



**WESTERNPORT**  
**WATER™**

*Annual Report 2013*



*Westernport Water  
is a sustainable  
enterprise providing  
quality products  
and services to the  
community.*

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# About Westernport Water

Westernport Region Water Corporation (“Westernport Water” or the “Corporation”) provides water and wastewater products and services, as well as advisory services. These services and products are cost-effective for customers and deliver triple bottom line results to stakeholders. Westernport Water values working in a region that is a model for a self-sustainable community – balancing residential, agricultural, tourism and commercial needs. The Corporation supports the environment by striving for carbon neutrality and providing a sustainable range of water products. We, at Westernport Water, actively engage with the community and stakeholders, and are committed to the development and wellbeing of our staff.

## Our values

- **Show respect**
- **Encourage and create quality**
- **Be responsible**
- **Be honest**

## Manner of establishment and responsible ministers

Westernport Region Water Authority was constituted under a Ministerial Order in section 98(2)(a) of the *Water Act* 1989 (as amended) on 22 December 1994 by the then Victorian Minister for Natural Resources, the Hon. Geoff Coleman, and published in the *Victorian Government Gazette* No. S102.

From 1 July 2007 the *Water Industry (Governance) Act* 2006 took effect to amend the *Water Act* 1989. As a consequence the Authority’s name was changed to Westernport Region Water Corporation under section 85(1) of the *Water Act* 1989 (as amended). In accordance with section 95(1), members are appointed to the Board of the Westernport Region Water Corporation by the responsible minister for varying terms.

The responsible Victorian minister for the reporting period from 1 July 2012 to 30 June 2013 was

***the Hon. Peter Walsh, MLA, Minister for Water.***

## Objectives, functions, powers and duties

Sections 92, 123 and 124 of the *Water Act* 1989 (as amended) provide Westernport Water with the necessary powers to perform its functions. The powers derived by the *Water Act* 1989 (as amended) can only be exercised to perform functions given to Westernport Region Water Corporation by an Act of Parliament.

## Nature and range of services provided

The core function of Westernport Water is to provide water and wastewater services wherever economically, environmentally and socially practicable to properties and communities throughout the district. The Corporation provides services to 17,859 permanent customers and up to 100,000 in peak holiday periods, in an area

covering 300 square kilometres encompassing Phillip Island and the Western Port district, stretching from The Gurdies to Archies Creek.

Westernport Water has access to a diversified water supply. Water is sourced from the catchment supplying Candowie Reservoir (located in the Bass Hills, Almurta) via Tennent Creek, the Bass River, and groundwater bores in the Corinella Groundwater Management area. Water is treated at the Ian Bartlett Water Purification Plant (IBWPP) at Candowie Reservoir and then it is pumped to mainland townships as well as the San Remo basin for distribution to customers in San Remo and Phillip Island. The three-year average total annual customer demand is 1,736 megalitres (ML) or 1.73 gigalitres (GL).

Wastewater services are provided to approximately 91 per cent of properties that receive water. Westernport Water has two wastewater treatment plants collectively processing approximately 1319 ML of domestic wastewater in 2012-13. Three per cent of effluent collected is treated under an agreement with South Gippsland Water, which provides wastewater services on behalf of Westernport Water for the townships of Kilcunda and Dalyston at its Wonthaggi treatment plant. In total, 18 per cent of all treated effluent collected by Westernport Water was reused in 2012-13.

In addition, Westernport Water provides the following services:

- the production and sale of Class A recycled water for residential and commercial purposes
- removal of minor commercial trade wastes (greasy wastes)
- a liquid waste disposal facility at the Cowes Wastewater Treatment Plant (CWWTP)
- other utility-oriented services including specialist advice on infrastructure and facility design for new developments
- a reticulated gas business in San Remo
- the sale of lucerne and grass hay as by-products of the effluent management process at the King Road Wastewater Treatment Plant (KRWWTP).

## Statement of Obligations

The Statement of Obligations (SoO) was issued by the then Victorian Minister for Water, Environment and Climate Change under section 4I of the *Water Industry Act* 1994 on 27 July 2004 and amended on 18 October 2012. The purpose of the SoO is to clarify the obligations of Westernport Water in relation to the performance of its functions and the exercising of its powers.

The SoO drives the Corporation’s proposed actions included in Water Plan 3. (Visit [www.westernportwater.com.au](http://www.westernportwater.com.au) for a copy of this document.)

## Chairman and Managing Director's Year In Review



**The Chairman and Managing Director at Westernport Water are pleased to present the Corporation's Annual Report for 2012-13.**

Over the past year our team has delivered core services, maintenance programs, and key water and wastewater projects to ensure we meet our commitment to provide quality products and services to our community.

### Finance statement

The Corporation had a strong year with total revenue from all sources of \$20.6 million and total business expenditure of \$19.4 million, with a profit for the year of \$1.2 million. Our profit position is supported by the capital revenue received from developers (cash and gifted assets) as a result of the continued 2% growth of residential housing developments across our service area.

Our commitment to securing the region's long term water security is highlighted by our \$9.2 million investment in our key water security projects, and a total capital investment program of \$13.6 million. In addition to the revenue raised from tariffs and charges, \$6.4 million of funding was secured through Department of Treasury and Finance fixed lending facilities, and will be repaid over a five year period.

### Our water future is secure

With fast growing communities, and increasing risks of climate variability it is essential to maximise every opportunity for the collection of locally available water and develop alternative solutions to help secure the region's water requirements.

During September 2012, the Corporation commissioned Bass Coast's first ever Class A recycled water treatment plant, providing high quality recycled water to the community for use by residential and commercial customers. The project succeeded in reducing the demand on local drinking water supplies and

contributing to the maintenance of Phillip Island's environmental and tourism assets. The summer season saw a noticeable 54 per cent increase in recycled water usage as the merits of Class A water were appreciated.

In November 2012, Westernport Water began a major project to double the storage capacity (from 2263 ML to 4463 ML) of Candowie Reservoir. The increased capacity will provide greater opportunities for water management, optimise the use of all available local water sources, and deliver a safe, affordable water supply to the communities serviced by Westernport Water. Furthermore, it will provide water security for a liveable and productive future for generations to come. The remaining major construction elements of the upgrade project were completed in July 2013 and an official opening is planned for late August.

### Management through sound governance

A Project Control Committee (PCC) has been established to strengthen the Corporation's governance by providing project oversight and experience to teams undertaking major capital works projects. We would like to acknowledge the Candowie Upgrade Project (CUP) team and the Candowie Ancillary Works (CAW) team who have performed admirably to deliver the Candowie project on time and within budget.

The high level of professionalism and dedication of this experienced water industry team and good workplace relations with management is also reflected in 2012-13 figures that show nil disputes and only one lost time injury.

**Candowie Reservoir  
to double in size**

## Water quality improvements recognised

Ongoing compliance and continued improvements in water treatment and delivery resulted in Westernport Water's best ever year for water quality according to our customers. The annual customer survey highlights were recognition of better Corporation performance and improved water quality as a result of the organisation's initiatives. This is evident with a 54 per cent reduction in water quality complaints compared to last year.

Building long-term partnerships, stakeholder engagement and consultation with our communities, has been fundamental to delivering products and services that meet the needs of our customers. We would like to thank our customers for becoming involved in Water Plan 3 (2013-2018) and helping shape the future for delivery of Westernport Water's water and wastewater services.

## Westernport Water is well positioned for future growth

The Corporation continued the integration of various asset management systems, including mobile technology, which has resulted in a range of business efficiencies. The operational team is now better equipped to respond to system demands, customer requests and emergency calls.

## Innovation is the key to sustainable living

The Corporation was successful in its application to the Office of Living Victoria (OLV) for funding to support the development of a second integrated water cycle management initiative and to develop innovative solutions for efficient use of recycled water in residential developments.

We are proud of our achievements over the last few years and in particular the final year of Water Plan 2, our five-year plan aimed at securing the region's water supply. We look forward to the journey ahead as we embark on the challenges presented in Water Plan 3.

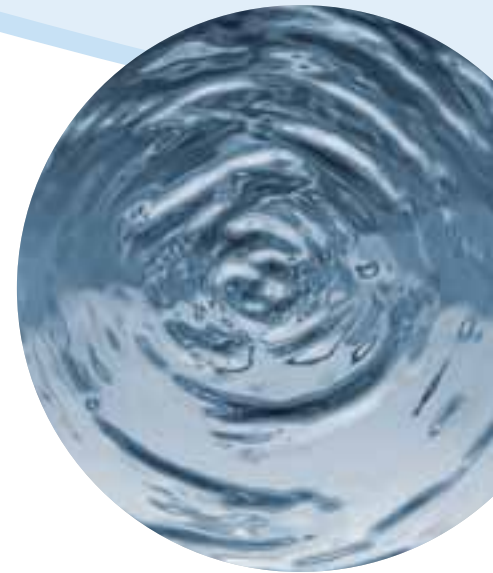
## Growing with our customers

Delivering quality services remains one of the Corporation's priorities. During the Water Plan 3 period the focus will be on upgrades to sewerage plant and wastewater systems to meet the requirements of the area's fast growing population. Westernport Water will also continue its successful preventative maintenance and renewals programs, undertake an extensive revegetation program around Candowie Reservoir and further drought proof the region by finalising connection to the Melbourne supply system.

## Acknowledgements

In October 2012, Tony Leonard retired from his position as Chairman of the Board of Westernport Water. We would like to acknowledge the leadership contribution Mr Leonard made to the Corporation, particularly through his long established relationships with the community. We also say thank you and farewell to Board members Leah Young and Jane Bell who completed their term as Board Directors in September 2012.

Westernport Water management acknowledges the support given to it by its Board of Directors, responsible ministers and government and non-government agencies. The staff and Board members of Westernport Water are also appreciative of the support given by other water corporations and industry associations during the year, particularly VicWater, the Australian Water Association, the Institute of Water Administration, Savewater Alliance, the Water Services Association of Australia and Bass Coast Landcare Network.



We are particularly grateful for the hard work involved in representing our customers by our Customer Consultative Panel (CCP). We would like to thank our longstanding CCP members Frank Adamo (six years) and Chairman, Terry Heffernan (nine years) for their service to the community and Westernport Water throughout the year. Westernport Water management thanks them for the opportunity to meet and share experiences as the team strives to achieve more efficient and effective management of the business.

Westernport Water management acknowledge the close working relationship with Bass Coast Shire CEO Allan Bawden, councillors and management.

Finally, we would like to acknowledge all the contractors that have made this year such a success, in particular Geotech Pty Ltd for the professionalism and tireless efforts of its staff in delivering the Candowie Reservoir upgrade project on schedule.

In accordance with the *Financial Management Act 1994*, Westernport Region Water Corporation presents its Report of Operations for the year ending 30 June 2013.

**Trevor Nink**, Chairman  
16 August 2013

**Murray Jackson**, Managing Director  
16 August 2013

# Financial Review

Westernport Water's financial results and financial performance continue to be strong. Consistent cash flow from operating activities and revenue from core business services (water and waste) support our ongoing operational activities to service our customer needs, and our minimal borrowings provide sufficient funds for our investments in long term assets. The following financial summary information and performance measures are provided as additional support for the financial statements included in our Annual Report.

## Revenue

In 2012-13 total revenue of \$20.6 million was higher than budget forecast due to the recognition of capital funds from developers (gifted assets and contributions) during the year. Westernport Water continues to enjoy a 2% annual growth in properties (average over 5 years) from residential developments.

In 2011-12 Westernport Water received Federal Government funding for 50% contribution towards the capital costs of constructing the Phillip Island Recycled Water Plant, contributing to the spike in revenue recorded in 2011-12. The recycled water plant was commissioned during 2012-13, and reuse water sales are steadily increasing, especially over the drier periods of the year.

The final pricing increase of our five year pricing plan (Water Plan 2) of 4.08%, which includes 1.58% CPI, is also contributing to the progressive increase in revenue over the last five years. Water Plan 3 five year pricing plan will commence from 1 July 2013.

## Expenditure

In 2012-13 total expenditure of \$19.4 million includes increased costs from our asset preventative maintenance planning program (\$0.2 million), and additional contractor works (\$0.6 million) to support our major augmentation project – raising the Candowie Reservoir. The increase in costs for 2012-13 is offset by savings of employee costs, materials and supplies for repairs.

In 2011-12 Westernport Water expenditure included a payment for the defined benefits super fund shortfall (\$0.7 million), and incurred additional contractor/consultant costs for the preparation, consultation and submission of Water Plan 3, which commences 1 July 2013.

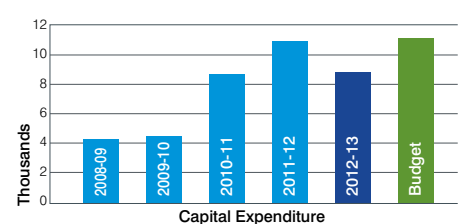
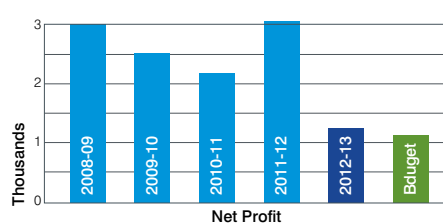
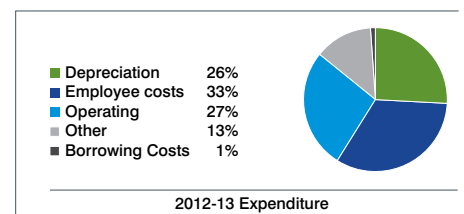
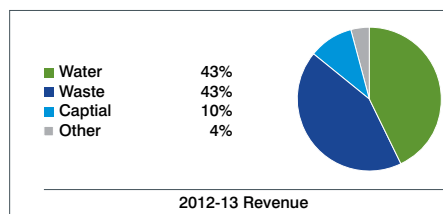
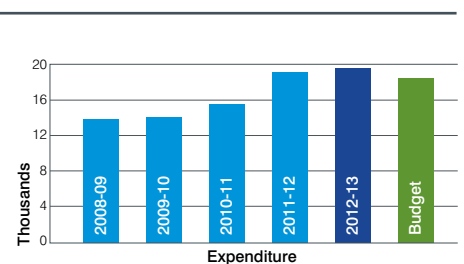
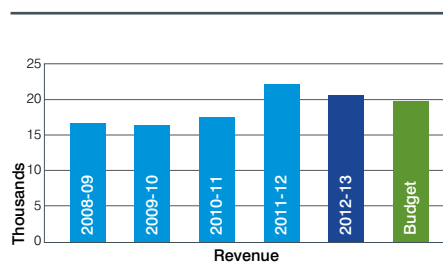
Westernport Water adopts the business practice of engaging consultants and contractors to 'buy in' additional services and expertise as and when required. This practice ensures that our business remains as efficient as possible with regards to fixed costs of operations.

## Net profit

The net profit figure of \$1.23 million reported for the 2012-13 financial year is influenced by the amount of capital revenue recognised (as stated in the Revenue section above), and the efficient spend on operating activities. Westernport Water has realised a net profit each year over the last five years.

## Capital expenditure

In 2012-13 Westernport Water budgeted to spend \$11.3 million on capital investments. Total payments for capital projects is lower than budget forecast due to the deferral of contract payments on construction works for the Candowie Reservoir upgrade. Timing of payments as compared to budget forecasts is due to available cash and lending facilities as at 30 June 2013. Prudent financial management and cash flow management required Westernport Water to defer payment of capital project (contractor) until July 2013. Other key capital expenditure items relate to sludge management, and the design of and payment for the connection to Melbourne Water headworks system. Connection to the headworks system is a long term strategic initiative to support any future emergency water requirements.



## Financial Results – 5 year summary

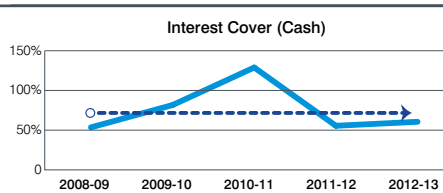
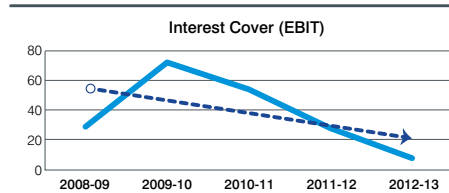
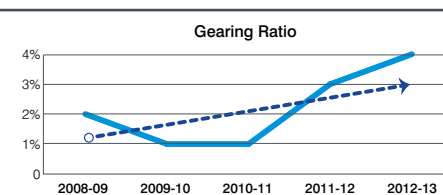
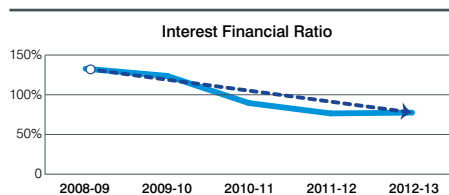
	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000
Core business/operating revenue	13,646	14,635	15,444	16,866	17,877
Government contributions	840	382	310	2,566	151
Developer contributions and gifted assets	1,009	763	1,053	1,565	1,989
Other revenue	1,295	630	864	1,116	609
<b>Total revenue</b>	<b>16,790</b>	<b>16,410</b>	<b>17,671</b>	<b>22,113</b>	<b>20,626</b>
Operating Expenditure	4,671	5,232	5,463	7,925	8,342
Depreciation expenditure	3,500	3,540	3,826	4,929	5,017
Finance costs	160	89	24	160	216
Other	5,474	5,059	6,201	6,071	5,816
<b>Total expenditure</b>	<b>13,805</b>	<b>13,920</b>	<b>15,514</b>	<b>19,085</b>	<b>19,391</b>
<b>Net Profit</b>	<b>2,985</b>	<b>2,490</b>	<b>2,157</b>	<b>3,028</b>	<b>1,235</b>

## Financial Performance – 5 year summary

	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000
Current assets	2,831	2,984	3,421	2,304	3,110
Non-current assets	117,126	118,269	167,432	167,866	175,971
<b>Total assets</b>	<b>119,957</b>	<b>121,253</b>	<b>170,853</b>	<b>170,326</b>	<b>179,081</b>
Current liabilities	3,513	3,725	6,715	5,875	10,268
Non-current liabilities	1,605	200	15,826	17,015	20,298
<b>Total liabilities</b>	<b>5,118</b>	<b>3,925</b>	<b>22,541</b>	<b>22,890</b>	<b>30,566</b>
<b>Net cash flow from operations</b>	<b>5,658</b>	<b>5,597</b>	<b>7,761</b>	<b>8,337</b>	<b>6,865</b>
<b>Payments for property, plant and equipment</b>	<b>4,268</b>	<b>4,500</b>	<b>8,667</b>	<b>10,784</b>	<b>8,782</b>

## Financial Indicators – 5 year summary

	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000
<b>Internal financial ratio</b>					
<i>(Net operating cash flow – dividends) / Capital expenditure</i>	133%	124%	90%	77%	78%
<b>Gearing Ratio</b>					
<i>Total debt / total assets</i>	2%	1%	1%	3%	4%
<b>Interest Cover (EBIT)</b>					
<i>Earnings before net interest and tax expense / net interest expense</i>	29	72	54	28	8
<b>Interest Cover (Cash)</b>					
<i>Cash flow from operations before net interest and tax payments / net interest payments</i>	54	82	129	56	61



## Disclosure of Grants and Transfer Payments

### Small Business Grant Program

The Corporation has provided assistance to several companies and organisations as part of the Small Business Grants Scheme, administered on behalf of the Department of Environment and Primary Industries (DEPI). Grants provided to small business during 2012-13 to improve water efficiencies were:

Organisation	Description	Payment \$
Phillip Island Golf Club	Connect to Class A recycled water for irrigation purposes.	3,996.00
Woolamai Beach Hideaway	Accommodation provider upgrading venue to become water efficient/self-sustainable.	5,000.00
Cowes Childcare Centre	Installation of water efficient appliances.	2,224.00
RS & A Davie	Construct bore and connect to an energy efficient water distribution system for self-sufficient agricultural purposes.	5,000.00
Cleeland Pastoral Co.	Self-sufficient and energy efficient water distribution network for agricultural purposes.	4,238.75
Phillip Island Caravan Park	Installation of water monitoring and efficiency devices and appliances.	5,000.00
Richard Davie	Self-sufficient and energy efficient water distribution network for agricultural purposes.	5,000.00
Rose Boys Australia Pty Ltd	Increase dam capacity and install additional rainwater collection points for self-sufficient production purposes.	5,000.00
Westley Investments Pty Ltd <sup>1</sup>	Connect to Class A recycled water for agricultural purposes.	5,000.00 (allocated)
Karville Pty Ltd <sup>1</sup>	Two properties: 1 – Connect to Class A recycled water for agricultural purposes. 2 – Increase dam capacity and distribution network for self-sufficient agricultural purposes.	5,000.00 (allocated)
Gullaren Partners <sup>1</sup>	Connect to Class A recycled water for agricultural purposes.	5,000.00 (allocated)


### Office of Living Victoria (OLV)

#### San Remo Integrated Water Cycle Management Project

Westernport Water and Bass Coast Shire Council (BCSC) have committed to investigate the possibility of developing a model for future residential developments promoting a 'sustainable living community' within the Bass Coast region. Funding will enable the Corporation to develop an innovative integrated water solution to address continued growth and development in the residential sector. The solution will deliver a model for sustainable residential community development in environmentally sensitive coastal areas.

State funding received for integrative water cycle management initiatives;

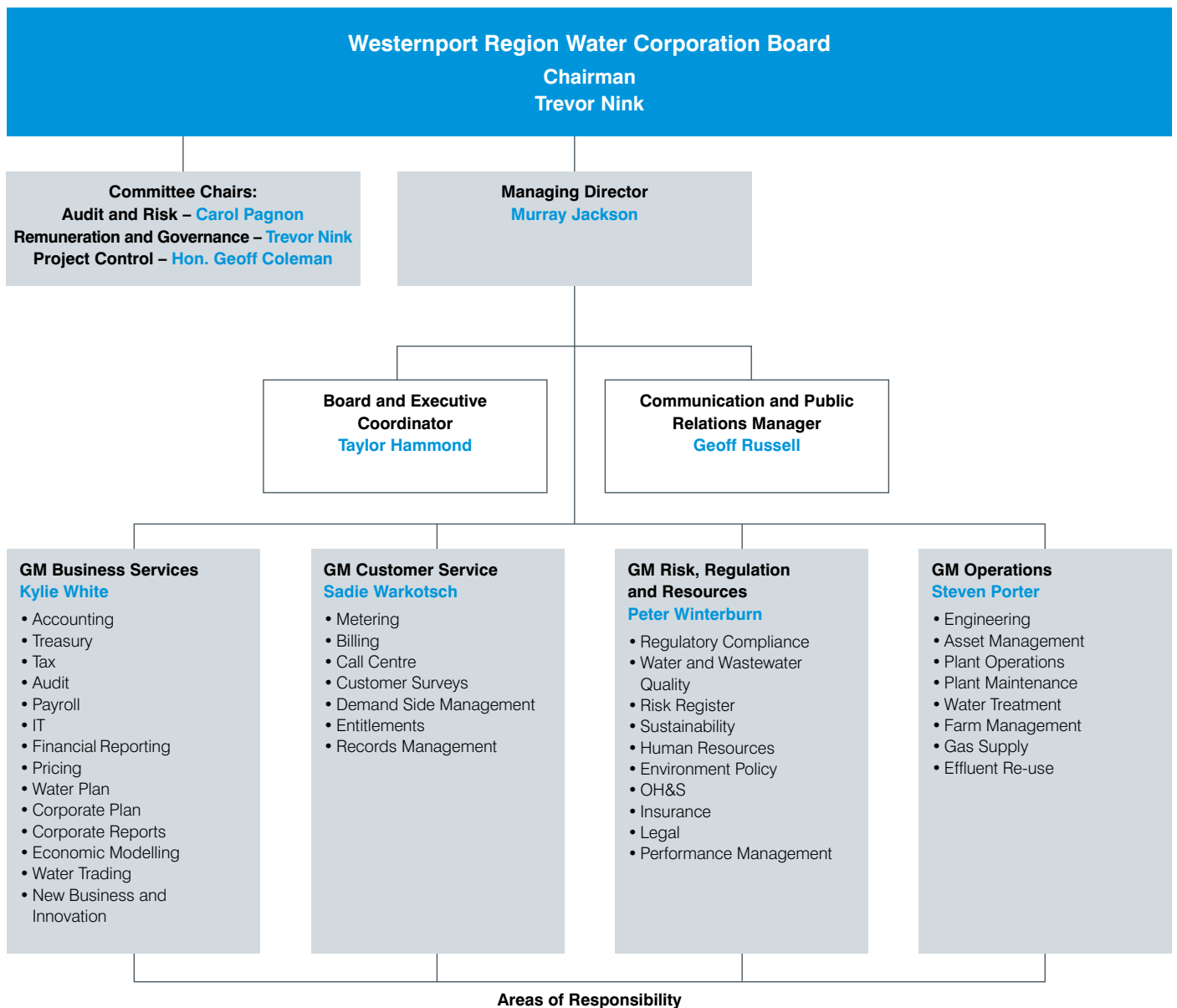
- total funding \$105,000
- 50 per cent received 2012-13 to initiate project
- OLV project to be completed by 30 June 2015



Become water wise with  
small business grants



# Organisational Structure



## Structural changes during 2012-13

As a consequence of the resignation by the General Manager Customer & Employee Relations, two changes were made to the structure of Westernport Water during the 2012-13 financial year. The General Manager Customer Services reports to the Managing Director and exclusively manages customers, while the General Manager Risk, Regulation & Resources is also responsible for human resources management.



## The Board

### Key functions of the Board of Westernport Water include:

- establishment of board and committee charters
- setting the strategic direction and policy framework by adopting, implementing and resourcing a corporate plan and water plan
- establishing measurable goals and objectives
- setting service standards and monitoring achievements
- ensuring compliance with legislative and regulatory obligations
- evaluating the Board and Executive Officer performance to ensure integrity of corporate governance practice and ethical conduct.

### Trevor Nink (Chairman)

Trevor Nink was appointed to the Board of Westernport Water in October 2007 and was Chairman of the Audit & Risk Committee for three years. He was appointed Chairman of the Board and the Remuneration & Governance Committee in October 2012. Trevor and his family are homeowners in Ventnor, with their principal residence in Melbourne. Trevor has held various appointments with international building, engineering and packaging companies in CEO positions with a focus on leadership, strategy and change management, and has held senior executive roles with Kodak, ACI, BTR Nylex and KONE Elevators in Australia, the USA and Europe. Trevor holds a Bachelor of Science degree and has conducted further studies in economics and psychology at The University of Melbourne. He is a Fellow of the Australian Institute of Company Directors. Other current directorships are Trackaxle Ltd, The Baker Foundation and the Beacon Cove Neighbourhood Association Inc.

### Roland Lindell (Deputy Chairman)

Roland was appointed to the Board on 1 October 2011 and to Deputy Chairman in October 2012. Over the past 30 years Roland's career has focused on various roles within the political arena and he held senior roles working for state government ministers. Through these positions he developed a sound understanding of the operations of the public sector, the challenges of delivering government policy, the importance of stakeholder consultation, and good internal and public communications. Roland is a member of the Australasian Golf Club committee and Chairperson of Youth Connect. Roland is a member of the Corporation's Project Control Committee as well as the Remuneration & Governance Committee.

### Murray Jackson (Managing Director)

Murray Jackson commenced as Managing Director of Westernport Water on 1 September 2008 after concluding a 10-year appointment with Genesis Energy in New Zealand. His qualifications include a Master's degree in Business, a Bachelor degree in Economics and a diploma in Mechanical Engineering. He is a Fellow of the Institution of Engineers (Australia), Fellow of the Australian Academy of Technological Sciences and Engineering, Fellow of the Institution of Professional Engineers (New Zealand) and a Member of the Australian Institute of Company Directors (AICD). Murray's engineering career included the commissioning of coal-fired power plants in Victoria and New South Wales as well as Commissioner of the Snowy Mountains Hydro-electric Authority (1993-97). He was awarded the Centenary Medal in June 2003 by the Australian Government for service to industry and society. In 1999 he was appointed Chief Executive of Genesis Power Ltd (NZ), a vertically integrated electricity and gas exploration, generation and retail business, formed from the split up of the former Electricity Corporation of New Zealand. He was Chairman of the Genesis Oncology Trust (GOT) Foundation in New Zealand (2003-08) and the YAMS Foundation in Victoria – both charities raising funds to support research and treatment of cancer.

### Hon. Geoff Coleman

Geoff Coleman was appointed to the Board on 1 October 2011. He was a member of the Victorian Parliament for over 20 years. During that time he worked on delivering many major projects for Victoria. He served as a Minister for Natural Resources in a portfolio which included administration of the water industry, forests, fishing and alpine resorts. Prior to entering Parliament and subsequent to leaving, he has operated family businesses with rural pursuits. Geoff has also been a director of an engineering based public company. He brings extensive knowledge of the water industry and experience in dealing with government activities and ministerial administration. Geoff is the Chairman of the Corporation's Project Control Committee and a member of the Audit & Risk Committee.

### John Duscher

John Duscher was appointed to the Board on 1 October 2012. His career spans 40 years in education and he is well known in the area having lived and worked in the Bass Coast region for more than 37 years. John is heavily involved in a wide range of community and sporting organisations in leadership roles, and has extensive experience in local government. John's experience extends to emergency management planning, fire prevention, audit and community planning. He is a Justice of the Peace and Bail Justice. John is a member of the Corporation's Audit & Risk Committee and the Remuneration & Governance Committee.

### Carol Pagnon

Carol Pagnon was appointed to the Board on 1 October 2012 and has extensive experience in governance, risk management, risk assurance, project management and change management across the Victorian Public Sector. Carol is also Chair of the Westernport Water Audit & Risk Committee as well as a member of the Project Control Committee. Carol's qualifications include being a Graduate of the AICD, Fellow of the Society of Certified Practising Accountants Australia, FCPA, Chartered Accountant (CA), M. Business (*Risk, Assurance, Compliance*), and Carol is a PRINCE 2 (2009) accredited project management practitioner.

### Barbara Wagstaff

Barbara Wagstaff was appointed to the Board of Westernport Water in October 2011. Barbara worked in the banking and finance industry for 12 years with Elders Finance & Investment Co., Citibank and CS First Boston in Australia, New Zealand and Hong Kong where she provided risk management, corporate finance and investment banking services. For the past 18 years Barbara has provided business management and corporate finance advisory services, specialising in strategic planning, risk management, budgeting, performance monitoring and business systems analysis for a number of organisations in various industries. Barbara holds a Bachelor of Economics degree with honours and is a Member of the AICD. Barbara was a member of the Committee of Management of the Metropolitan Ambulance Service for the period 1997 to 2001. She now holds a number of voluntary positions with various community groups. Barbara is a member of the Corporation's Audit & Risk Committee as well as the Remuneration & Governance Committee.

### Guy Wilson-Browne

Guy Wilson-Browne was appointed to the Board on 1 October 2012. He has more than 15 years' experience as a senior manager in the public infrastructure sector. Guy and his family reside in Cowes. His qualifications include a degree in Civil Engineering and graduate diplomas in Business Administration (Leisure & Tourism) and Commercial Law. As a director of infrastructure services, Guy is responsible for the overall planning, provision and maintenance of public infrastructure for Yarra City Council. He is a Fellow of the AICD. Guy is a member of Westernport Water's Project Control Committee and Audit & Risk Committee.



## Committees

### Remuneration & Governance Committee

The Remuneration & Governance Committee is a committee of the Board. It consists of four members and meets when required to review the performance and remuneration of the Managing Director and Executives and to consider other delegated governance issues that may arise.

Remuneration & Governance Committee members in 2012-13 were: Trevor Nink (Chairman), Roland Lindell, Barbara Wagstaff and John Duscher. Remuneration Committee Member terms are listed in the table of Board and committee attendance. The Committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel. Four meetings were held during 2012-13.

In 2012-13 the Remuneration and Governance Committee co-ordinated the board performance review and drafted the revised Board and Committee Charters.

### Audit & Risk Committee

The Audit & Risk Committee is a committee of the Board consisting of five members with responsibilities to:

- review and recommend to the Board the acceptance of the Auditor-General's report
- monitor the internal audit function
- review and recommend risk management and insurance strategies
- monitor the level of regulatory compliance.

Meetings are attended by management staff as required and all directors have a standing, but not mandatory invitation to attend.

The Audit & Risk Committee membership in 2012-13 comprised: Carol Pagnon (Chair), Hon. Geoff Coleman, Barbara Wagstaff, John Duscher and Guy Wilson-Browne. Audit & Risk member terms are listed in the table of Board and committee attendance.

During the year, the Audit & Risk Committee:

- reviewed the annual financial statement and performance report
- reviewed the annual Victorian Auditor-Generals Office (VAGO) and Internal audit strategies, programmes and associated reports findings and management action follow up
- reviewed the compliance program of activities and oversights management action follow up
- reviewed the outcomes from the annual Essential Services Commission's water performance regulatory audit
- prepared and oversights the internal audit tender process review of the internal audit charter, Audit & Risk Committee charter, and the gifts and hospitality policy and register
- participated in regular workshops to review the Corporation's strategic risk controls
- reviewed the Corporation's risk appetite and risk assurance map
- reviewed the Corporation's risk framework and governance structure.

Along with these activities, regular reports on risk management, environment, and occupational health and safety were reviewed and discussed. Internal audits on the Financial Management Compliance and Government Card, Information Communications Technology Supervisory Control and Data Acquisition (SCADA) review and a follow-up review of past audit recommendations were undertaken during the year. Five physical meetings, with additional electronic meetings, were held during 2012-13.

### Project Control Committee

The Project Control Committee is a committee of the Board established to provide governance, oversight and evaluation of major projects undertaken by Westernport Water including the review and prioritisation of capital works programs as proposed in the Corporation's five-year water and corporate plans.

The Project Control Committee is a group of five members, comprising Hon. Geoff Coleman (Chairman), Roland Lindell, Carol Pagnon, Guy Wilson-Browne and Managing Director, Murray Jackson.

During 2012-13, the Committee oversaw the planning, execution and delivery of the Candowie Reservoir upgrade, as well as corresponding ancillary works including land acquisitions, and augmentation of a public road and power services in conjunction with the Bass Coast Shire Council. Twelve meetings were held during 2012-13.

### Table of Board and committee attendance

Director	Board meetings		Audit & Risk Committee (ARC) meetings		Remuneration & Governance Committee (RGC) meetings		Project Control Committee (PCC) meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tony Leonard <i>Chairman until 30-9-12</i>	3	3	–	–	1	1	–	–
Murray Jackson <i>(Managing Director)</i>	11	11	–	–	1	1	12	11
Trevor Nink <i>2007 to current</i> <i>Deputy Chairman –</i> <i>1-10-11 to 30-9-12</i> <i>Chairman –</i> <i>1-10-12 to current</i> <i>Chairman RGC –</i> <i>1-10-12 to current</i>	11	11	–	–	4	4	–	–
Leah Young <i>1-7-12 to 30-9-12</i>	3	3	–	–	1	1	–	–
Jane Bell <i>1-7-12 to 30-9-12</i>	3	3	1	1	–	–	–	–
Roland Lindell <i>1-10-2011 to current</i> <i>Deputy Chairman –</i> <i>1-10-12 to current</i>	11	10	–	–	3	3	12	10
Barbara Wagstaff <i>1-10-2011 to current</i>	11	11	5	5	3	3	–	–
Hon. Geoff Coleman <i>Chairman PCC</i> <i>1-10-2011 to current</i>	11	11	5	4	–	–	12	12
Carol Pagnon <i>Chair ARC</i> <i>External Member</i> <i>ARC from 1-07-12</i> <i>to 30-09-2012</i> <i>Full Board member</i> <i>from 1-10-12</i>	8	7	5	4	–	–	8	6
John Duscher <i>1-10-12 to current</i>	8	8	4	4	3	3	–	–
Guy Wilson-Browne <i>1-10-12 to current</i>	8	8	4	4	–	–	8	8

# Objectives and Performance Highlights

## Products and Services



## Assets



### Objective

**Westernport Water provides cost-effective, quality water and wastewater products and services to meet the growing needs of its communities.**

**Westernport Water delivers reliable and cost-effective services to customers by understanding asset performance, and continuing to improve efficiency and reliability (supported by robust preventative maintenance systems and advancement in technology).**

### Highlights

- The chloramination treatment process, to improve water quality by reducing the taste and odour of chlorine, has now been rolled out to greater than 98 per cent of customers in Westernport Water's region. Grantville and surrounds were switched to chloraminated water in the 4th quarter of 2012-13.
- Thanks to chloramination treatment and preventative maintenance programs (i.e. quarterly flushing and annual air scouring of water mains) water quality customer complaints decreased by 54 per cent from 2011-12.
- Around 78.5 million litres of Class A recycled water has been used by commercial and residential customers. This represents a 54 per cent increase in recycled water usage on Phillip Island since last financial year.
- Customers responded positively to Westernport Water's management of service interruptions with 96 per cent of customers expressing total satisfaction compared to 86 per cent last year.

- The Candowie Reservoir full supply level was raised nearly doubling the reservoir's capacity to 4463 ML and providing the region with a secure water supply for the next 50 years.
- A new work order system (Focus) was implemented, fully integrated with the Westernport Water geographic information system (GIS), and allowing for direct issuing of faults and actions to field-based mobile laptops.
- The annual Preventative Maintenance Plan was completely updated and incorporated into the Focus work order system. This milestone is anticipated to deliver asset improvements and operational efficiencies as work activities are allocated and recorded against assets for the first time.
- The Corporation obtained Environment Protection Authority (EPA) approval for the CWWTP upgrade.

### Challenges

- The Corporation will work to communicate the value of water and wastewater as 30 per cent of customers surveyed this year reported they were dissatisfied with the price.
- Increase awareness and usage of Class A recycled water.
- To educate customers that wastewater services account for approximately half of the charges received by Westernport Water.
- Develop and implement the third party usage of biosolids from the Cowes Waste Water Treatment Plant (CWWTP).

- Commence the upgrade to the CWWTP without impacting daily operations.
- Complete the integration of the GIS/Focus/Asstetic (Asset Management System).
- Commence the long-term project of increasing the capacity of the wastewater collection and transfer system in the Cowes area.

## Our People



**Westernport Water is recognised as an innovative, high performance organisation with a reputation that is valued by current and prospective employees.**

- There were eight process improvements that led to significant operational efficiencies and cost reduction opportunities within all departments. This program contributed \$211,000 in productivity savings during 2012-13.
- A review of the performance management framework was undertaken during 2012-13 that combined the principles of performance measurement to support the overall business objectives. This program will be further developed during 2013-14.
- Internal engagement and communication were improved in 2012-13 through the delivery of a team building program.
- Twelve positions were advertised in 2012-13 attracting a total of 216 applications with 42 per cent of vacancies filled by local people.

- Enhance and fully utilise the Corporation's new Human Resources Information System.
- Integrate the performance management framework into the newly developed reporting system
- Succession planning and leadership development.

## Our Environment



**Westernport Water becomes an environmentally sustainable organisation by reducing its environmental footprint, increasing investment in sustainable energy resources, reusing wastewater and biosolids, and promoting the efficient use of natural resources by driving environmental efficiencies into business decisions.**

- The Corporation commenced a review of its biodiversity study on Westernport Water land including the development of five-year plans to form land management objectives and strategies for the Water Plan 3 period.
- Phase two site preparation for planting of the Candowie revegetation project was implemented.
- The total recycled water consumption across Westernport Water's operations was increased to 18 per cent of total wastewater received.
- Westernport Water took part in the Resource Smart Schools program.
- A pilot trial project for wallaby-proof fencing at revegetation sites was continued and expanded. This is a joint partnership with Landcare and the Melbourne Water stream frontage funding program.

- There were two environmental incidents resulting in sewerage overflows to the environment this year.
- Westernport Water complied with all quality analysis for wastewater discharged to the environment in 2012-2013, however the licence condition for average daily flow to the ocean from Cowes wastewater treatment plant was breached by 0.4 ML a day. The works planned for Water Plan 3 will achieve licence compliance and has been approved by the Victorian EPA for implementation in 2013-14.

## Our Community



**Westernport Water will foster strong relationships and partnerships by providing resources, expertise and water related education so it can add value to the community it serves.**

- Customer satisfaction strengthened with 94 per cent of customers satisfied with the overall service provided by Westernport Water.
- Tours were provided to over 200 people to view the Candowie Reservoir upgrade as a part of a program to engage with the local community and Australian Water Association industry professionals.
- Targeted educational programs were delivered during National Water Week providing opportunities for over 160 students to visit CWWTP. Learning's focused on general awareness of recycled water, how to identify recycled water and the community benefits to be achieved.
- Grant funding of \$35,460 was provided to small businesses for investment in water conservation projects.
- A further \$30,000 of grant money was secured to extend this small business grants program, bringing the total funding commitment to \$80,000.
- Staff walked 10,000 steps per day in the Wateraid 'Walk 4 Water' challenge, to raise money for targeted water projects in developing countries, finishing in the top ten fundraisers Australia wide.
- The Hydration Station community resource was used at many events providing water to over 70,000 people.

- Motivate the community to value and use water in a way that supports future development.
- Use sponsorship to achieve greater awareness of recycled water in the community.

# Water Consumption and Drought Response

## Water supply sources

Westernport Water has pursued a program of diversifying and accessing a broad range of water supply sources as part of a strategy aimed at decreasing vulnerability to climate change and increasing the adaptive capacity of the water storage. Currently the Corporation has access to the following water supply sources:

Tennent Creek	2,911ML
Bass River	3,000ML
Corinella aquifer	490ML
Metropolitan pool	1,000ML
<b>Total</b>	<b>7,401ML</b>

## Water quality

### Annual water quality performance against target 2012-2013

Water quality indicator	2012-13 Actual	2012-13 Target	Target met	2011-12	2010-11	2009-10	2008-09	2007-08
<b>E. coli (% samples containing zero organisms per 100 ML)</b>	100.00%	>98.00% <sup>1</sup>	Yes	100.00%	99.17%	99.18%	100.00%	99.83%
<b>Turbidity (NTU)</b>	100.00%	>95.00% <sup>2</sup>	Yes	99.80%	99.80%	100.00%	99.62%	99.60%
<b>Aluminium (mg/L)</b>	100.00%	100.00%	Yes	99.16%	97.50%	100.00%	100.00%	100.00%
<b>Trihalomethanes (ug/L)</b>	100.00%	100.00%	Yes	100.00%	99.17%	99.18%	100.00%	78.67%

#### Notes:

1. Target is derived from the Safe Drinking Water Regulations 2005, which states "at least 98% of all samples of drinking water collected in any 12 month period contain no Escherichia coli per 100 millilitres of drinking water".
2. Target is derived from the Safe Drinking Water Regulations 2005, which states "95% upper confidence limit of the mean of samples of drinking water collected in any 12 month period must be less than or equal to 5.0 Nephelometric Turbidity Units".

Water quality indicators were fully compliant with targets quoted in the table above. These targets are derived from the Safe Drinking Water Regulations 2005 and administered under the *Safe Drinking Water Act 2003*. Monitoring covered Candowie Reservoir, storage basins, 87 customer taps in nine separate localities plus numerous strategic test points in the distribution system.

Chloramination water treatment to improve water quality was introduced in 2011-12 and it has been continued in 2012-13. Chloramination gives more consistent results below the levels quoted in the Australian Drinking Water Guidelines 2011. The decrease in disinfection by-products has also seen a decrease in water quality customer complaints (most typically taste and odour) by 54 per cent.

## Candowie Reservoir upgrade

The Candowie Reservoir upgrade involved raising the Candowie Reservoir full supply level by three metres thus increasing the storage capacity from 2,263 ML to 4,463 ML. This local solution was determined as the most balanced and cost-effective way of ensuring water security for the region and is a key component in the Corporation's Water Supply and Demand Strategy (WSDS) as well as the Central Region Sustainable Water Strategy to provide adequate water supply to 2055.

Candowie Reservoir's increased capacity will provide greater capacity to capture inflows from Tennent Creek and allow for the storage of water from two supplementary water sources – the Bass River and Corinella Aquifer. The metropolitan supply system connection will provide water security for use in extreme drought conditions.

The main components of the upgrade and ancillary works were: placing earth and rock fill on the dam wall, extending the filter drain in the dam wall, construction of a concrete parapet wall, extending and raising the spillway and training walls, raising and strengthening the outlet tower including a new access walkway, construction of a maintenance road completely around the new reservoir, revegetation of the reservoir surrounds, and raising the Grantville Glen Alvie Road.

The works have been completed on time and on budget, due in part to the experience of the main contractors of Geotech Civil and Environmental Pty Ltd and Goldsmith Pty Ltd, and the design consulting engineers Entura Hydro Tasmania. The upgrade project was completed at the end of July with an official opening late August 2013.





## Raising the wall of the Candowie

### Water Supply and Demand Strategy

The Water Supply Demand Strategy (WSDS) uses all the planning information available to forecast the growth in population for the area and the resulting growth in connections to the water supply system needed to determine demand. The two objectives of Westernport Water's WSDS are to balance supply and demand at the lowest practical cost, and to provide Westernport Water customers with a reliable supply of water.

The Candowie Reservoir upgrade is the main project identified in the WSDS to achieve these aims. The project provides a substantial increase to stored supply and allows for greater use of all available water sources. Based on the projected future demand and a dry climate scenario, forecasts until 2055 also consider future supply options including, upgrading the Bass River uptake and the supply of water from Melbourne pool.

Integrating recycled water into future town planning to meet the region's water needs is beginning to pay dividends, relieving

pressure on drinking water supplies and decreasing ocean outfall. Furthermore it has been responsible for enhancing public and environmental health and it provides opportunities for economic development.

Looking forward, Westernport Water will continue to investigate innovative ways to manage and improve the integration of urban water planning, including the potential use of stormwater harvesting and the expansion of the recycled water system across its entire supply area.

### Water consumption report

District	Residential customers <sup>*</sup>		Non-residential customers		Other <sup>**</sup>		Non-revenue water (ML)	Total consumption (ML) (includes non-revenue water)	Average annual consumption <sup>***</sup> (ML)
	Number	Volume consumed (ML)	Number	Volume consumed (ML)	Number	Volume consumed (ML)			
<b>Candowie Reservoir 2012-13</b>	14,426	1,087	1,141	564	203	61	90 <sup>1</sup>	1,802	1,736
<b>Candowie Reservoir 2011-12</b>	14,220	967	1,138	571	203	61	168	1767	1737

1. An outcome from all the improvements implemented throughout Water Plan 2, resulting in a noticeable reduction in water losses. Unaccounted for water accounting for only 4.6 per cent of the total water supplied.

\* Residential and non-residential customers as per the Essential Services Commission definition.

\*\* Owners corporations.

\*\*\* Average calculated over 3 year period.

### Water Extraction Bore Licence

Southern Rural Water issued a Licence No BEE050528 in June 2010 to allow Westernport Water to take and use water for urban water supply from the groundwater source in the Corinella

Aquifer. The licence entitles Westernport Water to take and use the groundwater up to a limit of 490 ML per year and this year Westernport Water used 41 ML from this source. The licence requires Westernport Water to monitor surrounding bores to ensure the integrity of the aquifer and

develop a thorough understanding of potential impacts on this resource. The licence was due to expire on 30 June 2013, but has been renewed for a further three years until 30 June 2016.

## Bulk Entitlement

BE (Westernport)				14.1(a)	14.1(b)	14.1(c)	14.1(d)	14.1(e)
System	Storages	Towns serviced	Bulk Entitlement ML/year	Max rate of extraction ML/d	Water storages ML <sup>1</sup>	Amount taken ML/y <sup>2</sup>	Approval, amendment and implementation of programs	Entitlement transfer from
Tennent Creek	Candowie Reservoir	Westernport Water region	2,911	13.929	1,240	1,637	Nil	Nil
				14.1(f)	14.1(g)	14.1(h)	14.1(i)	14.1(j)
				Entitlement transfer to	Entitlement amendment	New Entitlement	Failure to comply	Difficulties & remedial actions
				Nil	Amendment Order 2013 Gazetted on 31 January 2013	No	Nil	Nil
BE (Westernport – Bass River)				11.1(a)	11.1(b)	11.1(c)	11.1(d)	11.1(e)
				Amount of water taken daily	Daily flow in waterway <sup>4</sup>	Approval, amendment and implementation of programs	Amount Taken ML/y <sup>2</sup>	Entitlement transfer from
Bass River		Westernport Water region	3,000	13.502	Yes	Programs implemented	201	Nil
				11.1(f)	11.1(g)	11.1(h)	11.1(i)	11.1(j)
				Entitlement transfer to	Entitlement amendment	New Entitlement	Failure to comply	Difficulties & remedial actions
				Nil	Nil	No	Nil	Nil
BE (Melbourne Headworks System – Westernport Water) <sup>3</sup>				13.1(a)	13.1(b)	13.1(c)	13.1(d)	13.1(e)
				Amount taken ML/y	Approval, amendment and implementation of programs	Restrictions period & degree	Entitlement transfer from	Entitlement amendment <sup>3</sup>
Melbourne Headworks System		Westernport Water region	1,000	Nil	Program deferred till construction	Nil	Nil	Nil
				13.1(f)	13.1(g)	13.1(h)		
				New Entitlement	Failure to comply	Difficulties & remedial actions		
				Nil	No	This BE commenced on 1 July 2012 but at this time no connection point has been constructed		

(1) Water storage level at 30 June 2013.

(2) Annual amount of water taken in ML demand of system.

(3) New Bulk Entitlement for Melbourne Pool System gazetted 14 October 2010 but will not commence operation until construction of the connection and certified notice is given to the Minister.

(4) Daily flow in waterway exceeded 40 ML/d during any extraction periods.

## Bulk Entitlements

In the three Bulk Entitlement reports (Westernport, Bass River and Melbourne Headwork's System) to the Victorian Minister for Water, Westernport Water showed it complied with all its requirements regarding the volume of water it is entitled to take and the Bulk Entitlements' provisions.

A major amendment to the (Westernport) Bulk Entitlement was undertaken as part of the Candowie Reservoir upgrade. The Bulk Entitlement (Westernport) Conversion

Amendment Order 2013 was signed by the Minister for Water on the 19 January 2013 and commenced on 1 July 2013. The amendment allows for environmental flows to be released into Tennent Creek (below the Candowie Reservoir) that will provide flows of water to enhance native fish and aquatic vegetation. This flow regime will help restore the downstream creek to an original stream with original habitat and plant communities when combined with stream bank works undertaken by Melbourne Water.

As part of the (Bass River) Bulk Entitlement, Westernport Water is required to ensure a passing environmental flow in the Bass River of 40 ML per day before commencing any pumping. Before commencing pumping the river flow is to be over 50 ML per day for one day to ensure adequate water quality. Complying with the licence conditions, the pump station was operated from the 19 May 2013 with the river flow varying between 42 ML to 686 ML per day as measured at the designated flow station.



Westernport Water's objective is to be recognised as an innovative, high performance organisation with a reputation that is valued by current and prospective employees by:

- continuing investment in the development and safety of its people
- listening and responding to its people to encourage engagement and to improve organisational performance
- embedding a culture where change is anticipated and responded to, responsibility accepted and accountability delivered.

The Corporation's workforce numbered 67.81 full time equivalent (FTE) employees in 2012-13. The breakdown and comparison to 2011-12 is set out in the next set of tables.

## Our People

### Public administration values and employment principles

Westernport Water continues to comply with the *Public Administration Act 2004* by:

- maintaining a workplace free of discrimination in line with the Victorian Government's merit and equity principles
- upholding public sector conduct
- managing and valuing diversity
- managing underperformance
- reviewing personal grievances
- selecting on merit.

### Employment and conduct principles

All Westernport Water employees work within the Victorian Public Sector Code of Conduct that amplifies the values contained in the *Public Administration Act 2004*. They also work within the Victorian Charter of Human Rights and the Corporation's own behavioural charter that values the principles of respect, quality, responsibility and honesty. Employees demonstrate these principles to everyone they do business with, both inside and outside the Corporation.

Westernport Water is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

### Merit and equity

In line with the Victorian Government's merit and equity principles, Westernport Water maintains a workplace free of discrimination. The Corporation regularly reviews its human resources policies and processes in areas such as equal opportunity and recruitment. Employees are selected and/or promoted for positions on the basis of relative ability, knowledge, experience and skill, in fair and open competition measured against the requirements of the position involved. All employees are treated in a fair and equitable manner without regard to race, religion, gender, political opinions, sexual preference, age, physical or mental disability, family responsibility, pregnancy, national extraction or social origin.





mentoring for  
our future

### Comparative workforce data

Full time equivalents (FTE) staffing trends from 2009 to 2013<sup>1</sup>

2013	2012	2011	2010	2009
67.81 <sup>2</sup>	70.36	66.49	66.87	64.23

Notes:

- (1) All figures reflect employment levels during the last full pay period in June of each year. The staffing trend remains consistent with previous years.
- (2) The reduction of FTE is a direct result of a reduction in the fixed term and casual employees, due to the delay of implementation of the new billing system.

### Statement of workforce data

Summary of employment levels in June 2012 and 2013

	Ongoing employees				Fixed term & casual employees
	Employees (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
June 2012	60	58	2	59.35	11.01
June 2013	61	58	3	60.34	7.47 <sup>1</sup>

- (1) The reduction of fixed term and casual employees is a result in the delay of implementation of the new billing system.

### Details of employment in June 2012 and 2013

	June 2013			June 2012		
	Ongoing		Fixed term & casual employees	Ongoing		Fixed term & casual employees
	Employees (Headcount)	FTE	FTE	Employees (Headcount)	FTE	FTE
<b>Gender</b>						
Male	45	48.00	4.00	41	40.73	4.00
Female	16	12.34	3.47	19	18.62	7.01
<b>Age</b>						
Under 25	1	1.00	3.00	–	–	3.00
25-34	11	10.50	–	8	8.00	–
35-44	13	12.84	1.47	15	14.35	2.51
45-54	27	27.00	1.00	24	24.00	2.09
55-64	8	8.00	0.00	10	10.00	3.41
Over 64	1	1.00	1.00	3	3.00	–
<b>Classification</b>						
Broadband 2	13	13.00	10.00	11	11.00	10.01
Broadband 3	12	10.00	2.00	10	–	–
Broadband 4	12	12.00	–	11	–	–
Broadband 5	5	4.00	–	9	–	–
Broadband 6	9	9.00	–	8	–	–
SEO	7	7.00	1.00	8	–	–
Executive	3	3.00	–	3	–	–
Other			3.00	–	1.00	1.00

## Executive officer disclosure

Executive Officer (EO) numbers classified into 'ongoing' and 'special projects'

Class	Ongoing					Special projects				
	Male		Female		Vacancies	Male		Female		Vacancies
	No.	Var	No.	Var	No.	No.	Var	No.	Var	No.
EO 1		0		0	0	0	0	0	0	0
EO 2	1	0		0	0	0	0	0	0	0
EO 3	1	0	1	(0)	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>(0)</b>	<b>1</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

During the reporting period there were no disclosures made under either the *Whistleblowers Protection Act 2001* or the *Protected Disclosures Act 2012*

### Contacts:

Department of Environment and Primary Industries  
Jennifer Berensen, Senior Advisor, Privacy & Ombudsman  
Department of Environment and Primary Industry  
PO Box 500, East Melbourne Victoria 3002  
Ph. (03) 9637 8697  
[www.depi.vic.gov.au](http://www.depi.vic.gov.au)

### The Independent Broad-Based Anti-Corruption Commission Victoria

Level 1, North Tower, 459 Collins Street  
Melbourne Victoria, 3001  
Mail: IBAC, GPO Box 24234,  
Melbourne Victoria 3000  
Ph. 1300 735 135  
Internet: [www.ibacvic.gov.au](http://www.ibacvic.gov.au)  
Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

## Reconciliation of executive numbers

		2013	2012
Add	Executives with total remuneration over \$100,000	3	3
	Vacancies	0	0
	Executives employed with total remuneration below \$100,000	0	0
Less	Accountable Officer (Secretary)	0	0
	Separations	(0)	(0)
	<b>Total executive numbers at 30 June 2013</b>	<b>3</b>	<b>3</b>

## Number of EOS for the department's portfolio agencies

Portfolio agencies	Total		Vacancies	Male		Female	
	No.	Var	No.	No.	Var	No.	Var
Business Services	1	(0)	-	-	-	1	-
Governance	1	(0)	-	1	-	-	-
Operations	1	(0)	-	1	-	-	-
<b>Total</b>	<b>3</b>	<b>(0)</b>	<b>0</b>	<b>2</b>	<b>(0)</b>	<b>1</b>	<b>(0)</b>

## Process improvements

In this reporting period Westernport Water staff identified eight process improvement projects that enhanced systems and processes which will result in operational efficiencies and cost reduction opportunities across all departments

## Protected Disclosures Act 2012

The *Whistleblowers Protection Act 2001* was repealed and replaced with the *Protected Disclosures Act 2012* on 10 February 2013. As the change of legislation occurred midway through 2012-13 financial year, this disclosure complies with the requirements of the Protected Disclosure (PD) Act and section 104 of the Whistleblowers Protection (WB) Act, for each of the relevant time periods.

The PD act enables people to make disclosures about improper conduct without fear of reprisal. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

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

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



## Training and Staff Development Highlights

### Training

Westernport Water is committed to the ongoing development of its staff and invests significant resources in employee training and development, and welfare programs. This investment ensures its people are well prepared to meet, not only the requirements of their roles, but also the challenges of emerging technologies and innovative business practices. Two members of staff undertook Water Operations traineeships during 2012-13.

### Emergency management training

Building on the Corporation's emergency management capacity, five employees undertook formal external emergency management training during 2012-13. Two management staff members attended incident controller training facilitated by Gippsland Water and a further three staff members attended Australasian International Incident Management System training conducted by the Melbourne Fire Brigade.

### Health

Westernport Water is committed to improving staff productivity, reducing absenteeism and increasing staff retention. As part of this commitment it has a suite of programs and activities aimed at delivering improved corporate health outcomes. Some of the programs are:

#### Work health checks

Employees were provided with the opportunity to find out about their health through a work health checks program held during May 2013, and employees were provided influenza inoculations. Additionally, all staff members likely to be exposed to sewerage were vaccinated against Hepatitis A and B. Further, spirometry (lung capacity) and hearing assessments were provided to employees involved in asbestos removal and those exposed to noise above 85 decibels.

### Staff welfare program

The Corporation recognises the importance of employee welfare and wellbeing and its contribution to personal and business success. During the year, an externally facilitated Employee Assistance Service was contracted. This confidential service is available to employees and their immediate families and includes personal counselling, crisis support, debriefing, and other training and group programs.

### Health and wellbeing program

All staff members were provided with the opportunity to participate in active programs to promote health and wellbeing including walking, pilates and a gym based programs. Approximately 70 per cent of staff enrolled in the program and results showed advancement in overall fitness levels.

### Return to work

The Return to Work Coordinator ensures that the Corporation meets its obligations under the *Accident Compensation Act* 1985. There were no claims warranting a return to work plan in 2012-13. The Return to Work Coordinator attended several best practice seminars run by WorkSafe Victoria during the year and an additional staff member undertook Return to Work Training in 2012-13.

### Walk 4 Water

World Water Day 2013 was promoted by a number of staff who participated in a 'Walk 4 Water' fundraiser organised by Water Aid, an organisation delivering clean drinking water projects and education programs to developing countries. In combination with the health and wellbeing program, employees were sponsored to walk 10,000 steps per day for five days. The Westernport Water team succeeded in becoming one of the top ten fundraisers nation-wide. Walk 4 Water teams throughout Australia raised over \$80,000.

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## Occupational Health and Safety

The objective of Westernport Water's Occupational Health & Safety (OH&S) strategy is to provide and maintain a healthy and safe work environment for all employees, contractors, customers and visitors. An OH&S management system has been implemented with an OH&S action plan to ensure safe performance and systems of work at Westernport Water.

The Corporation's commitment to continued investment in the development and safety of its people is evident in the OH&S training program delivered during 2012-13. All staff and contractors undergo OH&S induction. During 2012-13 staff undertook training in: confined space entry, Class B asbestos removal, manual handling, first aid, electrical spotter, chainsaw safety and health and safety representative refresher training. All staff members received OH&S training with a total of approximately 140 training days.

In addition, Westernport Water contractors are required to undertake a comprehensive OH&S induction program prior to commencing work. A targeted program in 2012-13 was established with participation by all new contractors.

During the reporting period there was one lost time injury reported resulting in one day lost.

No new Health and Safety Representatives were elected during 2012-13 and current Representatives completed refresher training during 2012-13.

Westernport Water strives to ensure that there are no adverse impacts on the community from its undertakings (e.g. noise, chemical exposure, traffic or pedestrian disruptions). The Corporation also monitors and considers severe weather conditions when planning and undertaking construction projects.

### OH&S Performance Indicators

The OH&S statistics that follow show notable positive results for 2012-13. Consultation across the organisation and improved procedures for contractors reinforced the importance of safety. The Corporation's management team believes ongoing communication and consultation, combined with strong leadership, is the key to an effective safety culture.

Measure	KPI	2012-13	2011-12	2010-11
<b>Incidents</b>	No. of Incidents <sup>1</sup>	9	17	15
	Rate per 100 FTE <sup>1</sup>	6.10	11.10	9.70
<b>Claims</b>	No. of standard claims	0	0	0
	Rate per 100 FTE	0	0	0
	No. of lost time claims	0	0	0
	Rate per 100 FTE	0	0	0
	No. of claims exceeding 13 weeks	0	0	0
	Rate per 100 FTE	0	0	0
<b>Fatalities</b>	Fatality claims	0	0	0
<b>Claim Costs</b>	Average cost per standard claim	0	0	0
<b>Return to Work</b>	Percentage of claims with RTW plan <30 days	–	–	–
<b>Management commitment</b>	Evidence of OH&S policy statement, OH&S objectives, regular reporting to senior management of OH&S, and OH&S plans (signed by Managing Director or equivalent)	completed	completed	completed
	Evidence of OH&S criteria(s) in purchasing guidelines (including goods, services and personnel)	completed	completed	completed
<b>Consultation and participation</b>	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs)	completed	completed	completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs	completed	completed	completed
<b>Risk Management</b>	Percentage of internal audits/ inspections conducted as planned.	100%	100%	100%
	Percentage of issues identified actioned arising from:			
	• internal audits	100%	100%	100%
	• HSR provisional improvement notices (PINs)	–	–	–
• WorkSafe notices	–	–	–	
<b>Training</b>	Percentage of managers and staff that have received OHS training:	100%	100%	100%
	• induction	100%	100%	100%
	• management training	–	100%	–
	Percentage of HSRs trained:			
	• acceptance of role	–	100%	100%
	• re-training (refresher)	100%	100%	100%
• reporting of incidents and injuries.	100%	–	–	

Notes:

(1) The number of incidents reported for 2012-13 reduced by 47 per cent on last year's results. This is attributed to greater vigilance and preventative action of HSRs and HR staff members during works inspections and contractor reviews.

# Environment and Social Sustainability



**Part of the Corporation's business objectives are to be an environmentally sustainable organisation, and wherever possible, to reduce environmental footprints. Westernport Water aims to achieve these objectives by:**

- striving for efficient use of natural resources
- driving environmental efficiencies into business decisions
- re-using wastewater and biosolids, and minimising ocean outfall
- improving biodiversity.

## Environmental Management System

Westernport Water is committed to minimising the impacts of its operations on the environment. The Corporation maintains an Environmental Management System (EMS) in accordance with ISO 14001:2004. The objectives of the system include: separation of office based waste into recyclable, compost and true waste; reducing emissions from the vehicle fleet; making environmentally sound purchase decisions; and reporting environmental performance to the executive and staff regularly. The Corporation's office and business activities are considered: determining when environmentally friendly products can be used, adoption of the purchasing and procurement policy, transportation types, waste generation, and water consumption.

Environmental performance is measured in a number of ways, including:

- EPA Victoria annual performance monitoring against its corporate licence, guidelines and regulatory requirements
- compliance with Essential Services Commission (ESC) service standards for sewer systems
- internal auditing of the Environmental management system
- the number of environmental incidents
- tracking against the Corporation's aspects and impacts register.

## Environmental Protection and Biodiversity Conservation Act 1999

There were no referrals made during this reporting year.

## Central Region Sustainable Water Strategy

The Central Region Sustainable Water Strategy (CRSWS) commits to a wide range of actions that aim to protect rivers and aquifers, while securing water supplies for cities, towns and farms in the central region of Victoria.

Westernport Water is responsible for particular actions outlined in the CRSWS. In order to implement the strategy at a local level, the following actions have been completed or remain ongoing: water conservation programs with residential and commercial customers through shower head and trigger nozzle exchange, promotion of water efficient white goods and toilets (programs are supported through the Small Business Grants Scheme); a dedicated Water Conservation Program Coordinator; augmentation of Candowie Reservoir; and a Bulk entitlement on Bass River, a licence for the Corinella bore field, as well as a connection to the metropolitan pool water supply.

## Regional catchment management strategy

Westernport Water participates in catchment management activities as part of the management of water resources as required under the *Safe Drinking Water Act 2003*. The Act requires Westernport Water to prepare and implement risk management plans from a 'catchment to tap' perspective.

During the reporting period, the Corporation:

- worked closely with catchment partners, Bass Coast Landcare Network and Melbourne Water, to promote opportunities for land managers within the catchment to undertake on-the-ground works for farm, land and waterway improvements



- engaged with Port Phillip and Westernport Catchment Management Authority on the draft Regional Catchment Management Strategy
- installed a perimeter access road surrounding the reservoir to undertake inspections of activities and operations at neighbouring properties to identify new and emerging risks to water quality
- participated in a Gippsland regional forum to provide a regional response to development in water supply catchments by developing a regional policy.

### River health strategy and aquifer health

The Victorian River Health Strategy is a state-wide initiative aimed at protecting and improving the health of the region's rivers and river ecosystems. In 2012-13 Westernport Water invested in works to downstream Tennent Creek as part of the annual Landcare operational plan, undertook a private landholder project on Tozer Creek in the Candowie catchment, and continued a pilot project for revegetation of Salt Water Creek on Phillip Island to reduce wallaby grazing on new native vegetation plantations.

Currently, Westernport Water does not discharge wastewater into any creeks or streams under its Victorian EPA licence. However, in 2012-13 the Corporation was granted approval under section 30A to discharge up to 200 ML of treated wastewater into Guys Creek, Corinella, under an emergency discharge approval after a period of unusually heavy rainfall. This resulted in 97.3 ML of treated wastewater disposed to Guys Creek Corinella and ultimately Western Port.

### Victorian biodiversity strategy

The Biodiversity Strategy released by the Victorian Government in 1997 provides the overarching direction for biodiversity conservation and management in Victoria. The strategy complements national strategies and the *Victorian Flora and Fauna Guarantee Act 1988*.

In 2012-13 Westernport Water engaged the Bass Coast Landcare Network to undertake a biodiversity assessment of the Corporation's managed lands. The assessment measures impacts of activities on the natural environment and the success of programs completed improving biodiversity.

The Corporation's activities during 2012-13 to support biodiversity management included:

- maintenance and implementation of property environmental operational plans (involving pest and plant management, biodiversity improvement and revegetation) for properties that the Corporation owns and manages through a partnership with Bass Coast Landcare Network
- undertaking a review of the five year biodiversity asset register
- development of five-year land management plans for all sites
- looking at pest plant and animal priorities and revegetation opportunities to improve biodiversity outcomes
- phase two site preparation works for revegetation of the land surrounding Candowie Reservoir, which will ultimately see 19 hectares of land planted out with 57,000 plants, and 13.8 kg of seeds to meet net gain planning permit requirements and to assist with catchment run-off water quality.

### Environmental incidents

Environmental incidents are unplanned events that have the potential to impact on the environment or community. During the reporting period the Corporation recorded:

- an improved EPA licence performance due to reduced inflows as result of total annual lower rainfall
- two sewage overflows that were reported to EPA as a result of individual system failures
- higher than average rainfall in the 2012 summer irrigation season that resulted in a second section 30A emergency discharge approval granted by EPA

The CWWTP breached one condition under its EPA licence relating to the annual average daily flow limit of 2.5 ML per day. This licence non-compliance is being addressed through a plant upgrade project, which has been approved by the EPA and will begin as a program of works in 2013-2014. The plant had one breach of a notification limit for E. coli during the reporting period, as a result of a failure of the disinfection system. When retested this complied with the licence.

Westernport Water released flows of treated wastewater into Guys Creek at Corinella for the second year in a row following approval from EPA Victoria. The treated wastewater from the KRWWTWP is stored over winter and applied to land through irrigation in summer. Due to higher than average rainfall and a reduction in irrigation days in the 2012 summer, the onsite winter storage at King Road was nearing capacity with little opportunity to irrigate.

Under Section 30A of *The Environment Protection Act 1970*, the emergency discharge approval allowed the release of up to 200 ML of water over a 120-day approval period with a maximum of 5 ML a day. Westernport Water undertook a monitoring and sampling program during this period and provided reports to EPA Victoria on the creek conditions. In total 97.3 ML was released to the environment under the approval and no adverse impacts were recorded on the creek condition.



## Pest plants and animals

Westernport Water develops an annual operational plan through its partnership with the Bass Coast Landcare Network to establish an eradication program for pest animals and noxious weeds on its lands. This covers issues such as rabbits, foxes, bridal creeper, asparagus fern, hawthorn, pittosporum, mirror bush, gorse, kikuyu, thistles, boxthorn, blackberry, inkweed and control of willow regrowth. During 2012-13 Westernport Water continued its programmed works on targeted weed species at the CWWTP and Candowie Reservoir with a dedicated program along Salt Water Creek on Phillip Island funded through the Melbourne Water Stream Frontage program. During the period a comprehensive survey of the Corporation's land was undertaken to build programs for the upcoming five-year period to address the problems of pest plants and animals of local and state significance.

## Water recycling

One of the ways Westernport Water plans to secure water supplies for future generations is by relieving pressures on drinking water through substitution with recycled water. Class A recycled water provides an alternative, reliable, fit-for-purpose water source used for non-drinking purposes such as toilet flushing, garden use and irrigation. Increasing the uptake of recycled water also benefits the environment by decreasing wastewater that would have been discharged into Bass Strait. Recycled water further provides commercial customers with water security. Recycled water is regularly tested to ensure it meets the water quality requirements set by the Department of Health and the EPA.

The Class A Recycled Water Treatment Plant has been in operation since August 2012, providing Class A recycled water to new dual pipe estates in the Cowes region. Class A recycled water is distributed from the treatment plant via a 2 ML storage tank located at Wimbledon Heights then it is gravity fed via a backbone distribution system to customers in the areas of Wimbledon Heights, Cowes and Ventnor.

This year 78.5 ML of Class A recycled water was used by commercial and residential customers and onsite at the Recycled Water Treatment Plant. This contrasts with last year's consumption (of Class B recycled water) of 42 ML, providing a 54 per cent increase. This increase in recycled water use is attributed to lower rainfall during summer months than in previous years necessitating an increase in demand for irrigation from commercial customers and the mandating of recycled water use in all major subdivisions and residential dual pipe estates.

Currently several agricultural customers located along the recycled water pipeline are in the process of connecting to the recycled water system, previously these customers relied on potable water. This transition to recycled water was made possible due to the higher quality and subsequent wider ranges of uses that Class A recycled water provides compared to Class B.

From sewer to  
paddock

## Biosolids management

The EPA Victoria Guidelines for Environmental Management: Biosolids Land Application is used as the basis for the sustainable use of biosolids at the CWWTP. The Biosolids Management Strategy outlines the corporate direction for the beneficial reuse of the biosolids for agricultural applications, and the integrated management of future biosolids with a long-term strategic vision for the land at the CWWTP and for sites in the Phillip Island region. The Strategy aims to demonstrate the environmentally sustainable management of the sludge (biosolids) by-product from the operation of the CWWTP.

In accordance with the guidelines, the Corporation applied 197.8 dry tonnes of biosolids to land during 2012-13. Extensive soil, groundwater and surface water testing was undertaken to monitor the impacts of this process. Monitoring revealed no adverse effects and the Corporation continues to monitor the long term success of the trial.

Through the development of a Regional Environmental Improvement Plan (EIP), the Corporation intends to confirm that biosolids can be beneficially reused in the Phillip Island region. The Regional EIP details the quality of biosolids and the carefully balanced application rates and management controls for biosolids application with the existing soil condition at the CWWTP and KRWWTTP farm sites as well as trial sites privately owned on Phillip Island. The intent is to demonstrate the advantageous properties (such as nutrients) of biosolids to the local agricultural community and further develop interest in use of the product to replace fertiliser applications where appropriate. The Regional EIP is currently with the EPA for final approval with the intent to apply biosolids to privately owned land in spring 2013.



Recycle treatment  
plant  
officially opened



### Office based environmental impacts

Westernport Water operates one office and assesses the office based environmental impacts as a part of its commitment to reduce its environmental footprint.

	2012-13	2011-12	Units	Notes
<b>Energy</b>				
Total energy used – Office	828,000	Not reported	mega joules	1
	12,211	Not reported	mega joules per FTE	
	854	Not reported	mega joules per m3	
Greenhouse gas emissions – Office	274	Not reported	tonnes CO <sub>2</sub> -e	
<b>Waste Production</b>				
Total units of waste disposed of to landfill from Office	8,810	8,800	kg per year	
	130	125	kg per FTE	
Total units of waste disposed of recycled from Office	4,740	4,700	kg per year	
	70	67	kg per FTE	
Recycling rate (% of total waste)	34	35	%	
<b>Paper</b>				
Total units of copy paper used	363	439	reams	2
Units of copy paper used per FTE	5	9.71	reams per FTE	2
Percentage of 50-75% recycled content copy paper purchased	100	100	%	
<b>Corporate Water Consumption</b>				
Total volume-metered corporate water consumption	37,040	33,638	kilolitres per annum	
Administration offices and depot	590	1,470	kilolitres per annum	3
Water treatment plant	21,283	18,487	kilolitres per annum	
Wastewater treatment plants	15,167	13,681	kilolitres per annum	4
Volume-metered water consumption	8.70	21.19	(kilolitres) per FTE employees	
Units of metered water consumed in offices per unit of office space	0.61	1.52	(kilolitres/m <sup>2</sup> ) 970	
<b>Transport</b>				
Total distance travelled by airplane	18,022	Not reported	km	

Notes:

- (1) Office based energy and greenhouse gas emissions have previously not been reported.
- (2) Figures are based on purchase quantities.
- (3) Office water use – No specific programs were undertaken in 2012-2013 to reduce water usage at the Newhaven office/depot, apart from upgrades of showerheads in the depot.
- (4) Wastewater water usage up as a result of 2 leaks on the water main at CWWTP

## Greenhouse gas emissions

Greenhouse gas emissions during 2012-13 have reduced from the previous year by 19.24% and were below the target of 7,555 t CO<sub>2</sub>-e. A reduction in wastewater treatment emissions can be attributed to:

- a reduction of wastewater inflows in 2012-13 compared to the previous two years
- reduced pumping requirements due to favourable weather
- construction works in 2011-12, which increased energy consumption at the CWWTP site
- efficiency works to reduce aeration energy demand at the CWWTP
- a reduction in vehicle fleet emissions (a result of a combination of removal of any fuel used for stationary diesel generators, and purchase of more efficient fleet vehicles).

	Note	2012-13	% difference	2011-12	2010-11	2009-10	2008-09
Vehicle fleet (t CO <sub>2</sub> -e)		216	0	215	234	233	203
Wastewater treatment (t CO <sub>2</sub> -e)	1	3,779	-19	4,681	2,614	2,187	2,334
Water supply and treatment (t CO <sub>2</sub> -e)		1,832	-1	1,849	1,253	1,665	1,709
Waste disposal (new) (t CO <sub>2</sub> -e)	2	158	-13	181	143	n/a	n/a
Other (t CO <sub>2</sub> -e)	3	274	-23	355	243	232	244
<b>Total tonnes CO<sub>2</sub>-e</b>		<b>6,260</b>	<b>-14</b>	<b>7,280</b>	<b>4,487</b>	<b>4,317</b>	<b>4,490</b>
Offsets Purchased (New)		0	0	0	0	n/a	n/a

Notes:

- (1) Wastewater – decrease in wastewater greenhouse gases, which is as a result in an overall reduction in energy consumption from all sites, CWWTP commissioned a new 55kW aerator, and a significant reduction since 2011-2012 in CWWTP energy consumption since Class A construction finished.
- (2) Waste disposal reduction was a direct result of not disposing of the same volume of geobags this year (last year included stockpiled geobag disposal).
- (3) Other – this is a combination of energy demand from the main office (without smart metering, energy use is unable to be analysed).



# Conserving Water for the Future



THE FUTURE OF  
WATER  
CONSERVATION

## Permanent water saving rules

Throughout the reporting period Westernport Water operated under permanent water saving rules, promoting the sensible use of water without significantly restricting customer choice and flexibility. A common set of easy to remember rules are in place to guide the efficient use of water on an ongoing basis across Westernport Water's entire service area.

## Water restrictions and By-law 105

The community understands the importance of water and the need to change water use behaviours. The Water Restriction By-law 105 applies to water that is supplied by the main water supply network of Westernport Water's. This By-Law was developed using the Model Water Restriction By-law common to Victorian water corporations and was gazetted on 24 February 2012 in accordance with section 287ZC of the *Water Act 1989*. Water Restriction By-law 105 was made in relation to restrictions and prohibitions on the use of water that may be imposed in the water supply districts of Westernport Water.

The purpose of the By-law is to promote the efficient use and conservation of water and set out the four stages of restrictions on the use of water. It also specifies what must not be done at each restriction stage.

## Helping business waterMAP

Voluntary Water Management Action Plans (waterMAPs) were introduced by the Victorian Minister for Water on 1 July 2012 to help non-residential high water users increase their water efficiency.

Supported by a dedicated Water Program Coordinator, Westernport Water has continued to assist non-residential customers who consume 5 ML or more of drinking water per annum, or who have applied for a grant from the Small Business Grant Scheme. WaterMAP's were completed by all Small Business Grant Scheme recipients, as well as potential grant applicants to help identify water efficiencies and in monitoring the outcome of grant projects.

## Major non-residential water users

The Corporation had no major non-residential customers consuming greater than 200 ML in 2012-13.

## Small business grants help industry

The Small Business Grants Scheme, designed to help local industry invest in water saving measures, was made available to businesses in the Westernport Water region from August 2011. Grants of up to \$5,000 were made available to businesses that could increase water efficiencies, reduce water waste and increase sustainability. The Corporation supported eleven small business projects during the reporting period, with savings estimated at over 37,436 KL of drinking water per annum. For a full list of grants and transfer of payments refer to p. 6.

Westernport Water was successful in applying for additional Small Business Grant Scheme funds from the Department of Environment and Primary Industry (DEPI), securing a further \$30,000 for project allocation (no later than 31 December 2013).

## Rebate programs

The Victorian Government's commitment to extend water efficiency via the Living Victoria Water Rebate Program has financially assisted Westernport Water's customers to purchase and install water efficient products as well as continue to reduce water consumption. This year the Victorian Government extended the rebate program to June 2015 for eligible residential and commercial customers. Changes to the extended rebate program include an increase in rainwater tank rebates, and expanding the program to eligible commercial customers by increasing the number of full time equivalent employees, making the program accessible to larger commercial customers.

Actively promoting the Living Victoria Water Rebate Program, this year the Corporation issued \$13,600 of residential rebates and \$14,543 in small business rebates to help improve water efficiency, that's \$11,503 or 69 per cent more than in 2011-12, and reflective of the amount of local area promotion provided by our community engagement team.

## Exchanging inefficient showerheads

In 2012-13 the Corporation continued its showerhead and trigger nozzle exchange programs aimed at changing behaviour and educating people on sensible water use. During the reporting period Westernport Water exchanged 300 showerheads and 300 trigger nozzles, and provided customers with free shower timers.

## Recognising Business Achievement

Congratulations to Rhyll Trout and Bush Tucker Farm on winning the Bass Coast Business Awards – Environment and Sustainability category sponsored annually by Westernport Water.

# Procurement

## Disclosure of Major Contracts

Westernport Water did not award any major contracts (greater than \$10 million) during 2012-13.

## Details of consultancies over \$10,000

### Consultancies awarded 01 July 2012 to 30 June 2013

Consultant	Purpose of consultancy	Start date	End Date	Total approved project fee (\$) (ex GST)	Expenditure (\$) 2012-13 (ex GST)	Future expenditure (\$) (ex GST)
Entura (Hydro Tasmania)	Construction supervision for the Candowie Reservoir upgrade works	01-09-2011	30-06-2013	148,350	142,779	4,974
Entura (Hydro Tasmania)	Construction tender review & assessment of Candowie Reservoir upgrade works	01-11-2012	01-03-2013	50,977	50,977	0
Ag Challenge	Provision of a functional design for irrigated woods for CWWTP	31-10-2012	20-02-2013	17,500	9,005	7,594
CEE Consultants Pty Ltd	Provide report for the functional design of the upgrade of CWWTP	15-07-2012	10-02-2013	24,480	13,140	11,340
AWT Water Pty Ltd	King Road catchment storm water infiltration investigation and report	15-09-2012	15-06-2013	18,700	10,756	0
AECOM Australia Pty Ltd 3065	Water supply main consulting advice	14-12-2012	14-05-2013	10,400	10,400	0

### Consultancies awarded prior to 01 July 2012 with expenditure in 2012-13

Consultant	Purpose of consultancy	Start date	End Date	Total approved project fee (\$) (ex GST)	Expenditure (\$) 2012-13 (ex GST)	Future expenditure (\$) (ex GST)
Entura (Hydro Tasmania)	Construction tender review & assessment of Candowie Reservoir upgrade works	01-03-2012	01-08-2012	34,000	16,828	0
Entura (Hydro Tasmania)	Complete dam safety assessment	24-05-2012	30-01-2013	52,800	52,500	0
CCB Envico	Consulting of Class A operation	01-02-2012	21-04-2013	145,300	98,105	7,614
GHD Pty Ltd	IBWPP UV functional design	01-07-2011	02-07-2012	51,240	45,516	0

## Details of consultancies under \$10,000

In 2012-13, the total for the eight consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000, was \$32,995.00. All figures are GST exclusive.

## Contracts awarded over \$1 million in 2012-13

Contracts	Description of works	Project (\$)
Goldsmith Civil & Environmental Pty Ltd	Ancillary works on the Grantville-Glen Alvie Road around Candowie Reservoir	2,668,177
Geotech Pty Ltd	Construction (Reservoir Works) to increase the capacity of Candowie Reservoir	8,423,068



## Victorian Industry Participation Policy (VIPP)

During 2012-13 the Corporation commenced two contracts totaling \$11,111,245 to which the VIPP applied, both of which are listed in the table on the previous page.

Both of these projects were located in regional Victoria. The commitments by contractors under VIPP included:

- An overall level of local content of 98% of the total value of the contracts;
- 27 full time equivalent jobs;
- 2 apprenticeships / traineeships; and
- No benefits to the Victorian economy in terms of skills and technology transfer increases.

No contracts to which the VIPP applied were completed in 2012-13.

## National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. Westernport Water continues to implement and apply this principle in its business undertakings.

## Application and operation of Freedom of Information Act 1982

The *Freedom of Information Act 1982* allows public access to documents held by government entities, which includes right of access to documents held by the Corporation. A decision to release information is made by an authorised officer. The Corporation's authorised officer for the period 30/06/2012 – 23/04/2013 was Christine Hammond, Executive Assistant. The Corporation has determined that its authorised officer for freedom of information (FOI) applications from 24/04/2013 is Vicki Connelly Records Coordinator. A copy of the Act can be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

## Making a request

Members of the public wishing to obtain access to corporate documents are required to make their request in writing to the Freedom of Information Officer. An application fee of \$25.70 will apply from 1 July 2012. A written request, outlining the documents required and enclosing the application fee, should be sent to:

### Vicki Connelly

Freedom of Information Officer  
Westernport Water  
2 Boys Home Rd  
Newhaven Victoria 3925

In the reporting period there were no requests for information under the FOI Act.

Further information regarding FOI or to lodge a request online visit [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

## Compliance with the Building Act 1993

To the best of its knowledge, Westernport Water and its contractors have complied with the building and maintenance provisions of the *Building Act 1993*.

## Energy & Water Ombudsman Victoria

The Energy & Water Ombudsman (EWOV) provides a dispute resolution service for energy and water consumers and has the power to investigate and resolve disputes between Victorian consumers and their water company.

### EWOV

Free Call 1800 500 509  
Email: [ewovinfo@ewov.com.au](mailto:ewovinfo@ewov.com.au)  
GPO Box 469 Melbourne 3001  
[www.ewov.com.au](http://www.ewov.com.au)

## Statement of availability of other information

Other information required by the *Financial Management Act 1994*, but not specifically referred to, has been retained by Westernport Water's accountable officer and is available to the relevant Victorian Minister, Victorian members of parliament and the public on request, subject to the *Freedom of Information Act 1982*.



**As part of its social responsibility and aims, Westernport Water is proud to be a valued member of the community by:**

- adding value to local communities through the provision of resources, expertise and water related education
- fostering strong relationships and partnerships with key stakeholders
- providing timely, friendly reliable service
- engaging with our communities and continually measuring our performance and products from a customer perspective.

## Social Sustainability

### Value of community service obligation provided

	Notes	2012-13 (\$)	2011-12 (\$)
Concessions to pensioners	1	606,125	578,944
Rebates for not-for-profit organisations under the water and sewerage rebate scheme		25,350	24,960
Utility relief grant scheme payments	2	14,764	9,913
Water concession for life-support machines		0	0
*Living Victoria Rebate Program – Small Business	3	14,543	7,000
*Living Victoria Rebate Program – Residential	3	13,600	9,640
*Small business water conservation grants	4	35,458	2,224
Industry and community sponsorship including exchange programs and in-kind support	5	57,430	53,832
<b>Total community service obligation provided</b>		<b>746,235</b>	<b>689,638</b>

Notes:

- (1) Increase in concessions provided is due to the concession cap increase combined with an additional 38 customers.
- (2) Increase attributed to a combination of the current economic climate and a focused effort by the customer service team to help customers experiencing hardship through the customer assistance programs.
- (3) A direct result of the local area promotion of the programs.
- (4) Small business grant projects that were awarded in 2011-12, started to be completed in this reporting period.
- (5) New to this table, this was previously reported as a separate item under sponsorship.

### Customer assistance programs

Westernport Water offers a range of assistance programs to customers experiencing temporary or chronic financial difficulties. The Corporation works with people to identify appropriate solutions to their unique circumstances, such as alternative payment arrangements and assisting with access to government concessions and financial assistance programs by helping customers to complete the associated paperwork related with the customer assistance programs.

Westernport Water's high water usage policy is available for customers who experience a sudden increase in their account as a result of a leak at their property. Under this policy customers can be offered flexible payment plans.

### Community access

Despite having a low proportion of customers with a non-English speaking background, the Corporation provides free access to a telephone interpreter service. This ensures it can effectively assist non-English speaking customers on their water and wastewater product and service enquiries.

### Education

Educating the community about water, wastewater and recycled water in the local area remains a focus for Westernport Water.

Opportunities for water related learning were provided to local schools through field visits, excursions, visits to schools, world environment day and sustainability expos. This year's focus was on providing students opportunities to learn about the wastewater process and recycled water.



During National Water Week (NWW) 2012, Westernport Water provided local schools with the opportunity to visit the CWWTP to learn about the treatment process and at the same time create awareness and understanding of Class A recycled water. In addition to the tours, students also participated in the NWW poster competition showing a strong awareness of water conservation and local water issues that are important to them.

Westernport Water plays an active role in the community, supporting adult education by partnering with community groups and businesses to provide cost-effective training opportunities. Partnership initiatives offered to the community this year included:

- practical sustainability seminars
- Landcare Annual awards incorporating Urban Landcare gardens' tour
- indigenous planting and organic gardening field day
- urban Landcare members kit information packs
- community planting days
- gardening in a changing environment
- landslips field day
- redesign your garden workshop
- learn how to collect seed and grow plants
- plumber forums.

## Mentoring

Westernport Water this year provided numerous opportunities for young professionals and future leaders to gain vital work experience and qualifications. The Corporation partnered with secondary colleges and tertiary institutions (including Monash University and Gippsland Group Training) to provide scholarships and traineeships, Victorian Certificate of Applied Learning opportunities, industry placements, work experience and providing hands on practical work related opportunities for students.

## Engaging with customers

This year Westernport Water employed a range of different community engagement techniques including an annual open forum and customer satisfaction survey, public information days and tours, and attendance at community group meetings and various community events. Westernport Water also continued to engage with its customers via its Customer Consultative Panel (CCP).

## Engaging and empowering the community

Introduced in 1999, the CCP represent the interests of all water users. It provides valuable community feedback on a wide range of strategic and operational matters, provides insight on customer needs, and influences decisions for the best possible community outcomes.

CCP members represent a cross-section of community and geographic segments, including permanent and non-permanent residents, commercial customers, high water users and tourists. This year the CCP was consulted with on these major projects and plans: Water Plan 3, the introduction of recycled water, Candowie Reservoir upgrade project, community activities, billing changes, drought response plans and, the Water Supply Demand Strategy. At the same time the CCP continually provided constructive feedback on the effectiveness of the Corporation's communications and customer services.

CCP members during the reporting period were: Terry Heffernan (Chairman to 17 May 2013), David Pearson (Deputy Chairman), Neil Beddoe (Chairman from 17 May 2013), Edgar Runge, Frank Adamo, Glenda Salter, Ian Samuel, Pam Lamaro, Phil Dixon and Linda Cuttriss.

## Customer satisfaction

Completed in October 2012, this is the ninth year Westernport Water has conducted an annual customer satisfaction survey to test for perceptions of performance and satisfaction in key areas of service delivery. Overall, 94 per cent of customers were satisfied with the service compared to 95 per cent in 2011.

Pleasingly, since 2007 the proportion of very satisfied customers has been increasing by an average of 0.6 per cent per annum, while the proportion of dissatisfied customers has been decreasing by 0.4 per cent per annum.

This year the high performing areas for Westernport Water were:

- Water supply – 98% total satisfaction
- Managing service interruptions – 96% total satisfaction
- Wastewater services – 96% total satisfaction
- Customer service – 92% total satisfaction
- Management of the account – 90% total satisfaction.
- Water quality complaints reduced by 48.6%

Students display their knowledge of water



## Community support

Westernport Water offers a sponsorship program as part of its corporate social responsibility partnership with the community. Sponsorships that support the Corporation's strategic direction and demonstrate relevance to water, wastewater and conservation are viewed favourably, and may cover education, sports, events and the environment.

This year 76 per cent of the Corporation's sponsorship contribution to the local community was in the form of in-kind support through the provision of the water refill stations, a mobile Hydration Station, funds raised by staff, merchandise sales, water-wise giveaways, exchange programs, water-related education activities, sustainability programs and community events (including practical education seminars provided through a partnership with Phillip Island Landcare).

To further encourage and promote the great work Westernport Water customers are doing for sustainability and water conservation, the Corporation invested

20 per cent of its sponsorship allocation into partnership programs and awards, including the savewater! industry awards, Bass Coast Super Pages environment award, Landcare sustainability awards for residential and commercial customers, and the National Water Week schools award. The remaining 4 per cent of sponsorship support was provided to not-for-profit community groups for local events and activities.

## Cultural heritage management plans

Under the *Aboriginal Heritage Act 2006*, in situations where all or part of the activity is listed as high impact, resulting in significant ground disturbance or is an area of cultural heritage sensitivity, the corporation is required to assess the area and build a management plan in order to identify and protect any area of cultural significance.

During this reporting period the Corporation engaged the services of an expert consultant to carry out a

thorough cultural heritage survey and site assessment at Candowie Reservoir and to prepare a Cultural Heritage Management Plan (CHMP) and report.

In accordance with the *Aboriginal Heritage Act 2006*, an application was made on 26 April 2012 to Aboriginal Affairs Victoria (AAV) to advance with the project works.

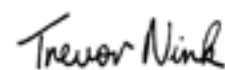
The CHMP application #11799 was duly approved by AAV and the Victorian Department of Planning and Community Development, subject to complying with actions during the works to recognise and preserve aboriginal artefacts or skeletal remains, if discovered. (None were found during the works.) The CHMP has been used to guide actions when excavation work has been undertaken as part of the project.

---

# Risk management at Westernport Water

## Risk management attestation

"I, Trevor Nink, certify that Westernport Region Water Corporation has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009)* and an internal control system is in place that enables the executive management team to understand, manage and satisfactorily control risk exposures. The Audit and Risk Committee verifies this assurance and that the risk profile of Westernport Region Water Corporation has been critically reviewed within the last 12 months."




---

Trevor Nink, Chairman  
16 August 2013

# 2012-13 Performance Report

Note: Amber variance figures reflect a negative trend and figures shown in green reflect a positive trend.

	Notes	2011-12 Result	2012-13 Result	2012-13 Target	Variance + / (-)
<b>Service and Environmental Performance Indicators</b>					
<b>Water Supply Indicator</b>					
No. of customers receiving > 1 unplanned interruptions in the year	1	N/A	1286	1550	-17%
<b>Interruption time indicators</b>					
Avg. duration of unplanned water supply interruptions (minutes)	2	175 min	124.4	90	38.3%
<b>Restoration of water supply</b>					
Unplanned water supply interruptions restored within five hours	3	95%	97.3%	99%	-1.8%
<b>Reliability of sewerage collection services indicators</b>					
Sewer spills from reticulation and branch sewers – priority 1 & priority 2	4	16	10	12	-16.7%
<b>Containment of sewer spillages</b>					
Sewerage spills contained within five hours	5	88%	100.0%	100%	0%
<b>Customer complaints indicators (per 1000 customers)</b>					
Water quality complaints	6	2.54	1.01	2.5	-60%
Sewerage service quality and reliability complaints	7	0.1	0	0.07	-100%
Billing complaints (Payment Issue)	8	0.195	1.01	1.04	-3.3%
Sewage odours complaints	9	1.36	1.06	0.7	52.0%
<b>Reuse indicators</b>					
Effluent reuse – volume	10	9.20%	18%	16%	13%
Biosolids reuse (dry mass, tonnes) – Cowes	11	124%	43%	75%	-42%
<b>Sewerage treatment standards</b>					
Number of analyses complying with licence agreements – Cowes & King Road (as a % of samples)	12	96%	100%	100%	0%

## Notes:

- Data not previously available. New Work Management FOCUS system introduced in Oct 2012 to capture this data. 2012-13 result improved on target due to completion of Under-channel pipeline in 2011-12.
- The significant contributor to the result was a burst on a 300mm single supply main which affected 612 Customers for 443 minutes a total of 271,360 interruption minutes (approximately 31% of the total interruption time). Whilst above target, the 2012-13 result is 29% improvement on last years performance
- Performance within allowed variance. Result only 1.8% below the 2012-13 target, however this is a 2.4% improvement on last year.
- Adopted WP2, 15 sewer blockages/100km for this indicator. Results for 2011-12 period due to above average rainfall year. Target for 2012-13 reduced due to 12 based on 5 year average performance. Extensive CCTV inspections and preventative maintenance undertaken in 2012-13 to reduce likelihood of spills.
- Performance within allowed variance. All spills contained during 2012-13, whereas 2 spills were not contained in 2011-12.
- Reduction in complaints is due to an increase in water quality from the annual air scour program and Chloramination being embedded into the treatment of water in the distribution system.
- Zero sewer service quality and reliability complaints to date.
- 2011-12 had 2 categories for complaints – Affordability and Billing. These were combined in 2012-13 to become "payment issue" 18 Payment issue complaints for 2012-13.
- Total of 19 complaints; This reflects specific pump station problem areas which are being progressively addressed (Rhyll Rd in 2011-12; Frederick and Church in 2013-14) remaining complaints were one off issues. Target is based @ 10 odour complaints per annum which aligns with the one-offs received by WPW. Improved results on 2011-12 reflect target works at Rhyll Rd Pump Station.
- Improved results from the introduction of Class A product and distribution network in 2012-13. Above average rainfall in 2011-12 reduced the volume of recycled water used.
- Below target results as the proposed application site was not suitable for produced biosolids, Regional EIP for Biosolids awaiting approval from EPA for new application sites.
- Reduced rainfall events during the reporting period resulted in improved plant performance.

## 2012-13 Performance Report (continued)

Note: **Amber** variance figures reflect a negative trend and figures shown in **green** reflect a positive trend.

	Notes	2011-12 Result	2012-13 Result	2012-13 Target	Variance + / (-)
<b>Financial Performance Indicators</b>					
<b>Internal Financial Ratio (%)</b>					
(Net operating cash flow – dividends) / Capital expenditure	1	77%	78%	66%	<b>18.6%</b>
<b>Gearing Ratio (%)</b>					
Total debt (including finance leases) / total assets	–	2.6%	3.6%	3.4%	<b>5.7%</b>
<b>Interest Cover (EBIT)</b>					
Earnings before net interest and tax expenses / net interest expenses	2	28	7.75	11.1	<b>-29.9%</b>
<b>Interest Cover (Cash)</b>					
Cash flow from operations before net interest and tax payments / net interest payments	3	55.7	61.1	42.9	<b>42.3%</b>

**Notes:**

1. Deferral of contract payments at 30 June 2013 relating to major works is contributing to the favourable variance from FY13 target.
2. Additional expenditure (\$2M) recognised but not yet paid as at 30 June 2013 relating key contractor for our reservoir upgrade and other ancillary works, has resulted in an unfavourable result for FY13, and variance from FY12 result.
3. Deferral of key contract payments until Jul 2013, higher than expected revenue received in relation to connection fees, and additional funding grants all contributing to the favourable variance from FY13 target and FY12 result.

**Financial Indicators:**

Internal Financial Ratio (%) – Low ratio indicates less operating cash available to fund capital investment.

Gearing Ratio (%) – Low ratio indicates less reliance on debt to finance assets.

Interest Cover (EBIT) – Ability to meet ongoing interest expense and service debt from earnings.

Interest Cover (Cash) – Ability to meet ongoing interest expense and service debt from operating cash inflows.

## Certification of Performance Report for 2012-13

We certify that the accompanying Performance Report of Westernport Region Water Corporation in respect of the 2012-13 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The statement outlines the relevant performance indicators as determined by the responsible Minister, the actual results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets.

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



Trevor Nink, Chairman  
16 August 2013



Murray Jackson, Managing Director  
16 August 2013

# VAGO

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Westernport Region Water Corporation

#### *The Performance Report*

The accompanying performance report for the year ended 30 June 2013 of the Westernport Region Water Corporation which comprises the performance indicators, the related notes and the certification has been audited.

#### *The Board Members' Responsibility for the Performance Report*

The Board Members of the Westernport Region Water Corporation are responsible for the preparation and fair presentation of the performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance 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 entity's internal control. An audit also includes evaluating the overall presentation of the performance report.

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

### Independent Auditor's Report (continued)

#### *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. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.


#### *Opinion*

In my opinion, the performance report of the Westernport Region Water Corporation in respect of the 30 June 2013 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

#### *Matters Relating to the Electronic Publication of the Audited Performance Report*

This auditor's report relates to the performance report of the Westernport Region Water Corporation for the year ended 30 June 2013 included both in the Westernport Region Water Corporation's annual report and on the website. The Board Members of the Westernport Region Water Corporation are responsible for the integrity of the Westernport Region Water Corporation's website. I have not been engaged to report on the integrity of the Westernport Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE  
4 September 2013

  
Per John Doyle  
Auditor-General

# Financial Statements

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Comprehensive list of all Financial Reporting Directives (FRDs) can be found at:  
<http://www.dtf.vic.gov.au/CA25713E0002EF43/pages/bfm-financial-reporting-policy-financial-reporting-directions><sup>1</sup>

# Comprehensive Operating Statement

## for the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Revenue</b>			
Service charges	1(b), 4(a)	15,089	14,337
Water usage charges	1(b), 4(a)	2,788	2,607
Government grants and contributions	1(b), 4(a)	151	2,566
Interest	1(b)	33	48
Developer Contributions	1(b), 4(a)	1,989	1,565
Net gain / (loss) on disposal of non-financial assets	1(b)	(64)	(24)
Other Income	4(a)	640	1,014
<b>Total Revenue</b>		<b>20,626</b>	<b>22,113</b>
<b>Expenses</b>			
Borrowing costs	1(c)	216	160
Depreciation and Amortisation	1(c), 4(b)	5,017	4,929
Employee costs	1(c), 4(b)	5,893	6,367
Repairs and maintenance expense	1(c)	814	857
Environmental Contributions	1(c)	547	547
Impairment of assets	1(d)	230	154
Outsourced Services	4(b)	4,679	3,791
Other	4(b)	1,995	2,280
<b>Total expenses</b>		<b>19,391</b>	<b>19,085</b>
<b>Net result before tax</b>		<b>1,235</b>	<b>3,028</b>
Income tax expense/(revenue)	5		-
<b>Net result for the period</b>		<b>1,235</b>	<b>3,028</b>
Other comprehensive income			
Nil		-	-
<b>Total comprehensive income for the period</b>		<b>1,235</b>	<b>3,028</b>

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



# Balance Sheet

## as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1(d), 6	153	34
Receivables	1(d), 7	1,248	1,190
Inventories	1(d), 8	476	510
Land held for sale	1(d), 10b	366	–
Other	1(d), 9	867	725
<b>Total current assets</b>		<b>3,110</b>	<b>2,459</b>
<b>Non-current assets</b>			
Receivables	1(d), 7	99	111
Property, plant, equipment and infrastructure	1(d), 10	174,495	166,546
Intangible assets	1(d), 11	1,312	1,109
Inventories	1(d), 8	65	100
<b>Total non-current assets</b>		<b>175,971</b>	<b>167,866</b>
<b>TOTAL ASSETS</b>		<b>179,081</b>	<b>170,325</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1(e), 12, 26	8,975	2,967
Interest bearing liabilities	1(e), 13	–	1,940
Employee benefits	1(e), 14	1,293	1,123
<b>Total current liabilities</b>		<b>10,268</b>	<b>6,030</b>
<b>Non-current liabilities</b>			
Payables	1(e), 12	–	666
Interest bearing liabilities	1(e), 13	6,440	2,500
Employee benefits	1(e), 14	202	193
Deferred tax liabilities	1(h), 15	13,656	13,656
<b>Total non-current liabilities</b>		<b>20,298</b>	<b>17,015</b>
<b>TOTAL LIABILITIES</b>		<b>30,566</b>	<b>23,045</b>
<b>NET ASSETS</b>		<b>148,515</b>	<b>147,280</b>
<b>EQUITY</b>			
Contributions by owners	1(f), 16	51,323	51,323
Reserves	17	31,865	31,865
Accumulated funds	18	65,327	64,092
<b>TOTAL EQUITY</b>		<b>148,515</b>	<b>147,280</b>

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

## *Statement of Changes in Equity*

*for the reporting period ended 30 June 2013*

	Notes	Contributions by owners \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
<b>Balance at 1 July 2011</b>		51,323	31,865	61,064	144,252
Total comprehensive income for the year as reported in the 2012 financial report		–	–	3,028	3,028
<b>Balance at 30 June 2012</b>		<b>51,323</b>	<b>31,865</b>	<b>64,092</b>	<b>147,280</b>
Total comprehensive income for the year		–	–	1,235	1,235
<b>Balance at 30 June 2013</b>		<b>51,323</b>	<b>31,865</b>	<b>65,327</b>	<b>148,515</b>

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

# Cash Flow Statement

## for the reporting period ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Service and usage charges		18,202	17,712
Interest received		38	3
Developer contributions		819	918
Funding		205	2,444
GST Received from ATO		1,681	1,662
		<u>20,945</u>	<u>22,739</u>
<b>Payments</b>			
Payments to suppliers and employees		(13,536)	(13,612)
Interest and other costs of finance paid		(152)	(147)
GST paid to the ATO		(27)	(97)
Environmental contributions		(365)	(547)
<b>Net cash (outflow) / inflow from operating activities</b>	24	<u>6,865</u>	<u>8,337</u>
<b>Cash Flows from Investing Activities</b>			
Payments for infrastructure, property, plant & equipment		(8,782)	(10,784)
Proceeds from sale of infrastructure, property, plant & equipment		36	29
<b>Net cash (outflow) / inflow from investing activities</b>		<u>(8,746)</u>	<u>(10,755)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		6,440	7,940
Repayment of borrowings		(4,440)	(5,510)
Net cash (outflow) / inflow from financing activities		2,000	2,430
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>119</u>	<u>12</u>
Cash and cash equivalents at the beginning of the financial year		34	22
<b>Cash and cash equivalents at the end of the financial year</b>	6	<b>153</b>	<b>34</b>

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

# Notes to the Financial Report

## for the year ended 30 June 2013

### Note 1 Significant Accounting Policies

#### (a) Basis of Accounting

The financial report includes separate financial statements for Westernport Region Water Corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, and Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Westernport Region Water Corporation is a not for-profit entity for the purpose of preparing the financial statements.

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

The annual financial statements were authorised for issue by the Board on 16 August 2013.

The principal address is:

Westernport Region Water Corporation  
2 Boys Home Road  
NEWHAVEN VIC 3925

#### Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

#### Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which Westernport Region Water Corporation operates ('the functional currency').

The financial statements are presented in Australian dollars, which is Westernport Region Water Corporation's functional and presentation currency.

#### Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Corporation's operational cycle – see 1(e) for a variation in relation to employee benefits.

#### Rounding

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

#### Historical cost convention

This financial report has been prepared under the historical cost convention, as modified by the revaluation of financial assets, certain classes of property, plant and equipment and investment property.

#### Accounting estimates

The preparation of financial statements in conformity with AAS's requires the use of certain accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

The most significant accounting estimates undertaken in the preparation of this financial report relate to:

- Estimation of asset useful lives for assets reported at fair value;
- Fair value assessment of infrastructure assets;
- Impairment of assets;
- Unearned revenue; and
- Recognition of deferred tax assets and liabilities

#### (b) Revenue

##### Service and usage charges

Rate/tariff and service charges are recognised as revenue when levied or determined.

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year, and unbilled water usage is recognised at the end of the year. Unbilled water usage is calculated from the last meter reading of each year (usually late June).

##### Government grants and contributions

Government grants and contributions are recognised as revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as government grants and contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners.

##### Interest

Interest income is recognised as revenue when earned, using the effective interest rate method.

##### Developer contributions

Water infrastructure assets built by developers in new land subdivisions that on completion are provided to the Corporation or fees paid by developers to connect new developments to the Corporation's existing water supply and sewerage systems are recognised as revenue when the contributions are received.

## Note 1 Significant Accounting Policies (continued)

### (c) Expenses

#### **Borrowing Costs**

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

#### **Depreciation and Amortisation of Non-current Assets**

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

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets with finite useful lives are amortised as an expense on a straight-line basis, commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined in Note 1(d).

Major depreciation periods used are listed below and are consistent with the prior year and fair value assessment conducted 30 June 2011:

<b>Physical Assets:</b>	<b>Periods</b>	<b>Other Assets</b>	<b>Periods</b>
Buildings	40-70 years	Equipment	5-10 years
Infrastructure		Machinery	5-10 years
<b>Water</b>		Furniture & computers	2.5-13 years
– Storages	20-100 years	Motor Vehicles	4 years
– Distribution Network	15-80 years		
– Treatment Plants	15-70 years	<b>Intangible Assets:</b>	
<b>Wastewater</b>		Software	3-5 years
– Storage	10-70 years	Software development costs	10 years
– Distribution Network	25-70 years	Patents and Licences	Indefinite
– Treatment Plants	15-70 years		

#### **Employee benefits/costs**

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

#### **Superannuation**

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

#### **Repairs and maintenance**

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

#### **Environmental contributions**

The Corporation has a statutory requirement to pay an environmental contribution to the Department of Environment and Primary Industries. This contribution is recognised as an expense during the reporting period as incurred.

#### **Resources provided free of charge**

Resources provided free of charge or for nominal consideration are recognised at their fair value.

#### **Other expenses**

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

### (d) Assets

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the balance sheet, but are included within cash and cash equivalents for cash flow statement presentation purposes.

#### **Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 14 days for other debtors.

## Note 1 Significant Accounting Policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impaired receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the allowance are recognised as an expense in the Comprehensive Operating Statement.

### **Inventories**

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis. Inventories include goods held for distribution at no or nominal cost in the ordinary course of business operations.

In addition, the Corporation recognises cattle as inventory, and is measured at market value. Valuation is conducted by a registered stock valuer.

### **Prepayments**

Prepayments 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.

### **Investment properties**

Westernport Water holds two properties that are currently rented. Both properties are not held for investment purposes with the intent to derive rental income or capital appreciation. These properties are held to meet service delivery objectives of the Corporation.

### **Infrastructure property plant and equipment**

#### *i. Recognition and Measurement of Assets*

Property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage (including reuse) infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations.

Items with a cost or value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Where assets are constructed by the Corporation, the cost at which they are recorded includes an appropriate share of fixed and variable overheads.

Assets acquired at no cost or for nominal consideration by the Corporation are recognised at fair value at the date of acquisition.

#### *ii. Measurement of Non-Current Physical Assets*

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

Revaluations are conducted in accordance with FRD 103D. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General of Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Plant, equipment and motor vehicles are measured at fair value. For the plant, equipment and vehicles asset class, where the Corporation is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exist for these assets, depreciated replacement cost is used to represent a reasonable approximation of fair value.

Water and waste infrastructure assets, at both the entity reporting level and whole of government reporting level, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103D. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

The initial fair value assessment for water and waste infrastructure in 2010-11 was undertaken with involvement from Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further detail of valuation is provided in Note 10.

#### *iii. Revaluation of non-current physical assets*

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

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

Revaluation increases and revaluation 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.

Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

## Note 1 Significant Accounting Policies (continued)

### iv. Impairment of Assets

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

- inventories;
- deferred tax assets;
- financial instrument assets;

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

The recoverable amount for 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. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

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

### v. Assets Classified as Held for Sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. The Corporation considers that the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed

within 12 months from the date of classification. Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets.

The Corporation commenced proceedings for the sale of land prior to June 2013, and a contract signed in July 2013 with a settlement date in October 2013. The carrying amount and fair value of the land for sale is classified for accounting and reporting purposes as a current asset. The sale proceeds and profit on disposal of land to be reflected in 2013-14 financial statements.

## (e) Liabilities

### Payables

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 28 days of recognition.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

### Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the borrowings, using the effective interest method.

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

### Employee Benefits

#### i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts

expected to be paid when the liabilities are settled, at their nominal values. Employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, liabilities in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

#### ii. Long service leave (LSL)

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

The components of this current LSL liability are measured at:

Present value – component that the Corporation does not expect to settle within 12 months; and

Nominal value – component that the Corporation expects to settle within 12 months.

#### **Non-Current Liability – conditional**

**LSL** (representing less than 7 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

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

## Note 1 Significant Accounting Policies (continued)

### iii. Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents the contributions made by the Corporation to the superannuation plan in respect to the current services of entity staff, adjusted by the movement in the defined benefit plan liability or surplus.

Superannuation contributions are made to the plans based on the relevant rules of each plan.

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents the contributions made to the superannuation plan, adjusted by the movement in the defined benefit plan liability or surplus.

### iv. Employee Benefit On-Costs

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

### v. Performance payments

Performance based payments are based on a percentage of the annual salary package provided under their contract(s) of employment, and the Corporation's resource management policies. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

### Provisions

Provisions are recognised when the corporation, as a result of a past event, has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

### (f) Equity

#### Contributions by owners

Additions to net assets which have been designated as contributions by owners

are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners. Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

### (g) Financial Instruments

#### i. Recognition

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability. Subsequent to initial recognition, the financial instruments are measured as set out below:

#### ii. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or designated at fair value through profit and loss on initial recognition when doing so results in more relevant information. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Gains and losses arising from changes in fair value are recognised in the Comprehensive Operating Statement.

#### iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and other receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

#### iv. Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### v. Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the Comprehensive Operating Statement. Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the Comprehensive Operating Statement on equity instruments classified as available for sale are not reversed through the Comprehensive Operating Statement.

### (h) Taxation

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

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

In accordance with AASB112 (par 15 and 74), the Corporation is not required to recognise deferred tax assets or tax liabilities other than the net deferred tax liability relating to revaluation of assets, as disclosed in the balance sheet, as the Corporation is likely to make ongoing tax losses and deferred tax liabilities exceed deferred tax assets.



## Note 1 Significant Accounting Policies (continued)

### (i) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 20) at their nominal value and exclusive 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. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### (j) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 21) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

### (k) Dividend Policy

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer under the *Public Authorities (Dividend) Act 1983*. The Corporation's preliminary estimate is that no dividend will be payable.

### (l) 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 Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e., inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

### (m) New Accounting Standards and Interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. As at 30 June 2013, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2013. The Corporation does not intend to adopt the standard earlier than the mandatory adoption date.

## Note 1 Significant Accounting Policies (continued)

### (m) New Accounting Standards and Interpretations issued that are not yet effective (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. As at 30 June 2013, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2013. The Corporation does not intend to adopt the standard earlier than the mandatory adoption date.

AASB 9 <i>Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	1 Jan 2015
AASB 10 <i>Consolidated Financial Statements</i>	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an exposure draft ED 238 <i>Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities</i> that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014
AASB 11 <i>Joint Arrangements</i>	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014
AASB 12 <i>Disclosure of Interests in Other Entities</i>	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 <i>Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i> . The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective.	1 Jan 2014
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013
AASB 119 <i>Employee Benefits</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013
AASB 127 <i>Separate Financial Statements</i>	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014
AASB 128 <i>Investments in Associates and Joint Ventures</i>	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	
AASB 1055 <i>Budgetary Reporting</i>	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 Jan 2014

### (n) Material prior period adjustments

Nil

### (o) Change in accounting policy

No major changes in accounting policy.

## Note 2 Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk to determine market risk.

Risk management is carried out by the finance department under policies developed in conjunction with Treasury Corporation Victoria, approved by the Board of Directors.

The main risks the Corporation is exposed to through its financial instruments are as follows:

### (a) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is no exposure to foreign exchange risk and insignificant exposure to other price risks.

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

#### (i) Interest Rate Risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's short term (on call) borrowings.

The Corporation minimises its exposure to interest rate changes by holding a mix of fixed and floating rate debt. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

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

#### (ii) Foreign Exchange Risk

The Corporation is not exposed to changes in the foreign exchange rate.

#### (iii) Other Price Risk

The corporation may be affected by changes in building price index on the costs incurred for goods and services.

The following table(s) summarise the sensitivity of the Corporation's financial assets and financial liabilities to interest rate risks only:

30-Jun-13	Interest rate risk				
	Carrying amount	-1%		+1%	
		Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash	153	(1.5)	(1.5)	1.5	1.5
<b>Financial liabilities</b>					
Payables	8,520	-	-	-	-
Short term (on call) borrowing	-	-	-	-	-
Fixed term borrowings	6,440	-	-	-	-
<b>Net increase/(decrease)</b>		<b>(1.5)</b>	<b>(1.5)</b>	<b>1.5</b>	<b>1.5</b>

30-Jun-12	Interest rate risk				
	Carrying amount	-1%		+1%	
		Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash	34	(0.3)	(0.3)	0.3	0.3
<b>Financial liabilities</b>					
Payables	3,478	-	-	-	-
Short term (on call) borrowing	1,940	19.4	19.4	(19.4)	(19.4)
Fixed term borrowings	2,500	-	-	-	-
<b>Net increase/ (decrease)</b>		<b>(19.1)</b>	<b>(19.1)</b>	<b>19.1</b>	<b>19.1</b>

#### b) Credit risk

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

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on a monthly basis to ensure that exposure to bad debts is not significant. The Corporation has in place a policy and procedure for the collection of overdue receivables.

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 7.

## **Note 2 Financial risk management objectives and policies (continued)**

### **(c) Liquidity risk**

Liquidity Risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 28 days.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The Corporation's financial liability maturities have been disclosed in Note 19.

### **(d) Fair value measurements**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

## **Note 3 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Note 4 Revenue and Expense disclosures

	2013 \$'000	2012 \$'000
<b>(a) Revenue</b>		
<i>Service Charges:</i>		
Water	6,195	6,050
Waste	8,833	8,285
Other	61	2
Total Service Charges	15,089	14,337
<i>Usage Charges:</i>		
Water	2,679	2,529
Other	38	20
Tradewaste	71	58
Total Usage Charges	2,788	2,607
Government grants and funding	151	2,566
Interest	33	48
<i>Developer Contributions:</i>		
Headworks Charges	791	918
Contributed Assets – Water	711	186
Contributed Assets – Waste (inc Reuse)	487	461
Total Developer Contributions	1,989	1,565
Net gain / (loss) on disposal of non-financial assets	(64)	(24)
<i>Other Income:</i>		
Recoverable Works	122	570
Miscellaneous income	518	444
Total Other Income	640	1,014
<b>Total Revenue</b>	<b>20,626</b>	<b>22,113</b>
<b>(b) Expenses</b>		
Borrowing Costs	216	160
<i>Depreciation &amp; Amortisation:</i>		
Buildings	66	66
Water Infrastructure	2,046	2,004
Wastewater Infrastructure	2,075	1,774
Gas	6	6
Plant & Equipment	620	699
Intangibles	204	381
Total Depreciation	5,017	4,929
<i>Employee costs:</i>		
Annual leave benefits paid	322	304
Long service leave benefits paid	67	85
Super contributions	481	396
Defined Benefits Super contributions	42	47
Defined Benefits Super fund shortfall payment	–	666
Other employee costs	4,981	4,869
Total Employee Costs	5,893	6,367
Repairs and Maintenance expense	814	857
Environmental Contribution	547	547
Impairment of Assets	230	154
<i>Outsourced Services:</i>		
Consultants	375	894
Contractors	3,853	2,308
Testing & Sampling	377	258
Collection fees	75	331
Total Outsourced Services	4,679	3,791
<i>Other Expenses:</i>		
Computer expenses	262	257
Electricity	688	521
Training & Travel	122	201
Bad & Doubtful Debts	35	334
Miscellaneous Expenses	888	966
Total Other Expenses	1,995	2,280
<b>Total expenses</b>	<b>19,391</b>	<b>19,085</b>

## Note 5 Income tax

The Corporation is likely to make ongoing **tax losses** and the Corporation's deferred tax liabilities exceed their deferred tax assets, therefore no deferred tax assets or liabilities have been recognised, other than the net deferred tax liability relating to revaluation of assets, and disclosed in the balance sheet.

	Notes	2013 \$'000	2012 \$'000
Net result before income tax		1,235	3,028
Prima facie tax payable on the net result (@30%) (2012:30%)		371	908
Reduction in tax payable due to carrying amounts of deferred tax liabilities	1(h), 15	(371)	(908)
Net tax payable		-	-

## Note 6 Cash and cash equivalents

	2013 \$'000	2012 \$'000
<b>Cash at bank</b>	153	34

The above figure is reconciled to the cash balance at the end of the financial year as shown in the cash flow statement

## Note 7 Receivables

	2013 \$'000	2012 \$'000
<b>Current</b>		
Trade receivables	993	907
Other receivables	481	540
Provision for doubtful debts	(226)	(257)
	1,248	1,190
<b>Non Current</b>		
Trade receivables	156	167
Provision for doubtful scheme debts	(57)	(56)
	99	111
<b>Total Receivables</b>	<b>1,347</b>	<b>1,301</b>

**Note 7 Receivables (continued)****(a) Provision for doubtful debts**

As at 30 June 2013, the Corporation had total receivables of \$1,630,368 (2012: \$1,616,164), with a provision for doubtful debts of \$282,498 (2012: \$313,091). The individually impaired receivables mainly relate to estate accounts, and accounts that have been classified as extreme hardship for a considerable time. Changes to the *Water Act 1989*, effective 1 July 2012 removed the ability of the Corporation to sell properties where no payment has been received for greater than 3 years, and owners can not be located or title/ownership can not be determined.

	2013 \$'000	2012 \$'000
Aging of receivables balance is as follows:		
Not due	439	403
3 to 6 months	274	267
Over 6 months	917	946
<b>Total trade receivables</b>	<b>1,630</b>	<b>1,616</b>

**(b) Movements in the provision**

Balance as at 1 July	(313)	(53)
Provision for doubtful debts recognised at 30 June	(35)	(334)
Receivables written off during the year as uncollectible	66	74
<b>Balance as at 30 June</b>	<b>(282)</b>	<b>(313)</b>

**(c) Foreign exchange and interest rate risk for trade and other receivables**

All carrying amounts of the Corporation's current and non-current receivables are denominated in AUD\$

**(d) Fair Value and credit risk**

Due to the short-term nature of current receivables (due within 28 days), their carrying value is assumed to be approximate fair value less any impairment (provision for doubtful debts) recognised.

**Note 8 Inventories**

	2013 \$'000	2012 \$'000
<b>Current</b>		
Stores and consumables	343	349
Cattle – at fair value	48	82
Chemicals on hand	85	79
	476	510
<b>Non Current</b>		
Stores and consumables	65	100
<b>Total current inventories</b>	<b>541</b>	<b>610</b>

**Note 9 Other financial assets**

	2013 \$'000	2012 \$'000
Prepayments	123	139
Accrued Income	744	586
<b>Total</b>	<b>867</b>	<b>725</b>

## Note 10 Property, Plant, Equipment and Infrastructure

	2013 \$'000	2012 \$'000
(a) Classes of property, plant and equipment		
<b>Land</b>		
At cost	1,586	793
At fair value 30 June 2011	7,876	8,242
	<b>9,462</b>	<b>9,035</b>
<b>Buildings</b>		
At cost	12	12
At fair value 30 June 2011	2,448	2,448
Less: accumulated depreciation	(132)	(66)
	<b>2,328</b>	<b>2,394</b>
<b>Water infrastructure</b>		
At cost	4,439	3,362
At fair value 30 June 2011	64,040	64,040
Less: accumulated depreciation	(4,050)	(2,004)
	<b>64,429</b>	<b>65,398</b>
<b>Wastewater infrastructure</b>		
At cost	8,386	8,175
At fair value 30 June 2011	73,548	73,548
Less: accumulated depreciation	(3,954)	(1,774)
	<b>78,086</b>	<b>79,949</b>
<b>Infrastructure – Other</b>		
At fair value 30 June 2011	270	270
Less: accumulated depreciation	(18)	(12)
	<b>252</b>	<b>258</b>
<b>Equipment and motor vehicles</b>		
At cost	8,138	8,570
Less: accumulated depreciation	(4,907)	(4,397)
	<b>3,336</b>	<b>4,173</b>
<b>Under Construction</b>		
	<b>16,603</b>	<b>5,340</b>
<b>Total Property Plant &amp; Equipment</b>	<b>174,495</b>	<b>166,546</b>

Land was valued at 30 June 2011 on behalf of the Valuer-General by Egan National Valuers (Vic). Fair value was determined using local sales to determine a per hectare rate, and applying a discounted factor to take into consideration community service obligation of holding land by water corporations.

Buildings were valued at 30 June 2011 on behalf of the Valuer-General by Egan National Valuers (Vic). Fair value was determined using the depreciated replacement cost, and applying condition based assessments to determine remaining useful life.

Infrastructure assets were valued at 30 June 2011 on behalf of the Valuer-General by AECOM. Current replacement of infrastructure assets was determined based on the valuer's assessment of a representative sample size of assets, their condition, inspected assets, age, performance history, and specialist knowledge of water industry assets. Fair value was determined by AECOM by applying their assessment of sample of assets to all infrastructure assets to determine useful lives, remaining useful lives and depreciated replacement cost.



## Note 10 Property, Plant, Equipment and Infrastructure (continued)

### (b) Movements during the reporting period

2012-13	Opening WDV 1 Jul \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment \$'000	Reclass \$'000	Transfers \$'000	Depreciation \$'000	Closing WDV 30 Jun \$'000
Land	8,669	783	–	–	–	11	–	–	9,462
Land (held for sale)	366	–	–	–	–	(366)	–	–	–
Buildings	2,394	–	–	–	–	–	–	(66)	2,328
Water infrastructure	65,398	711	–	–	–	325	41	(2,047)	64,428
Wastewater infrastructure	79,949	487	–	–	–	(341)	66	(2,075)	78,086
Other infrastructure – Gas	258	–	–	–	–	–	–	(6)	252
Plant & equipment	4,173	–	(97)	–	(229)	(105)	214	(620)	3,336
Under construction	5,340	11,614	–	–	–	–	(351)	–	16,603
<b>Total movements in assets 2012-13</b>	<b>166,546</b>	<b>13,595</b>	<b>(97)</b>	<b>–</b>	<b>(229)</b>	<b>(477)</b>	<b>(30)</b>	<b>(4,813)</b>	<b>174,495</b>

2011-12	Opening WDV 1 Jul \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment \$'000	Reclass \$'000	Transfers \$'000	Depreciation \$'000	Closing WDV 30 Jun \$'000
Land	8,242	786	–	–	–	–	7	–	9,035
Buildings	2,448	–	–	–	–	–	12	(66)	2,394
Water infrastructure	64,040	186	–	–	–	–	3,176	(2,004)	65,398
Wastewater infrastructure	73,548	462	–	–	–	–	7,713	(1,774)	79,949
Other infrastructure – Gas	264	–	–	–	–	–	–	(6)	258
Plant & equipment	3,456	–	(50)	–	–	–	1,466	(699)	4,173
Under construction	9,062	8,977	–	–	–	–	(12,699)	–	5,340
<b>Total movements in assets 2011-12</b>	<b>161,060</b>	<b>10,411</b>	<b>(50)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(325)</b>	<b>(4,549)</b>	<b>166,546</b>

## Note 11 Intangible assets

2012-13	Opening WDV 1 Jul \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment \$'000	Reclass \$'000	Transfers \$'000	Amortisation \$'000	Closing WDV 30 Jun \$'000
Software	906	–	–	–	–	6	30	(204)	739
Licences	203	370	–	–	–	–	–	–	573
<b>Total movements in assets 2012-13</b>	<b>1,109</b>	<b>370</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>30</b>	<b>(204)</b>	<b>1,312</b>

2011-12	Opening WDV 1 Jul \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment \$'000	Reclass \$'000	Transfers \$'000	Amortisation \$'000	Closing WDV 30 Jun \$'000
Software	257	857	–	–	(154)	–	325	(379)	906
Licences	204	–	–	–	–	–	–	(1)	203
<b>Total movements in assets 2011-12</b>	<b>461</b>	<b>857</b>	<b>–</b>	<b>–</b>	<b>(154)</b>	<b>–</b>	<b>325</b>	<b>(380)</b>	<b>1,109</b>

## Note 12 Payables

	2013 \$'000	2012 \$'000
<b>Current</b>		
Trade creditors	7,221	1,291
Accrued expenses	633	1,150
Unearned revenue	249	391
Payables – Defined Benefits contribution	666	–
Other	206	135
<b>Total Current Payables</b>	<b>8,975</b>	<b>2,967</b>
<b>Non Current</b>		
Payables – Defined Benefits contribution	–	666
<b>Total Non Current Payables</b>	<b>–</b>	<b>666</b>

### a) Foreign currency risk and interest rate risk for trade and other payables

The carrying amounts of the Corporation's payables are denominated in \$AUD.

For an analysis of the sensitivity of payables to foreign currency and interest rate risk, refer Note 2.

## Note 13 Interest bearing liabilities

	2013 \$'000	2012 \$'000
<b>Current</b>		
Other Loans [ <i>Treasury Corporation of Victoria</i> ]	–	1,940
<b>Total current interest bearing liabilities</b>	<b>–</b>	<b>1,940</b>
<b>Non Current</b>		
Fixed term loans [ <i>Treasury Corporation of Victoria</i> ]	6,440	2,500
<b>Total non current interest bearing liabilities</b>	<b>6,440</b>	<b>2,500</b>
<b>Total interest bearing liabilities</b>	<b>6,440</b>	<b>4,440</b>

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The fair values of non-current borrowings equals their carrying amount due to no material movement in interest rates.

### Risk exposures

The exposure of the Corporation's borrowings to interest rate changes and the contractual re-pricing dates at the balance dates are as follows:

	2013 \$'000	2012 \$'000
At call	–	1,940
6 to 12 months	–	–
1 to 5 years	5,000	2,500
Over 5 years	1,440	–
<b>Total interest bearing liabilities</b>	<b>6,440</b>	<b>4,440</b>

The carrying amounts of the Corporation's borrowings are denominated in \$AUD

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 2

## Note 14 Employee benefits

	2013 \$'000	2012 \$'000
<b>Current</b>		
Employee benefits expected to be settled within 12 months, measured at nominal value	705	543
Employee benefits expected to be settled after 12 months, measured at present value	588	580
<b>Total Current</b>	<b>1,293</b>	<b>1,123</b>
<b>Non Current</b>		
Conditional long service leave, measured at present value	202	193
<b>Total Non Current</b>	<b>202</b>	<b>193</b>
<b>Total Employee Benefits</b>	<b>1,495</b>	<b>1,316</b>
	2013 \$'000	2012 \$'000
<b>The following assumptions were adopted in measuring the present value of long service leave entitlements:</b>		
Weighted average increase in employee costs	4.5%	4.31%
Weighted average discount rates	3.79%	2.94%
Weighted average settlement period	10yrs	10yrs

## Note 15 Deferred tax liabilities

	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:		
Land	214	214
Infrastructure	13,060	13,060
Buildings	382	382
<b>Total deferred tax liability</b>	<b>13,656</b>	<b>13,656</b>
<b>Total deferred tax liabilities expected to be settled after 12 months</b>	<b>13,656</b>	<b>13,656</b>

## Note 16 Contributed capital

	2013 \$'000	2012 \$'000
Opening balance at 1 July	51,323	51,323
Owner capital contributions in the year	–	–
<b>Closing balance at 30 June</b>	<b>51,323</b>	<b>51,323</b>

### Note 17 Reserves

	2013 \$'000	2012 \$'000
Asset Revaluation Reserve:		
Opening balance at 1 July:	31,865	31,865
Land (net of tax)	-	-
Buildings (net of tax)	-	-
Infrastructure (net of tax)	-	-
<b>Closing balance at 30 June</b>	<b>31,865</b>	<b>31,865</b>

### Note 18 Accumulated funds

	2013 \$'000	2012 \$'000
Opening balance at 1 July	64,092	61,064
Net result for the period	1,235	3,028
<b>Closing balance at 30 June</b>	<b>65,327</b>	<b>64,092</b>

## Note 19 Financial Instruments

### Interest rate risk exposures

The following table sets out the Corporation's exposure to interest rate risk, including the contractual re-pricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the Corporation intends to hold fixed rate liabilities to maturity.

2012-13	Non interest bearing	Floating interest rate	Fixed 1 year or less	Fixed Over 1 to 2 years	Fixed Over 2 to 3 years	Fixed Over 3 to 4 years	Fixed Over 4 to 5 years	Fixed Over 5 years	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>									
Cash	–	153	–	–	–	–	–	–	153
Trade Receivables	1,395	–	–	–	–	–	–	–	1,395
Other	745	–	–	–	–	–	–	–	745
<b>Total financial assets</b>	<b>2,140</b>	<b>153</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,293</b>
<b>Financial Liabilities</b>									
Payables	4,326	–	4,399	–	–	–	–	–	8,725
Bank overdrafts and short term loans	–	–	–	–	–	–	–	–	–
Other long term loans	–	–	–	1,000	1,500	1,250	1,250	1,440	6,440
<b>Total financial liabilities</b>	<b>4,326</b>	<b>–</b>	<b>4,399</b>	<b>1,000</b>	<b>1,500</b>	<b>1,250</b>	<b>1,250</b>	<b>1,440</b>	<b>15,165</b>
Weighted average interest rate	3.45%								
2011-12	Non interest bearing	Floating interest rate	Fixed 1 year or less	Fixed Over 1 to 2 years	Fixed Over 2 to 3 years	Fixed Over 3 to 4 years	Fixed Over 4 to 5 years	Fixed Over 5 years	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>									
Cash	–	34	–	–	–	–	–	–	34
Trade Receivables	1,436	–	–	–	–	–	–	–	1,436
Other	586	–	–	–	–	–	–	–	586
<b>Total financial assets</b>	<b>2,022</b>	<b>34</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,056</b>
<b>Financial Liabilities</b>									
Payables	2,948	–	–	–	–	–	–	–	2,948
Bank overdrafts and loans	–	1,940	–	–	–	–	–	–	1,940
Other Loans	–	–	–	500	1,250	750	–	–	2,500
<b>Total financial liabilities</b>	<b>2,948</b>	<b>1,940</b>	<b>–</b>	<b>500</b>	<b>1,250</b>	<b>750</b>	<b>–</b>	<b>–</b>	<b>7,388</b>
Weighted average interest rate	3.7%								

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form, and therefore the carrying value represents fair value. The fair value of borrowings is based upon market prices, where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Fair value is inclusive of costs which would be incurred on settlement of a liability.

**Note 20 Commitments**

The following commitments are not currently recognised in the financial statements, but represent contractual commitments by the Corporation as at 30 June:

	2013 \$'000	2012 \$'000
<b>Significant Capital Commitments</b>		
<i>At 30 June the Corporation had the following capital commitments (ex GST):</i>		
Various projects under contract	736	157
Bulk Entitlement Payment	–	373
Outstanding capital commitments are to be paid as follows:		
within one year	736	157
one to five years	–	373
	<b>736</b>	<b>530</b>

**Significant Operating Commitments**

*At 30 June the Corporation had the following significant operating commitments (ex GST):*

Various projects under contract	364	304
Environmental Contribution commitments	2,382	2,929
Outstanding operating commitments are to be paid as follows:		
within one year	1,158	851
one to five years	1,588	2,382
	<b>2,746</b>	<b>3,233</b>

## Note 21 Contingent Liabilities and Contingent Assets

The corporation has compulsorily acquired land to complete the augmentation works of the Candowie dam. There is a dispute on the value of the compensation, and at the date of the report the Corporation is currently negotiating a settlement for compensation claim.

## Note 22 Superannuation

Westernport Water makes majority of employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Westernport Water and the legal obligation is limited to these contributions

Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are due.

### Accumulation

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2013, this was 9% required under Superannuation Guarantee legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund. Effective from 1 July 2013, the Superannuation Guarantee contribution rate will increase to 9.25%, and will progressively increase to 12% by 2019.

## Defined Benefits

The Fund's Defined Benefit category is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated to each employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32(b) of AASB 119, Westernport Water does not use defined benefit accounting for these defined benefit obligations.

Westernport Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, Westernport Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. This rate is currently 9.25% of members' salaries (9.25% in 2011-12). In addition, Westernport Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit). Westernport Water is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above. Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

### Shortfall amounts

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which Westernport Water is a contributing employer. Westernport Water was made aware of the expected shortfall during the 2011-12 year and was informed of its share of the shortfall on 2 August 2012. Westernport Water has not been advised of any further adjustments.

The projected value of Westernport Water's contribution to the shortfall at 30 June 2012 (including contributions tax) amounted to \$666,091, which was accounted for in the 2011-12 Comprehensive Operating Statement within Employee Benefits/Costs (see Note 4) and in the Balance Sheet Payables (see Note 12).

No additional amounts have been accounted for in the 2012-13 Comprehensive Operating Statement.

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the Westernport Water's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue. The amount of the unpaid shortfall at 30 June 2013 is \$666,091. This unpaid amount is included in the Balance Sheet in Current Liabilities payables (see Note 12).

### Retrenchment increments

During 2012-13, Westernport Water was not required to make payments to the Fund in respect of retrenchment increments (\$0 in 2011-12). Westernport Water's liability to the Fund as at 30 June 2013, for retrenchment increments, accrued interest and tax is \$0 (\$0 in 2011-12).

### Accrued benefits

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 follows:

	31-Dec-12 \$'000
Net Market Value of Assets	4,315,324
Accrued Benefits (as per accounting standards)	4,642,133
Difference between assets and accrued benefits	(326,809)
<b>Vested Benefits</b>	<b>4,838,503</b>

Minimum sum which must be paid to members when they leave the fund)

Financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the fund were:

• Net Investment Return	7.50% p.a.
• Salary inflation	4.25% p.a.
• Price inflation	2.75% p.a.

The corporation made contributions to the following funds:	2013 \$'000	2012 \$'000
<b>The corporation made contributions to the following funds:</b>		
Defined Benefits (Vision)	42	47
Defined Benefits (Vision) – fund shortfall	–	666
Accumulation funds (Vision)	224	148
Accumulation funds (Other)	257	248
<b>Total contributions paid and payable to all funds at 30 June</b>	<b>523</b>	<b>1,109</b>
<b>Total contributions paid to all funds at 30 June</b>	<b>415</b>	<b>435</b>
<b>Total contributions payable to all funds at 30 June</b>	<b>774</b>	<b>674</b>

### Note 23 Responsible Persons and Executive Officer Disclosures

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994 (FMA)*, the following disclosures are made regarding responsible persons for the period ending 30 June 2013.

#### a) Responsible persons

The names of persons who were responsible persons at any time during the financial year were:

• The Hon Peter Walsh MLA, Minister for Water	1 Jul 2012 to 30 Jun 2013
• Anthony Leonard (Chairperson)	1 Jul 2012 to 30 Sep 2012
• Trevor Nink (Chairperson)	1 Oct 2012 to 30 Jun 2013
• Trevor Nink (Deputy Chairperson)	1 Jul 2012 to 30 Sep 2012
• Roland Lindell (Deputy Chairperson)	1 Jul 2012 to 30 Jun 2013
• Barbara Wagstaff (Director)	1 Jul 2012 to 30 Jun 2013
• Hon. Geoff Coleman (Director)	1 Jul 2012 to 30 Jun 2013
• Jane Bell (Director)	1 Jul 2012 to 30 Sep 2012
• Leah Young (Director)	1 Jul 2012 to 30 Sep 2012
• John Duscher (Director)	1 Oct 2012 to 30 Jun 2013
• Carol Pagnon (Director)	1 Oct 2012 to 30 Jun 2013
• Guy Wilson- Browne (Director)	1 Oct 2012 to 30 Jun 2013
• Murray Jackson (Managing Director)	1 Jul 2012 to 30 Jun 2013



**b) Remuneration of responsible persons**

	2013 \$'000	2012 \$'000
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Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid).

412	395
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- 2012 Remuneration restated to included super contributions.

The number of responsible persons whose remuneration from the Corporation was within the specified bands is as follows:

Income band (\$)			2013 No.	2012 No.
0	–	9,999	4	2
10,000	–	19,999	2	6
20,000	–	29,999	3	–
30,000	–	39,999	1	–
40,000	–	49,999	–	1
230,000	–	239,999	–	–
240,000	–	249,999	–	1
250,000	–	259,999	1	–
<b>TOTAL</b>			<b>11</b>	<b>10</b>

- There were no amounts paid by the Corporation in connection with the retirement of responsible persons of the Corporation during the financial year.
- There were no loans in existence by the Corporation to responsible persons or related parties at the date of this report.
- There were no other transactions between the Corporation and responsible persons and their related parties during the financial year.
- The remuneration for the Minister for Water is disclosed in the annual report of the Department of Premier and Cabinet.

**c) Executive officers' remuneration**

The number of executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 per annum are as follows:

Income Bands	Total Remuneration		Base Remuneration	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
0 – 119,999				
120,000 – 129,999				
130,000 – 139,999				
140,000 – 149,999				
150,000 – 159,999			1	1
160,000 – 169,999	1	1	1	
170,000 – 179,999	1			1
180,000 – 189,999		1		
Total number of executive employees	2	2	2	2
Total annualised employee equivalent (AEE)	2	2	2	2
<b>TOTAL REMUNERATION AMOUNT (\$)</b>	<b>339</b>	<b>346</b>	<b>322</b>	<b>328</b>

**Other personnel**

Westernport Water did not engage any other personnel charged with significant management responsibilities in the reporting period.

## Note 24 Reconciliation of net result to cash flows from operations

	2013 \$'000	2012 \$'000
<b>Net result for the period after income tax</b>	<b>1,235</b>	<b>3,028</b>
<b>Add/(less) Non Cash flows in net result</b>		
(Profit)/Loss on disposal of non current assets	64	24
Depreciation and amortisation	5,017	4,929
Less Contributed assets	(1,198)	(648)
Inventory adjustments	2	–
Receivables impairment expense	(31)	260
Bad Debt write off	66	74
Impairment of non current assets	230	154
	<b>5,385</b>	<b>7,821</b>
<b>Changes in Assets and Liabilities</b>		
Decrease / (increase) in trade receivables	(317)	(203)
Decrease / (increase) in inventories	70	(67)
Decrease / (increase) in other current assets	(143)	179
Decrease / (increase) in other receivables	116	859
(Decrease) / Increase in payables	1,575	(453)
(Decrease) / Increase in employee benefits	179	201
	<b>1,480</b>	<b>516</b>
<b>Net Cash (outflow) / inflow from Operating Activities</b>	<b>6,865</b>	<b>8,337</b>

## Note 25 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related audit firms:

	2013 \$'000	2012 \$'000
<b>(a) Victorian Auditor-General's Office (VAGO)</b>		
Audit and other assurance services		
Audit of financial statements	22	42
<b>Total remuneration for audit services</b>	<b>22</b>	<b>42</b>
<b>(b) Non-VAGO audit firms</b>		
Audit and other assurance services		
Other assurance services (internal audit)	48	43
Audit of regulatory returns (OH&S, Tax, ESC, DoH, Gas)	47	136
<b>Total remuneration for other audit services</b>	<b>95</b>	<b>179</b>
<b>Total auditors' remuneration</b>	<b>117</b>	<b>221</b>

## Note 26 Events occurring after the balance date

The Corporation utilised \$4.5M of Department of Treasury (DTF) approved 2013-14 lending facilities to repay a major trade creditor account outstanding at 30 June 2013.

# *Westernport Region Water Corporation*

## *Statutory Certification*

We certify the attached financial statements for Westernport Region Water Corporation have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Australian Accounting Standards, 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 to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2013 and the financial position of the Corporation as at 30 June 2013.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.



**Trevor Nink**  
Chairman  
Westernport Water



**Murray Jackson**  
Managing Director  
Westernport Water



**Kylie White**  
Chief Finance & Accounting Officer  
Westernport Water

Dated this 16th day of August 2013.

# VAGO

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Westernport Region Water Corporation

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2013 of the Westernport Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

#### *The Board Members' Responsibility for the Financial Report*

The Board Members of the Westernport Region Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *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. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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 the internal control relevant to the entity's 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 entity'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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Independent Auditor's Report (continued)***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. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

*Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Westernport Region Water Corporation as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

*Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Westernport Region Water Corporation for the year ended 30 June 2013 included both in the Westernport Region Water Corporation's annual report and on the website. The Board Members of the Westernport Region Water Corporation are responsible for the integrity of the Westernport Region Water Corporation's website. I have not been engaged to report on the integrity of the Westernport Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
4 September 2013

  
for John Doyle  
Auditor-General

## Directory

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ABN: 63 759 106 755

### Responsible Minister

The Hon. Peter Walsh, MLA  
Minister for Water

### Bankers

National Australia Bank  
Thompson Avenue  
Cowes VIC 3922

### Auditors

Auditor General, Victoria  
By Agent UHY Haines Norton (Vic) P/L

### Insurers

Marsh & McLennan Companies

### Solicitors

Russell Kennedy

### Industry Associations

Victorian Water Industry Association  
Australian Water and Wastewater Association  
Institute of Water Administration  
Water Services Association of Australia  
Water Industry Operators Association

### Design

Jayne Melville  
Salt Marketing and Design

## Glossary

<b>Terms</b>	<b>Meaning</b>
AS/NZS	Australian and New Zealand Standard
AWA	Australian Water Association
CCP	Customer Consultative Panel
CHMP	Cultural Heritage Management Plan
CRSWS	Central Region Sustainable Water Strategy
CUP	Candowie Reservoir Upgrade Project
CWWTP	Cowes Waste Water Treatment Plant
DoH	Department of Health
DEPI	Department of Environment & Primary Industries
DPCD	Department of Planning and Community Development
DTF	Department of Treasury and Finance
EIP	Environmental Improvement Plan
EMLO	Emergency Management Liaison Officer
EMS	Emergency Management System
EPA	Environment Protection Authority
ESC	Essential Services Commission
EWOV	Energy and Water Ombudsman Victoria
FOI	Freedom of Information
FRD	Financial Reporting Direction
GIS	Graphical Information System
HACCP	Hazard and Critical Control Point
IPP	Industry Placement Program
IBWPP	Ian Bartlett Water Purification Plant
ISSN	International Standard Serial Number
KRWWTP	King Road Waste Water Treatment Plant
MRD	Ministerial Reporting Direction
MSDS	Material Safety Data Sheet
OH&S	Occupational Health and Safety
PMT	Project Management Team
SCADA	Supervisory Control and Data Acquisition
SD	Standing Direction
SoO	Statement of Obligations
WaterMAP	Water Management Action Plan
WSAA	Water Services Association of Australia
EMP	Environmental Management Plan
<b>Units</b>	<b>Meaning</b>
ML	megalitre = one million litres
KL	kilolitre = one thousand litres
t	metric tonne
CO <sub>2</sub> -e	carbon dioxide equivalent

# Disclosure Index

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

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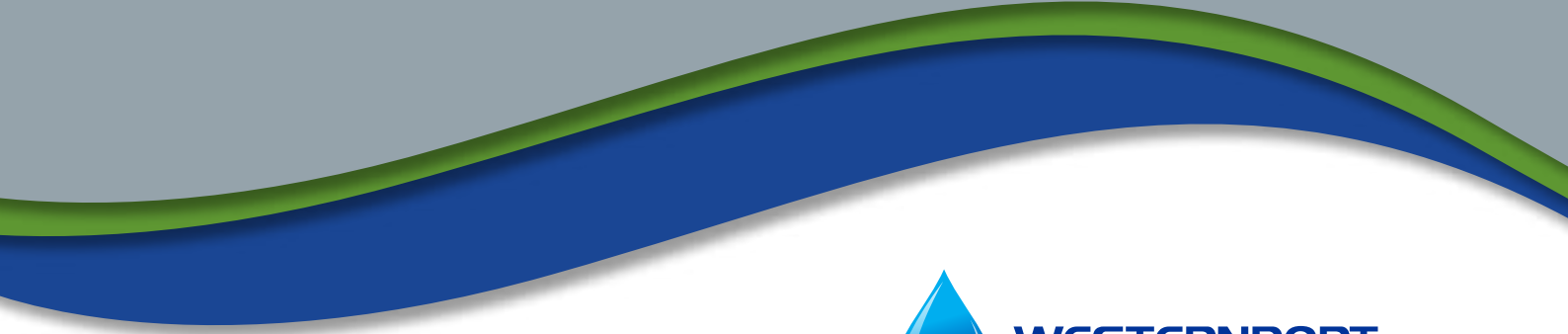
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