the reporting date.

21 Income Tax

Sustainability Victoria and it's predecessor bodies are income tax exempt as per Section 23(d) of the *Income Tax Assessment Act 1936*.

22 Australian Greenhouse Office (AGO) Photovoltaic funds held in trust for rebate program

Sustainability Victoria administers the following funds for the AGO Photovoltaic rebate program. These funds are excluded from the financial statements as the Authority acts in a trustee capacity only in respect of administering the program and funds.

	2007 \$	2006 \$
Current		
Opening balance	1,078,440	1,207,476
Add: Receipts	1,945,878	585,492
Less: Payments for rebates	1,293,215	714,528
Closing Balance	1,731,103	1,078,440

23 Events occurring after reporting date

No significant events have occurred since 30 June 2007.

24 Related Party Transactions

The nature and terms and conditions of the project grants, consulting services and sponsorships between Sustainability Victoria and the Related Parties (\$712,447) were at arms length and were the same as for all other grant recipients, consultants and sponsorship recipients. There were no other related party transactions during the course of financial year.

It should be noted that the Board of Sustainability Victoria, with the exception of Colin Sutherland, make up the Advisory Panel of the Sustainability Fund (See Note 1.1 Basis of Preparation), of which Sustainability Victoria is the Secretariat. The Advisory Panel recommend grants for approval by the Treasurer and the Minister for Water Environment and Climate Change and during the Financial Year, a number of grants to Sustainability Victoria (and numerous other Entities), were approved by the Treasurer and Minister.

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Sustainability Victoria

Statement by Chairperson and Accountable Officer

We certify that the attached Financial Statements for the Sustainability Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity, presents fairly the financial transactions during the year ended 30 June 2007 and financial position of Sustainability Victoria as at 30 June 2007.

At the date of signing, we are not aware of any circumstances which would render any particulars in the Financial Statements to be misleading or inaccurate.

Bob Welsh
Chairman
Sustainability Victoria

Melbourne
17 September 2007

Geoff Mabbett
Chief Executive
Sustainability Victoria

Melbourne
17 September 2007

Sustainability
victoria



VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDIT REPORT

Sustainability Victoria

To the Members of the Parliament of Victoria and Members of the Board of the Authority

The Financial Report

The accompanying financial report for the year ended 30 June 2007 of Sustainability Victoria which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statement by the chairperson and accountable officer has been audited.

The Responsibility of the Members of the Board for the Financial Report

The Members of the Board are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the Board Members' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General, his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Sustainability Victoria as at 30 June 2007 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
17 September 2007

D.D.R. Pearson
Auditor-General

08 Disclosure Index

Disclosure Index

The 2006-2007 Annual Report of Sustainability Victoria is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the authorities' compliance with statutory disclosure requirements.

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Book two

To be read in conjunction with book one,
'Our little book of big ideas'.