

Westernport Water Annual Report 2014



WESTERNPORT
WATER™



What's inside

- 01 About Us
- 02 Chairman and Managing Director's Year in Review
- 04 Financial Review
- 06 Objectives and Performance Highlights
- 08 Governance
- 12 Our People
- 16 Water Consumption and Drought Response
- 20 Environment and Social Sustainability
- 31 2013-14 Performance Report
- 34 Certification of Performance Report for 2013-14
- 35 VAGO Financial Audit Report
- 37 Financial Statements
- 75 Westernport Region Water Corporation Statutory Certification
- 79 Disclosure Index

Westernport Water
is an efficient
water corporation
consistently providing
cost-effective,
safe and reliable
products and services
to the communities
we serve, today and tomorrow.



About us

Westernport Region Water Corporation, trading as Westernport Water, is a regional water corporation providing water and wastewater services, wherever economically, environmentally and socially practicable, to properties and communities throughout its service district. Westernport Water services 17,900 customers and provides services to over 100,000 visitors during peak periods. The service area covers 300 square kilometres encompassing Phillip Island, San Remo and the Western Port district from The Gurdies to Archies Creek.

Our values

Show respect, be responsible, honest and encourage and create quality.

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 (referred to in this report as Westernport Water or the 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.

The responsible Victorian minister for the reporting period from 1 July 2013 to 30 June 2014 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 functions of Westernport Water are to provide water and wastewater services, wherever economically, environmentally and socially practicable, to properties and communities throughout the Phillip Island and the Western Port districts.

Water comes from a number of sources, including Tennent Creek (which is supplied by the Candowie Catchment located in the Bass Hills), 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 then pumped to mainland townships as well as the San Remo basin for distribution to the community, with total customer demand of 1,752 megalitres (ML) for 2013-14.

Wastewater services are provided to approximately 91 percent of properties that receive water services. Westernport Water has two wastewater treatment plants which together processed approximately 1488ML of domestic wastewater in 2013-14. An additional 3.8 percent (57ML) of the effluent collected is treated under an agreement with South Gippsland Water, which provides wastewater services on behalf of the Corporation for the townships of Kilcunda and Dalyston at its Wonthaggi treatment plant. In addition, 18 percent of all treated effluent collected by the Corporation was reused in 2013-14.

Westernport Water provides the following added services:

- the production and sale of class-A recycled water for residential, commercial and agricultural purposes
- removal of commercial trade wastes (greasy wastes)
- a liquid waste disposal facility
- specialist advice on infrastructure and facility design for new developments
- a reticulated gas network located in the San Remo area
- the sale of hay and silage as by-products of the effluent management process
- biosolids for agriculture land application.

Statement of Obligations

The Statement of Obligations (SoO) was issued by the Victorian Minister for Water, Environment and Climate Change under section 41 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 Minister for Water proposed variations to the SoO during this reporting period to ensure that water corporations deliver the Victorian Government's water agenda. The SoO guides the Corporation's proposed actions included in Water Plan 3.

Chairman and Managing Director's Year in Review



We are pleased to present the Report of Operations for Westernport Water for the year ending 30 June 2014.

During 2013-14 Westernport Water staff successfully completed all major integrated water cycle management projects in its water supply security strategy. Good planning combined with effective execution to ensure the business delivered safe, reliable, and high quality products and services to its customers and the community.

Finance statement

The Corporation has declared a net profit after tax for the year of \$0.9M. Total revenue for the year was \$20.2M, revenues from metered and service charges were higher than forecast in the Corporate Plan, but lower from capital revenue. Expenditure for the year was also within corporate plan forecasts.

Total capital expenditure for the year was \$4.2M in addition to \$5.2M of capital payments related to 2012-13 expenditure.

The higher cash on hand at year's end will fund carry forward capital expenditure projects.

Meeting the community's future water and wastewater needs

The official opening on 30 August 2013 of the upgraded Candowie Reservoir was a significant milestone for the Corporation. The Reservoir now holds 4463ML or close to three years consumption, nearly double its previous capacity of 2263ML. Just one week after the opening the Reservoir reached its new full capacity. The upgrade provides the community with certainty of supply by reducing the likelihood of future water restrictions and providing water security until 2050. As a further water security measure, the Corporation has established a connection to the Metropolitan Pool supply system that provides access to additional sources of water. This project's completion in the first quarter of 2014-15 will mark the end of the major water security projects required to meet the foreseeable future needs of the community.

Water consumption reduces despite population growth

Water consumption across the region was six percent lower in 2013-14 than 2012-13 with customers using 1632ML of water for the year. Additional water restrictions were not required due to increased reservoir capacity and customers were able to continue regular water use behaviours throughout the year, in line with Permanent Water Saving Rules.

Working together to find efficiencies

Westernport Water has identified efficiency opportunities to deliver financial benefits to its customers via the Fairer Water Bills initiative. One key initiative was the establishment of a strategic alliance in the form of a Memorandum of Understanding (MoU) with East Gippsland, South Gippsland and Gippsland Water Corporation's to progress joint efficiency improvement programs.

To meet forecast future growth in the San Remo area, the Corporation is exploring new and innovative opportunities for whole-of-water-cycle management. It has partnered with the Bass Coast Shire Council to investigate localised solutions to cater for future water servicing needs, with funding received from the Office of Living Victoria's (OLV) Living Victoria Fund. Investigations will look at the feasibility of options such as stormwater harvesting, sewer mining and recycled water for gardens, lawns, toilet flushing and sporting facilities.

Innovation

Westernport Water has been working with local land managers to incorporate nutrient-rich biosolids into pastures as an alternative to artificial chemical fertilisers. This program has been a great success and, as a result, biosolids are no longer seen as waste but as a useful, renewable resource.

In IT, corporate data provision and hosting of corporate applications have both moved to a managed services platform. Centralising access to applications and business systems has provided improved access and cost savings. Integrating customer metering and billing with asset management systems, asset management data will also be enhanced.

Partnerships a key to our success

Being the smallest water corporation in Victoria, wherever possible Westernport Water uses strategic alliances to find efficiencies and achieve objectives. That is why it has established an Integrated Water Cycle Management (IWCM) reference group with the Bass Coast Shire Council. The IWCM offers opportunities to work together to improve the application and integration of water management across the region by taking a whole-of-water-cycle management approach.

Recognising the importance of community partnerships, the Corporation has made a significant contribution to the development of a community orchard. The project connects individuals and organisations, enhances liveability and promotes the benefits of recycled water. The orchard will be used by Westernport Water and various local groups to deliver education programs and encourage community participation.

Planning for the future

Since focusing on Water Plan 3, it has been a very busy time behind the scenes as staff prepare for upgrades at the main wastewater treatment plant on Phillip Island, which will improve the quality of treated effluent. Planning is also underway on improving the wastewater network in the Cowes area to meet future growth and to enhance the management of peak flows by addressing the impacts from stormwater infiltration.

Increased services for customer convenience

The team has been busy developing a new customer billing system to improve the customer experience and deliver user-friendly facilities for customers and the service staff. The system delivers efficiencies through improved business processes that include the use of short message service (SMS) technology, electronic billing, e-services and online forms. The billing system is planned to be operating in the new financial year.

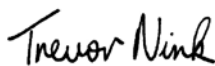
Acknowledgements

During the year, three Directors were re-appointed to serve on the Westernport Water Board. We congratulate the Hon. Geoff Coleman, Roland Lindell and Barbara Wagstaff, and thank them for their continued commitment and significant contributions to the governance of the Corporation.

Westernport Water acknowledges the support given to it by responsible ministers, government and non-government agencies. The management and staff are appreciative of the support provided by other water corporations, and in particular the members of the Gippsland MoU. We would also like to thank the industry associations including Australian Water Association, the Institute of Water Administration, the Water Services Association of Australia and VicWater.

We are grateful for the hard work of contributing community groups and in particular members of the Customer Consultative Panel, the Phillip Island Community Orchard project and the Bass Coast Landcare Network. We would like to thank outgoing CCP member and Vice President, David Pearson, for his seven years commitment to the community and Westernport Water. We also appreciate the close working relationship Westernport Water has formed with Bass Coast Shire Council and its management team, and look forward to better water management outcomes across the region.

Finally, we would like to acknowledge the contribution made by each of our appointed staff members and all the contractors that have made this year a great success.



Trevor Nink, Chairman
5 September 2014



Murray Jackson, Managing Director
5 September 2014

Financial Review

Current Year Financial Review

Net profit

The net profit after tax for the year was \$0.9M which was slightly ahead of the previous year result of \$0.8M. The result has been achieved despite marginally lower revenues but mainly from a reduction in operating expenditure.

Revenue

Total revenue was \$20.2M, being \$0.4M lower than 2012-13. Capital revenue from land development activities was lower this year by \$0.8M, and attributable to a combination of the slowing economy and wet conditions for the first half of the financial year. Partially offsetting the lower capital revenue was an increase of \$0.4M from our core trading revenue of service and metered charges.

Expenditure

Our expenditure of \$18.9M was \$0.5M lower than the \$19.4M in 2012-13. A reduction in the usage of external contractors generated the substantive portion of the saving, which more than offset the increases in depreciation and borrowing costs. However, borrowing costs were lower than our plan, due to timing of capital commitments and the duration of the low interest rate environment.

Capital expenditure

Total net capital expenditure for the year was \$4.2M. In addition there was \$5.2M of cash payments made in early 2013-14 relating to capital expenditure from the previous year, primarily for the completion of the Candowie upgrade project. Expenditure on current year projects was \$0.5M lower than our plan. With the completion of the Candowie upgrade project and ancillary works the Corporation has commenced capital works which will focus on the wastewater projects mainly in Cowes, which will be progressively completed over the next few years.

Westernport Water manages a number of capital projects. For information on recent capital projects for Westernport Water and the broader Victorian public sector, please refer to the most recent Budget Paper No. 4 State Capital Program (BP4) available on the Department of Treasury and Finance's website.

Significant changes in financial position – balance sheet

With the upgrade to Candowie there was a higher than normal level of payables in the balance sheet at 30 June 2013. These were paid in July 2013 and largely funded by an increase in borrowings.

Property, plant and equipment has decreased by \$0.9M mainly due to the capex spend for the year being lower than the depreciation charge for existing assets.

Overview

Cash flows

Cash on hand at the end of the year was higher than 2013, as the remainder of undrawn loans were fully drawn in late June 2014 to fund carry over capital expenditure into the 2014-15 financial year.

Cash flows from operating activities were lower by \$2.4M reflecting the carry over of creditors from the last quarter of 2013 financial year as funds were directed to cover the Candowie upgrade project.

Net cash from investing activities was \$8.8M and is expected to reduce to \$5.5M in 2014-15.

Net cash from financing activities were increased by \$3.5M to fund creditors held over at 30 June 2013 resulting from the Candowie upgrade project.

Five-year financial summary

	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000	2010-11 \$'000	2009-10 \$'000
Core revenue	18,402	17,877	16,866	15,444	14,635
Government contributions	61 ¹	151	2,566	310	382
Developer contributions and gifted assets	1,075	1,989	1,565	1,053	763
Other revenue	663	608	1,116	864	630
Total revenue	20,201	20,625	22,113	17,671	16,410
Operating expenditure	7,159	8,342	7,925	5,463	5,232
Depreciation	5,439	5,037	4,929	3,826	3,540
Finance costs	501 ²	216	160	24	89
Other	5,780	5,816	6,071	6,201	5,059
Total expenditure	18,879	19,411	19,085	15,514	13,920
Net profit before tax	1,322	1,214	3,028	2,157	2,490

Notes:

- Revenue – Government contributions received in the current year for the completion of the OLV option study at San Remo. Developer contributions and gifted assets are lower in the current year reflecting less activity in the economy and a wet winter and spring.
- Finance costs have increased reflecting the higher level of borrowings for the year.

Balance Sheet – Summary

	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000	2010-11 \$'000	2009-10 \$'000
Current assets	4,253	3,117	2,459	3,421	2,984
Non-current assets ¹	176,021	176,864	168,786	167,432	118,269
Total assets	180,274	179,981	171,245	170,853	121,253
Current liabilities ²	5,235	10,269	6,030	6,715	3,725
Non-current liabilities	34,637	30,234	26,563	15,826	200
Total liabilities	39,872	40,503	32,593	22,541	3,925
Net Assets	140,402	139,478	138,652	148,312	117,328

Notes:

1. Non-current assets lower due to the capex spend being less than the annual depreciation charge. Capex was down as the business concluded the Candowie upgrade project and then begun planning for future improvements to the sewerage system at Cowes.
2. Current liabilities lower as creditors held over at June 2013 were paid in July 2013 resulting from the construction program of the Candowie upgrade project.

Prior year adjustments

The Corporation has disclosed a prior period adjustment in the current year relating to the net deferred tax liability from 2011-12. This adjustment has not impacted the current year result but is reflected in the retained earnings.

Subsequent events

There were no subsequent events, which may significantly affect Westernport Water's operations in subsequent reporting periods 2014-15 and beyond, after the balance date.

Additional to the grant listed below the Corporation has allocated funding to support three small business projects, funding will be distributed to grant recipients upon completion of the projects during 2014-15.

Disclosure of Grants and Transfer Payments

Grants and transfer of payments

Westernport Water has provided grants to certain companies and organisations as part of the Small Business Grants Program, administered on behalf of Victorian Department of Environment and Primary Industries (DEPI). Grants provided to small business during 2013-14 were required to use the monies for the specific purposes as outlined in the particular funding agreement. The basic aim of the program in the Westernport Water area was to improve small business water efficiency:

Organisation	Description	Payment \$
Island Bay Ranch	Accommodation provider and hobby farm interlinking numerous rainwater tanks throughout the property for efficient use of rainwater catchment.	5,000

Victorian Industry Participation Policy

During 2013-14 the Corporation awarded one contract applicable to the *Victorian Industry Participation Policy Act 2003*.

Contracts awarded	Description of works	2013-14 \$
Simpson Constructions Pty Ltd	Cowes waste water treatment plant upgrade	1,821,320

Objectives and Performance Highlights

Corporate Governance

OBJECTIVE

To maintain the integrity and value of our corporation through sound governance and financial management.

HIGHLIGHTS

- Successful completion of the Corporate Plan 2014-19.
- Efficiency measures provide customer rebate savings of \$23.00 and expected to progressively increase to \$30.00 per annum by 2018.
- Formulated a strategic alliance with the four Gippsland Water Corporations.
- To study how water cycle services can be provided to the San Remo area with funding support from the OLV.
- Improved use of corporate systems and the delivery of operational efficiencies.
- Phase 1 of the Risk Improvement Strategy was commenced focused on strategic risk reviews, Board consultation and development of an improved framework for reporting and monitoring of treatment plans.
- Significant planned investment in wastewater infrastructure and treatment to meet regulatory requirements and future demand.

CHALLENGES

- Implementation of a corporate compliance framework in line with the Australian Standard.
- Continued identification of operational efficiencies within an already focused corporation.



People

OBJECTIVE

To be an innovative, high performance organisation with a reputation that is valued by current and prospective employees.

HIGHLIGHTS

- During 2013-14, the Corporation negotiated the Enterprise Agreement 2013-16, which was approved by the Fair Work Commission in June 2014.
- Development and implementation of a performance management framework to support overall business objectives.
- Implementation of new human resources initiatives.
- One staff member was nominated and accepted into the Gippsland Community Leadership program, which encourages current and emerging leaders from diverse backgrounds across the region to focus on the issues and opportunities within Gippsland.
- A significant training program has been rolled out for the customer support team as part of the transition to a new customer billing system.
- Seven positions were advertised in 2013-14 currently attracting a total of 169 applications with 67 percent of vacancies filled by local people.

CHALLENGES

- Using the upgraded Human Resources Information System (HRIS) across the business to build efficiency into day to day people management activities.
- Align the performance appraisal process framework with the newly developed reporting system, Performance Manager.
- One lost time injury, however corrective actions have been identified and implemented.



Products and Services

OBJECTIVE

To provide quality products and services to meet the community's expectations and needs.

HIGHLIGHTS

- Maintained 100 percent compliance with the *Safe Drinking Water Act 2003* and Regulations, and ensured that least cost water was used.
- Developed an optimisation model for the upgraded and enlarged Candowie Reservoir that ensures long-term security of supply.
- Regional Environmental Improvement Plan (REIP) developed for third party application of biosolids to land, which involved the first trial of biosolids applied to privately-owned agricultural land that is already showing benefits in crop yields.
- Upgrades to the Stanley Road tank including installation of a mixer to improve water disinfection and refurbishment of the tank to maintain the ongoing integrity.
- Renewal of chlorine dosing system at San Remo Basin to provide a modern and secure water disinfection facility.
- Purchase of new Water Information Management System (WIMS) software to consolidate laboratory and site based water, wastewater and class-A test results.
- Trialling of two innovative products that involved atomising of an essential oils product to control odour at sewage pump stations and use of an ultra-sonic process to control blue-green algal blooms in reservoirs.
- Implementation of improved and cheaper greasy waste services to customers.

CHALLENGES

- The filling of the newly enlarged Candowie Reservoir initially led to an increase in water taste and odour complaints. Process improvements have since been identified to prevent re-occurrences.

Assets

OBJECTIVE

To enable the reliable and cost-effective delivery of products and services to customers.

HIGHLIGHTS

- Awarding of major contracts for the first stages of: the upgrade to the Cowes Waste Water Treatment Plant (\$6M total project) and an upgrade to the Church Street Sewer Pump Station and Cowes wastewater system (\$17M total project).
- Connection to the two way pipeline to allow Westernport Water to access water from the Metropolitan Pool supply system, final testing to be completed in first quarter 2014-15.
- Integration of the Geographical Information Systems (GIS)/Focus work order system/ Assetic components of the Asset Management System (AMS) products continued throughout the year.
- The incorporation of the Preventative Maintenance Plan into the AMS has improved the Corporation's ability to record and monitor activities against assets.
- Incorporated the Financial Asset Register into the AMS for improved management of asset costs, depreciation and disposal.
- Further developed consistent and repeatable capabilities for monthly and quarterly Essential Services Commission (ESC) reporting.
- Introduced smartphone access for field staff to provided quicker responses to Supervisory Control and Data Acquisition (SCADA) alarms.
- Undertook an investigation into the condition and remaining effective life of the region's asbestos cement water mains. Enabling comprehensive renewal/ replacement plan to be developed for these mains.
- Revised the project priority model, and integrated project and cash flow models.
- All asset physical data from paper-based field books has been uploaded into the GIS. Data can now be easily extracted for a variety of purposes including completing regional sewer models.

CHALLENGES

- Integration of AMS components will continue into the early part of 2014-15. It is then expected that the strategic asset management shift from building awareness to improved decision making will be complete. Value added outputs from the AMS are expected to be realised in 2014-15.

Environment

OBJECTIVE

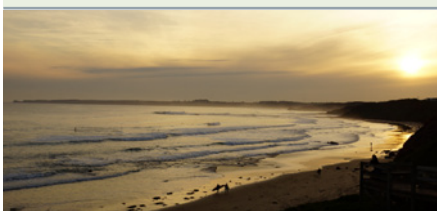
To be recognised as an environmentally sustainable organisation that is reducing its environmental footprint.

HIGHLIGHTS

- Protocols were established for environmental flows out of the upgraded and enlarged Candowie Reservoir.
- The Candowie revegetation project with the Bass Coast Landcare Network continued. A total of 37,150 trees were planted, improving flora and fauna diversity.
- Westernport Water received two stream frontage grants to assist revegetation, and pest plant and animal protection along Salt Water Creek and the lower reaches of Tennent Creek.
- To further reduce ocean outfall volumes, the Corporation has constructed irrigation infrastructure at the Cowes Waste Water Treatment Plant (CWWTP) with the aim of applying 50-70ML of recycled water per annum to a eucalyptus plantation.

CHALLENGES

- Odour issues at Cowes sewerage pumping stations are being addressed through upgrades to pump stations.
- Compliance with all quality analysis requirements for wastewater discharged to the environment in 2013-14. On three occasions, however, the licence conditions for average daily flow and maximum daily flow to the ocean from the CWWTP were breached due to severe wet weather events. Planned Water Plan 3 works will assist in licence compliance and the Corporation has received works approval from EPA Victoria with works scheduled to commence in 2014-15.
- Total recycled water consumption was down one percent compared to last year due to reduced irrigation demand during November and December 2013.



Community

OBJECTIVE

To be a valued member of the community.

HIGHLIGHTS

- Customer satisfaction remains strong with 93 percent of customers satisfied with the overall service provided by Westernport Water.
- Establishment of a community orchard on Phillip Island has promoted the benefits of "fit for purpose water" and motivated the community to value water in a way that supports future development.
- Adoption of the targeted education campaign 'down the drain to use again' has excited hundreds of students. The campaign is part of a sustainability program designed by Westernport Water to teach children about the urban water cycle and the roles we all play.
- Thirty-eight community events/tours were provided to the public, community groups and schools aimed at improving awareness and understanding of local water issues, and to promote tap water.
- Development of video resources to promote the Corporation's key water supply security projects achievements and its commitment to exploring new opportunities for whole-of-water cycle management for new developments.

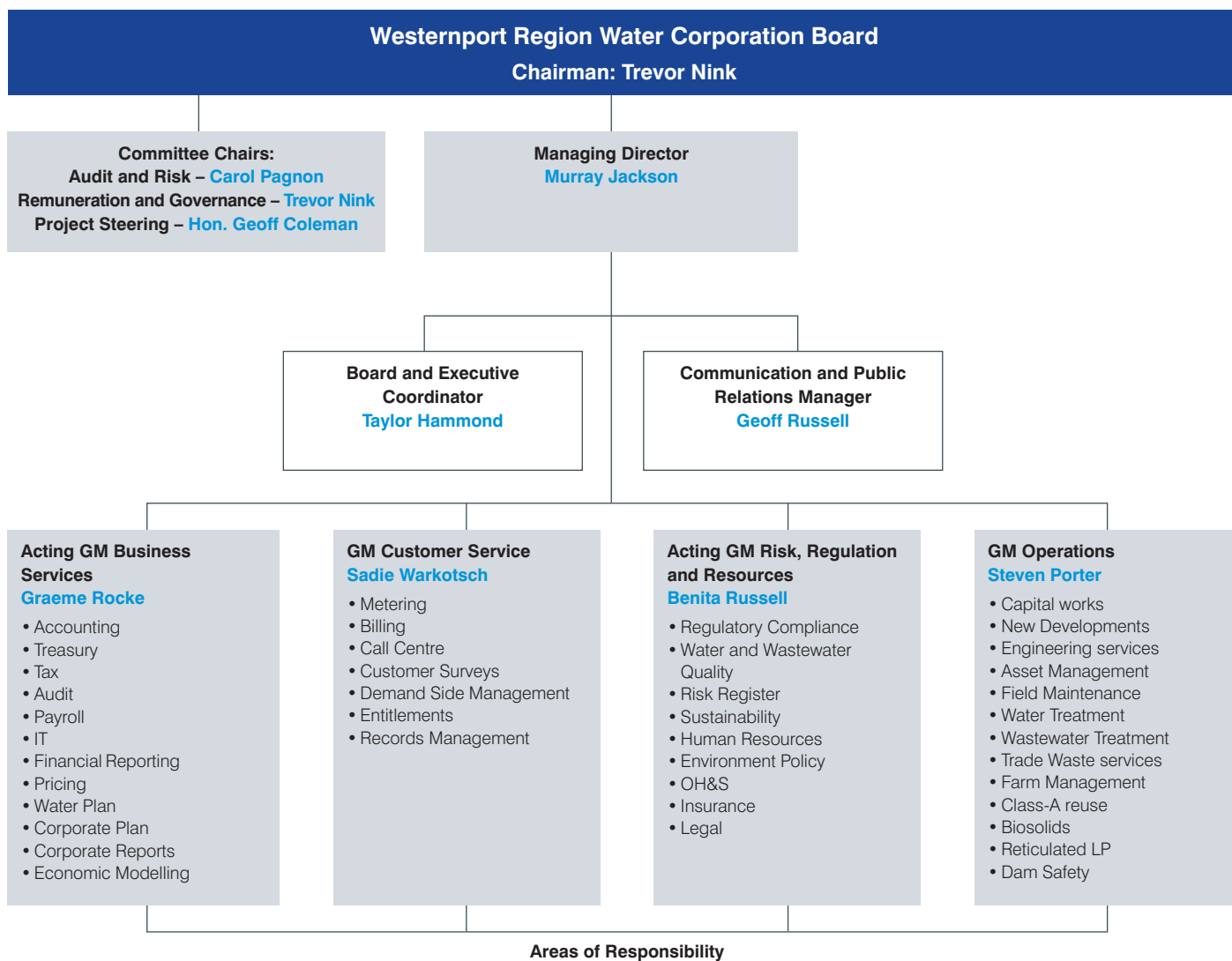
CHALLENGES

- To continue to find efficiencies through the Gippsland MoU that will support improved customer communication and financially benefit Westernport Water customers.



Governance

Organisational structure



Structural changes during 2013-14

No structural changes to the management team were undertaken during the 2013-14 period. In April 2014, however, the committee of the Board, the Project Control Committee, was reclassified as the Project Steering Committee. The Project Control Committee was originally formed to provide governance oversight for the Candowie upgrade project and ancillary works. Its role and charter were subsequently reviewed and the Board agreed that the committee would become the Project Steering Committee to provide project oversight for major capital projects undertaken by Westernport Water.

Senior executives

Westernport Water is led by its Managing Director, Murray Jackson, and supported by a senior executive group comprising: the General Manager (GM) Operations, Steven Porter, the GM Customer Services, Sadie Warkotsch, and the Acting GM Risk Regulation and Resources, Benita Russell. Acting GM Business Services, Graeme Rocke commenced employment with Westernport Water on 30 September 2013. GM Business Services, Kylie White commenced a period of leave on 1 November 2013 and will resume full time employment on 8 October 2014. GM Risk Regulation and Resources, Peter Winterburn completed his term of employment with Westernport Water on 29 November 2013.

Governing Board

Key functions of the Westernport Water Board of Directors include:

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

Trevor Nink (Chairman) 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. He 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 (AICD). Other current directorships include The Baker Foundation and the Beacon Cove Neighbourhood Association Inc.

Roland Lindell (Deputy Chairman) was appointed as a Director of the Board in October 2011. Mr Lindell is chairperson of Youth Connect (2011-current) and director of the Progressive Business Association (2011-current). Mr Lindell was chief-of-staff for a Victorian government minister (2002-10) and organiser for the Australian Labor Party (1993-01). He is a committee member of the Australasian Golf Club (2010-current). Roland is a member of the Corporation's Project Steering Committee and the Remuneration & Governance Committee.

Murray Jackson (Managing Director) 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 of Business, a Bachelor of Economics and a Diploma of 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 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). He was Chairman of the Genesis Oncology Trust (GOT) Foundation in New Zealand (2003-08) and the YAMS Foundation in Victoria (2009-12) Both charities raise funds to support research and treatment of cancer.

The Hon. Geoff Coleman was appointed as a Director of the Board in October 2011. Mr Coleman has been involved with grazing and beef production since 1960 (Syndal Herefords in Yea). He was a Member of Parliament (1976-82) and (1985-99) and served as Minister for Natural Resources (1992-96). He was a member of Envirzel/EVZ Engineering Services Group (2004-08) and he is currently Vice President of the Northern Hereford Group (2009-current).



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 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 Audit & Risk Committee as well as a member of the Project Steering Committee. Carol's qualifications include being a Graduate of the AICD, a Fellow of the Society of Certified Practising Accountants Australia, a Chartered Accountant, a Master of Business (Risk, Assurance, Compliance), and she is a PRINCE 2 (2009) accredited project management practitioner.

Barbara Wagstaff was appointed to the Board of Westernport Water in October 2011. Ms Wagstaff is self-employed providing banking, finance and management advisory services on a contract basis (1992-current). Ms Wagstaff was previously an investment banking and finance employee (1981-92) with a variety of firms. She is a former member of the Committee of Management of the Metropolitan Ambulance Service (1997-01), secretary of the Melbourne Cricket Club – Junior Hockey Club (2011–13) and age manager – nippers Point Leo Surf Life Saving Club (2006-13). Ms Wagstaff has a Bachelor of Economics (Honours) and is a member of the AICD. Barbara is currently a member of the Corporation's Audit & Risk Committee and the Remuneration & Governance Committee.

Guy Wilson-Browne was appointed to the Board of Westernport Water 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 Bachelor of 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 Steering Committee and the Audit & Risk Committee.

Board committees

Remuneration & Governance Committee

The Remuneration & Governance Committee (RGC) is a committee of the Board. It consists of four members and meets as required to review the performance and remuneration of the Managing Director and executives, as well as examine other delegated governance issues that may arise.

The RGC members in 2013-14 were: Trevor Nink (Chairman), Roland Lindell, Barbara Wagstaff and John Duscher. 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. During the year five meetings were held and the committee:

- Reviewed senior executive performance, salaries and bonus through the State Services Authority framework
- Made recommendation to the Board on changes to the Board Charter regarding voting procedures
- Reviewed senior staff succession planning activities
- Conducted the annual Board Performance Review through internal questionnaire and discussions
- Planned and actioned further Director training via AICD.

Audit & Risk Committee

The Audit & Risk Committee (ARC) 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. During the year eight physical meetings and three update meetings were held.

The ARC membership in 2013-14 comprised: Carol Pagnon (Chair), the Hon. Geoff Coleman, Barbara Wagstaff, John Duscher and Guy Wilson-Browne. ARC member terms are listed in the table of Board and committee attendance.

During the year the ARC:

- reviewed the annual financial statement and performance report
- reviewed the annual Victorian Auditor-Generals Office (VAGO) report and internal audit strategies, programs and associated report findings, and management action follow-ups
- reviewed the compliance program of activities and oversaw management action follow-up
- reviewed the outcomes from the annual Essential Services Commission's water performance regulatory audit
- participated in workshops to review the Corporation's strategic risk controls
- reviewed the Corporation's risk management policy and business risk plan.

Along with these activities, regular reports on risk management, environment, and occupational health and safety were reviewed and discussed. During the year, internal audits were undertaken on financial management compliance, regulatory compliance, accounts receivable, the asset management framework, the IT governance framework, and a follow-up review of past audit recommendations.

Project Steering Committee (PSC)

was previously referred to as the Project Control Committee, but its role and charter was amended, effective 28 March 2014. The PSC 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 PSC is a group of five members, comprising: the Hon. Geoff Coleman (Chairman), Roland Lindell, Carol Pagnon, Guy Wilson-Browne and Managing Director, Murray Jackson.

During 2013-14, the Committee convened for eleven physical meetings and one update meeting and:

- oversaw the finalisation of major projects for the Candowie Reservoir upgrade and ancillary works including the commissioning of a post completion review for both projects
- provided oversight into the planning of the CWWTP upgrade (master plan strategy)
- reviewed Water Plan 2 projects and priority projects for Water Plan 3, as well as the post implementation report for the Statter Misson Road project
- provided governance for the OLV funded Integrated Water Cycle

Management options study for the San Remo area, Melbourne Water system connection, and the corporate systems replacement project with particular attention to the development of utility billing

- oversaw the Wastewater Futures Strategy plan, wastewater irrigation projects, capital expenditure program for the 2013-14 and 2014-15 financial periods, and the development of the new asset management system.

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 ¹	Attended	Held ¹	Attended	Held	Attended	Held ¹	Attended
Murray Jackson <i>(Managing Director)</i>	11	11	8	8 as invitee	-	-	11	10
Trevor Nink <i>2007 to current Chairman – 1-10-12 to current Chairman RGC – 1-10-12 to current</i>	11	11	8	6 as invitee	5	5	11	6 as invitee
Roland Lindell <i>1-10-2011 to current Deputy Chairman – 1-10-12 to current</i>	11	11	8	7 as invitee	5	5	11	11
Barbara Wagstaff <i>1-10-2011 to current</i>	11	11	8	8	5	5	-	-
Hon. Geoff Coleman <i>– Chairman PSC 1-10-2011 to current</i>	11	11	8	7	-	-	11	11
Carol Pagnon <i>– Chair ARC Board member – 1-10-12 to current</i>	11	10	8	8	-	-	11	10
John Duscher <i>1-10-12 to current</i>	11	10	8	7	5	5	-	-
Guy Wilson-Browne <i>1-10-12 to current</i>	11	10	8	7	-	-	11	10

Notes:

1. 'Held' meetings are physical meetings with members in attendance. When physical meetings are not held 'update' reports are provided to all members.

Our People



Westernport Water's objective is to be an innovative, high performance organisation with a reputation that is valued by current and prospective employees. In line with the Victorian Government's merit and equity principles and upholding public sector conduct principles, Westernport Water maintains a healthy and safe working environment free of discrimination. The Corporation regularly reviews its human resources policies and processes providing up-to-date guidance for all its employees.

The Corporation's workforce numbered 68.79 full time equivalent (FTE) employees in 2013-14. The employee headcount this year is in line with the five-year average, and has not been directly affected by new efficiency measures. The breakdown and comparison data is set out in the next set of tables.

Employment merit and equity

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 without discrimination, on the basis of relative ability, knowledge, experience and skill, the key selection criteria, and other accountabilities. Employees are promoted for positions after fair and open competition and measurement against the position requirements.

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, marital status, pregnancy, national extraction or social origin.

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. Employees also work within the Victorian Charter of Human Rights and demonstrate these principles to everyone they do business with, both inside and outside the Corporation.

Comparative workforce data

Full time equivalents (FTE) staffing trends from 2010-14¹

2014	2013	2012	2011	2010
68.79	67.81	70.36	66.49	66.87

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.

Statement of workforce data

Summary of employment levels in June 2013 and 2014

	Ongoing		Fixed Term		Casual		Total	
	Number (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE
June 2014	61	60.47	6	6.00	4	2.32	71	68.79
June 2013 ¹	61	60.47	7	6.40	1	0.94	69	67.81

Notes:

1. 2013 employee workforce data has been amended to suit the above 2014 format.

Details of employment in June 2013 and 2014

	June 2014			June 2013		
	Ongoing		Fixed term & casual employees	Ongoing		Fixed term & casual employees
	Employees (Headcount)	FTE	FTE	Employees (Headcount)	FTE	FTE
Gender						
Male	40	40.00	4.00	45	48.00	4.00
Female	21	20.47	4.32	16	12.34	3.47
Age						
Under 25	1	1.00	3.00	1	1.00	3.00
25-34	10	9.63	–	11	10.50	–
35-44	13	12.84	2.43	13	12.84	1.47
45-54	25	25.00	1.00	27	27.00	1.00
55-64	10	10.00	1.89	8	8.00	0.00
Over 64	2	2.00	–	1	1.00	1.00
Classification						
Broadband 2	18	14.63	1.73	13	13.00	10.00
Broadband 3	15	13.43	1	12	10.00	2.00
Broadband 4	12	12	–	12	12.00	–
Broadband 5	7	7	–	5	4.00	–
Broadband 6	6	6	–	9	9.00	–
SEO ²	9	8	1	7	7.00	1.00
Executive ³	3	3	–	3	3.00	–
Other ⁴	1	1	–	–	–	3.00

Notes:

- All figures reflect employment levels during the last full pay period in June of each year.
- SEO – Executive staff full time or under contract.
- Executive – GSERP contracted staff.
- Other – Traineeship one year.

Reconciliation of executive numbers

		2014	2013
Add	Executives with total remuneration over \$100,000	3	3
	Vacancies	0	0
	Executives employed with total remuneration below \$100,000	0	0
	Accountable Officer (Secretary)	0	0
Less	Separations	(0)	(0)
	Total executive numbers at 30 June 2014	3	3

Number of EOs for the Department's portfolio agencies

Portfolio agencies	Total		Vacancies No.	Male		Female	
	No.	Var		No.	Var	No.	Var
Business Services	1	(0)	–	–	–	1	–
Governance	1	(0)	–	1	–	–	–
Operations	1	(0)	–	1	–	–	–
Total	3	(0)	0	2	(0)	1	(0)

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

Class	Ongoing				
	Male		Female		Vacancies No.
	No.	Var	No.	Var	
EO 1	–	0	–	0	0
EO 2	1	0	–	0	0
EO 3	1	0	1	0	0
Total	2	(0)	1	(0)	0

Notes:

- No executive officers were allocated to 'special projects' during the 2013-14 reporting period.

Other disclosures

Protected Disclosures Act 2012

The *Protected Disclosures Act 2012* came into effect on 10 February 2013 to ensure openness and accountability. The Act enables people to make disclosures about improper conduct by public officers or public bodies without fear of reprisal.

You can make a protected disclosure about Westernport Water or its Board members, officers or employees by contacting the Department of Environment and Primary Industries or the Independent Broad-based Anti-corruption Commission Victoria on the contact details provided here.

Westernport Water does not tolerate improper conduct and 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.

During the reporting period there were no disclosures made under the *Protected Disclosures Act 2012*.

Protected disclosure contacts:**Department of Environment and Primary Industries**

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

Independent Broad-based Anti-corruption Commission Victoria

Level 1, North Tower, 459 Collins Street
Melbourne Victoria, 3000
Mail: IBAC, GPO Box 24234,
Melbourne Victoria 3000
Ph. 1300 735 135,
Internet: www.ibac.vic.gov.au

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Training and staff development highlights

Westernport Water has invested considerable time and resources into employee training and development, and welfare programs to ensure 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. During the year:

- two members of staff undertook Water Operations traineeships
- one staff member began a Master of Integrated Water Management and another began a Graduate Diploma in Project Management
- a member of the executive team was accepted into the prestigious Gippsland Community Leadership program, which develops emerging leaders and fosters leadership potential. The program now in its 19th year focuses on issues and opportunities in the Gippsland region and drives leadership at a local level to help create opportunities across Gippsland.

Health

Westernport Water is committed to improving staff productivity, reducing absenteeism and increasing staff retention. During 2013-14, the Corporation developed a number of initiatives to improve the health and safety of staff, including development of a dedicated intranet page, ergonomic assessments, regular safety audits, health checks, and a staff welfare and wellbeing program.

Work health checks

Employees were provided with the opportunity for work health checks and influenza inoculations. Additionally, all staff members likely to be exposed to sewage were vaccinated against Hepatitis A and B. Further, spirometry (lung capacity) were provided to employees involved in asbestos removal and hearing assessments for those exposed to noise levels 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 program 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 assistance to participate in health and fitness programs of their choice. Approximately 40 percent 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 2013-14.

Recognition

In 2013-14 Westernport Water congratulated two employees for their valuable service to the Corporation, its customers and the community – Tony Ferres for 25 years' service and Peter Turner for 10 years' service.

Occupational health and safety

The objective of Westernport Water's Occupational Health & Safety (OH&S) strategy is to ensure all staff, contractors and visitors remain safe and healthy at work by providing and maintaining a healthy and safe work environment. 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.

During the year 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, totalling approximately 151 training days.

Ensuring the safety of all, the Corporation requires all contractors to undertake a comprehensive OH&S induction program prior to commencing work. A targeted program was implemented this year with participation by all contractors.

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

All health and safety representatives have completed refresher training and hold current qualifications. No new members were elected during 2013-14.

OH&S Performance Indicators

The OH&S statistics that follow show notable positive results for 2013-14. Consultation across the organisation and improved procedures for contractors reinforced the importance of safety. The Corporation's management team believes strong leadership, ongoing communication and consultation are keys to an effective safety culture.

Measure	KPI	2013-14	2012-13	2011-12
Incidents	No. of Incidents ¹	8	9	17
	Rate per 100 FTE ¹	11.7	6.10	11.10
Claims	No. of standard claims	0	0	0
	Rate per 100 FTE	0	0	0
	No. of lost time claims ²	1	0	0
	Rate per 100 FTE	1.5	0	0
	No. of claims exceeding 13 weeks	0	0	0
	Rate per 100 FTE	0	0	0
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per standard claim	\$1500	0	0
Return to work (RTW)	Percentage of claims with RTW plan <30 days	0	–	–
Management commitment	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
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs)	completed	completed	completed
Risk Management	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	–	–	–	
Training	Percentage of managers and staff that have received OH&S training:	100%	100%	100%
	– induction	100%	100%	100%
	– management training	–	–	100%
	– contractors, temp, visitors	100%	–	–
	Percentage of HSRs trained:			
	– acceptance of role	–	–	100%
	– re-training (refresher)	100%	100%	100%
– reporting of incidents and injuries	100%	100%	–	

Notes:

1. Decrease in number of incidents, however due to a decrease in FTE the rate of incidents increased for 2013-14.
2. One lost time injury equates to 8 days lost.

Incident management

Incidents across the Corporation increased by 26 percent, per 100 FTE in 2013-14. Incidents include injuries and other hazards (non injury) related incidents, including motor vehicles, system failures and environmental incidents. In real terms, the increase equates to eight additional reported incidents compared with the previous year. During 2013-14 the Corporation recorded a number of incidents relating to increases in Blue Green Algae events (7) at our Candowie Reservoir and an increase in incidents attributed to wet weather events resulting in sewer spills or exceeding the daily discharge EPA licence limit (9).

Number of incidents and rate per FTE

	2013-14	2012-13	2011-12
Incidents	46	38	25
Rate per 100 FTE	67	56	39

Notes:

1. Increase in number of incidents due to increase in blue green algae events and wet weather events.

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
Total	7,401ML

Water consumption report

District	Residential customers*				Non-residential customers				Total Number of Customers
	Number	(1) Potable Water volume (ML)	(2) Recycled Wastewater Volume (ML)	(3) Recycled Stormwater Volume (ML)	Number	(4) Potable Water volume (ML)	(5) Recycled Wastewater Volume (ML)	(6) Recycled Stormwater Volume (ML)	
Candowie Reservoir 2012-13	14,426	1,087	12	–	1,141	564	66	–	15,567
Candowie Reservoir 2013-14	14,607	1,173	4 ²	– ³	1,119	579	55	–	15,726

	(7) Total potable water volume (ML)	(8) Total recycled water volume (ML)	(9) Total consumption (ML)	Average annual consumption (ML)	Weekly householder drinking water consumption (kL)	Non-revenue water (ML)			(13) Total non revenue water (ML)	Total water all sources (ML)
						(10) Leakage (ML)	(11) Firefighting (ML)	(12) Other ² (ML)		
Candowie Reservoir 2012-13	1,712	78	1,790	1,634	20,903	84.5	–	5.5	90	1,799
Candowie Reservoir 2013-14	1,752	59	1,811	1,733 ⁶	22,557	61 ⁴	–	3 ⁵	64	1,875

Notes:

1. The average annual consumption has been calculated between years 2010-13.
2. Recycled water only.
3. Westernport Water does not provide recycled stormwater.
4. This is unaccounted for water.
5. Includes known water loss, mains break and system maintenance.
6. Average has been calculated between years 2011-14.

Water quality

Water quality performance against target 2013-14

Water quality indicator	2013-14 Actual	2013-14 Target	Target met	2012-13	2011-12	2010-11	2009-10	2008-09
E. coli (% samples containing zero organisms per 100 ML)	100%	>98.00% ¹	Yes	100.00%	100.00%	99.17%	99.18%	100.00%
Turbidity (NTU)	100%	>95.00% ²	Yes	100.00%	99.80%	99.80%	100.00%	99.62%
Aluminium (mg/L)	100%	100.00%	Yes	100.00%	99.16%	97.50%	100.00%	100.00%
Trihalomethanes (ug/L)	100%	100.00%	Yes	100.00%	100.00%	99.17%	99.18%	100.00%

Notes:

1. Target is derived from the *Safe Drinking Water Regulations 2005*, which states "at least 98 percent 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 percent 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 shown table. 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.

Westernport Water was found to be fully compliant with the *Safe Drinking Water Act 2003* and subsequent regulations. A regulatory audit administered by the Department of Health, conducted by a certified auditor on the water quality management system, found six opportunities for improvement. These opportunities have been assessed and changes made where necessary.

The filling of the newly enlarged Candowie Reservoir led to an increase in water taste and odour complaints. As the surrounding soils were inundated for the first time, nutrient rich material was released and resulted in multiple blue-green algal blooms. Unfortunately, taste and odour compounds made their way into the drinking water system. Though customers' drinking water was safe throughout, the odour and taste of the water was unpleasant for a short time. Process improvements have been identified to prevent re-occurrences of this event.

One of the best examples of process improvement in 2013-14 was the creation of a taste and smell testing panel. Panel members identify characteristics that help operators determine effective dose rates for removal of taste and odour compounds. The panel will continue throughout the upcoming summer period when the risk of taste and odour are highest. Panel members also provide feedback on the taste and smell of their water at home. This improvement has been embedded in operational procedures and has been integral to mitigating taste and odour complaints.

Water supply and demand

Westernport Water's Water Supply Demand Strategy (WSDS) was last updated in 2012. Key components include the upgrade to Candowie Reservoir, accessing water from the Bass River and connection to the metropolitan supply system. This metropolitan connection provides the ultimate water supply business continuity in the event of extreme droughts or a catastrophic failure at Candowie Reservoir. Southern Rural Water has extended the Corporation's groundwater licence through to June 2016 and remaining works to secure groundwater pumping sites will be completed in 2014-15.

Integrated water cycle management

A funding submission to the OLV was successful and the Corporation commenced an investigation into Integrated Water Cycle Management (IWCM) for the San Remo area. This investigation was a joint project with the Bass Coast Shire Council and was undertaken with the support and involvement of the OLV. The final report is expected in July 2014 and will provide the springboard for future strategies.

Water supply outlook

As part of the monitoring of the water supply sources, Westernport Water publishes annually prior to the peak demand summer season a "Water Supply Outlook". This outlook provides stakeholders and customers with: indications on the current and expected reservoir levels, a seasonal rainfall outlook for a six-month period, the current status of the drought response, current and expected water demand, water storage forecasts, supply indicators, and future actions for monitoring the water supply demand strategy and drought response plans. Westernport Water is pleased to report no drought response plans were invoked during this year as there was sufficient water available in Candowie Reservoir.



Optimising our water sources

Due to the upgrade of Candowie Reservoir, officially opened 30 August 2013, the reservoir now holds 4,463ML of water which has significantly altered the operation of the dam and drought response of the Corporation. A contract was awarded to consulting engineers GHD Pty Ltd to provide new operation procedures for the Reservoir. These procedures seek to optimise the use of the multiple sources of water now available including Tennent Creek, Bass River, Corinella bores and the metropolitan pool supply ensuring the most cost-effective and efficient water supply option. The operating procedures and resulting report provide clear guidance and an understanding on trigger points to ensure the most efficient operation. The report also adjusted the drought restriction curves for the Reservoir based on the revised volume and a 90 percent reliability of the water supply system.

Dam safety report 2013-14

Westernport Water owns and operates the Candowie Reservoir as an urban water supply dam and incorporates all dam safety requirements according to the Australian National Committee on Large Dams (ANCOLD) guidelines as required by the SoO administered by the DEPI. The annual dam safety report was submitted to the Minister for Water on 30 June 2014. An assessment and inspection of the enlarged dam was undertaken as part of dam safety due diligence.

Bulk entitlements

The standard reporting template for Westernport Water for its three bulk entitlements for Westernport Tennent Creek, Bass River and the Melbourne Headworks System is shown in the next table. There were two changes to bulk entitlements through the year as detailed here.

Bass River bulk entitlement

There were no changes to this bulk entitlement (BE). Westernport Water complied with all BE conditions and requirements including metering and environmental programs and due to the spring rains in late 2013 the Bass River pump station was not required after August. As a result of the Candowie Reservoir upgrade and the requirement to reduce water levels in the Reservoir during construction, the pump station was started on 1 July 2013 and pumped 558ML from the Bass River. Later, excellent rainfall and runoff resulted in the pump station being turned off when the Reservoir reached 75 percent capacity on the 20 August 2013. Water quality was monitored and a minimum 40ML/day was maintained in Bass River as required under the BE.

Westernport Tennent Creek bulk entitlement

Westernport Water received a new BE on 1 July 2013, which includes a provision for environmental flows as a result of the Candowie Reservoir upgrade. The upgrade increased holding capacity from 2263ML to 4463ML.

New infrastructure was installed to meet the environmental flow requirements for Tennent Creek and operating arrangements are currently being developed with Melbourne Water to assign roles, responsibilities and help guide future communication. Releases from Candowie Reservoir were suspended from 1 July 2013 to test the integrity of the new dam wall. Due to above average spring rains, the Reservoir was overflowing from late October 2013 and there was no requirement to release environmental flow until early November 2013.

Environmental flows below Candowie Reservoir resumed on 17 June 2014. On 1 January 2014 a blue green algal outbreak occurred in Candowie Reservoir, the environmental flow was suspended until after the bloom had subsided. Melbourne Water as the catchment manager were notified and discussions were held to ascertain the next steps for resuming the environmental flow. The suspension avoided the potential of algal growth downstream of the dam wall.

Melbourne Headwork's System bulk entitlement

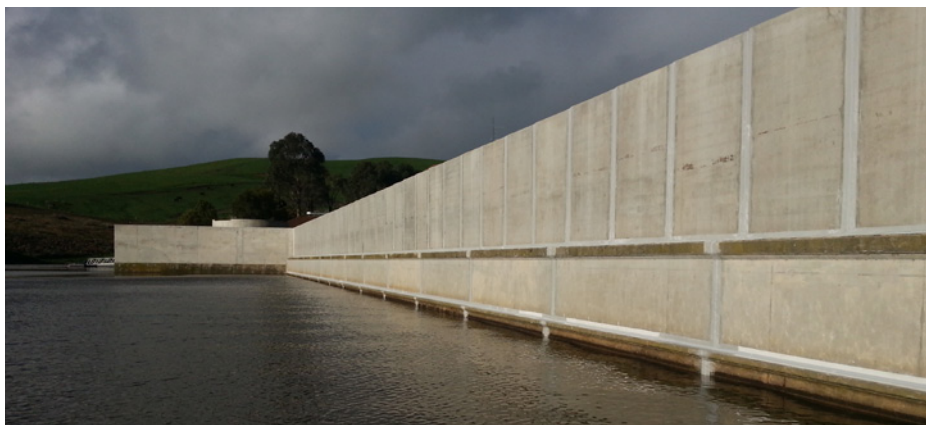
Westernport Water complied with all conditions and requirements for this BE including the metering program as no water entitlement was used. The construction of the connection to the Melbourne Headwork's System has commenced and commissioning will occur during 2014-15.

In consultation with the OLV, Melbourne Water and other BE holders in the Melbourne system discussed reforming the metropolitan bulk water supply to provide a better wholesale water market that supports efficient water use across the system. Westernport Water has applied to the Minister for Water to revoke the current BE and has applied for a new BE in the Greater Yarra River – Thompson River Pool system. The Minister for Water granted this new BE, effective from 1 July 2014.

Water extraction bore licence

In June 2010, Southern Rural Water issued a licence (*BEE050528*) to allow Westernport Water to take and use water from the groundwater source in the Corinella Aquifer for urban water supply. The licence entitles Westernport Water to take and use the groundwater up to a limit of 490ML per year. The licence was renewed on 1 July 2013 for a further three years until 30 June 2016.

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. These bores and several surrounding observation bores were monitored during the year to assess salinity and sea water intrusion into the bore field. The bores were used for testing to observe the effect on the draw down and impacts on surrounding bores. The total water pumped this year from the bores for testing was 20.95ML. This data was presented in a report by consulting engineers, Sinclair Knight Merz, to the groundwater authority (Southern Rural Water).



Enlarged Dam Wall – Candowie Reservoir

Bulk Entitlement

BE (Westernport)			14.1(a)	14.1(ab)	14.1(b)	14.1(c)	14.1(ca)	14.1(d)
System	Storages	Bulk entitlement ML/year	Max. rate of extraction ML/day	Daily flow to environment ML/day	Water storages ML ¹	Amount taken ML/y ²	Annual environment flow ML	Amendment of programs
Tennent Creek	Candowie Reservoir	2911	11.7	5.0, winter 0.1, summer 7.5, fresh	3,417	1,199	72.76 ⁶ 958.39 ⁷	New environmental meter
			14.1(e)	14.1(f)	14.1(g)	14.1(h)	14.1(i)	14.1(j)
			Entitlement transfer from	Entitlement transfer to	Entitlement amendment	New entitlement	Failure to comply	Difficulties and remedial actions
			Nil	Nil	Nil	No	Yes, see notes under BE	Nil
BE (Westernport – Bass River)			11.1(a)	11.1(b)	11.1(c)	11.1(d)	11.1(e)	11.1(f)
			Amount of water taken daily	Daily flow in waterway ⁴	Amendment of programs	Amount Taken ML/y ²	Entitlement transfer from	Entitlement transfer to
Bass River		3000	14.0	Yes	Nil	558	Nil	Nil
			11.1(g)	11.1(h)	11.1(i)	11.1(j)		
			Entitlement amendment	New Entitlement	Failure to comply	Difficulties and remedial actions		
			Nil	No	Nil	Nil		
BE (Melbourne Headworks System – Westernport Water) ³			13.1(a)	13.1(b)	13.1(c)	13.1(d)	13.1(e)	13.1(f)
			Amount taken ML/y	Amendment of programs	Restrictions period & degree	Entitlement transfer from	Entitlement amendment ³	New Entitlement
Melbourne Headworks System		1000	Nil	Nil	Nil	Nil	Nil	Nil
			13.1(g)	13.1(h)				
			Failure to comply	Difficulties and remedial actions				
			No	This BE commenced on 1 July 2012 and connection point is under construction due to be finalised ready for operation next year.				

Notes:

- (1) Water storage level at 30 June 2014.
- (2) Annual amount of water taken in ML demand of system.
- (3) New BE 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 40ML/d during any extraction periods.
- (5) All BEs service entire region.
- (6) Environmental Flow released through the environmental flow pipeline.
- (7) Flow that was spilled into Tennent Creek below Candowie Reservoir.

Major non-residential water users

The Corporation had no major non-residential customers consuming greater than 200ML in 2013-14.

Environment and Social Sustainability



Phillip Island Community Orchard

Sustainable water use

Westernport Water supports integrated and sustainable use of water resources. Recently an options study was undertaken to investigate ways to meet urban growth needs, build stronger inter-agency relationships within the region, enhance community awareness, and promote education and engagement on integrated water management issues.

OLV – San Remo Integrated Water Cycle Management Project

Westernport Water is partnering with the Bass Coast Shire Council to investigate whole-of-water-cycle approaches for the provision of water and wastewater services to meet the future growth in San Remo area. Funding has enabled the Corporation to systematically assess potential innovative and integrated water solutions that take into account local conditions. The options will provide stakeholders with various solutions to meet future demands and address continued growth and development in the residential sector. Through extensive community consultation the partners will further explore the options and develop a future needs model that also contributes to the liveability of this environmentally sensitive coastal area.

The total funding commitment for integrative water cycle management initiatives in the San Remo area is \$159,754 and the project will be completed by 30 June 2015.

Integrated Water Reference Group

Recognising that an integrated approach to the planning and management of water and wastewater services requires a multi-agency effort, Westernport Water has established an Integrated Water Reference Group (IWRG) with the Bass Coast Shire Council. The IWRG meet on a quarterly basis to discuss integrated water management issues and engage with other agencies and local industries.

Water recycling

One of the ways Westernport Water plans to secure water supplies for future generations is by relieving pressures on drinking water supplies through greater use of recycled water for non-drinking purposes. Class-A recycled water provides an alternative, reliable, fit-for-purpose water source that can be 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 nutrient loads from wastewater that would have been discharged into

Bass Strait. Recycled water provides commercial customers with water security and is regularly tested to ensure it meets the strict water quality requirements set by the Department of Health and EPA Victoria.

Producing recycled water since August 2012, the class-A recycled water treatment plant supplies new dual pipe estates in the Cowes and Ventnor localities. Less class-A recycled water was used than 2012-13 due to higher rainfall in November and December, which reduced the irrigation demand for these months. This year 69.5ML of class-A recycled water was used by customers and around the treatment plant facility compared to 78.6ML the previous year.

Agricultural and commercial customers currently account for the majority of consumption of class-A. This year an additional 60 residential recycled water connections were made which will increase usage of recycled water uptake in future years.

The Phillip Island Community Orchard located at Wimbledon Heights showcases to the community the benefits of using recycled water for raw food production. The site also serves as an educational space demonstrating sustainable practices and the safe uses of fit-for-purpose recycled water.

Overall, for both of the Corporations wastewater treatment plants, around 17.5 percent of the wastewater treated was reused; this is similar to volumes reported in 2012-13 of 17.7 percent. Recycled water will increase in future through the establishment of irrigation infrastructure to water plantation eucalyptus trees at CWWTP. The Westernport Water project will use fit-for-purpose, recycled water with the aim of reducing a further 50ML to 70ML of wastewater discharged to Bass Strait in 2014-15.

Water conservation

Changing water behaviours

In 2013-14, Westernport Water actively promoted a number of programs aimed at changing behaviour and educating the community on sensible water use. Programs included installation of efficient showerhead and trigger nozzles, water audits, water tours, and educational programs that focused on not only drinking water but 'right water' campaign messaging. Additionally, the Corporation supported many sustainability events and environmental awards. This year, recycled water as an alternative water source when used safely, featured strongly as the Corporation installed new recycled water signs at the entrances to all new subdivisions serviced with recycled water.

Permanent water saving rules

The installation of new Permanent Water Saving Rules (PWSR) signs across the entire service area during summer was a friendly reminder about the sensible use of water and that the region is operating under PWSR. A common set of easy to remember, ongoing rules remain in place across Westernport Water's entire service area to guide the efficient use of drinking water.

Water restrictions and By-law 105

Introduced to promote the efficient use and conservation of drinking water, *Water Restriction By-law 105* sets out the four stages of restrictions and specifies what must not be done at each restriction stage.

This By-Law 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.

Sustainable and resilient water service systems

Community Orchard



Westernport Water has partnered with the community to establish a community orchard and garden on Phillip Island. Initially phase one of the project involved siting and planting 60 fruit trees, 50 bush tucker plants and 500 native species. It is a project to share, inspire and educate the local community, connecting people and organisations. Funding support came from the Bass Coast Shire Council and the Foundation for Rural and Regional Development. The project aligns with the Victorian Government's Living Victoria policy.

Education

Educating the community about the various sources of water in the local area remained a focus for Westernport Water in 2013-14. Opportunities for water-related learning were provided to local schools through field visits, excursions, workshops, and events such as World Environment Day, National Water Week and sustainability expos. One program introduced the urban water cycle with a focus on wastewater and recycled water to primary school students. Themed 'down the drain to use again', the program used talks and tours to link everyday water use and recycling and its impacts on the environment and the wastewater system. The activity raised community awareness of recycled water and provided

the children with an understanding on how technology and the right water can relieve pressures on natural resources.

During National Water Week 2013, Westernport Water provided local schools with an opportunity to visit the CWWTP. In addition to the tours, students also participated in National Water Week's poster competition. Entries showed a strong awareness of water conservation and local water issues that were important to the local children.

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

- a workshop for installing drip irrigation
- gardening with recycled water workshop
- practical sustainability seminars
- Landcare Annual Awards incorporating Urban Landcare garden tours
- indigenous plantings workshop and an organic gardening field day
- several community planting days
- redesign your garden workshop
- a plumbers forum.

ResourceSmart AuSSI Vic

ResourceSmart AuSSI Vic is a State-wide initiative that assists secondary and primary schools to reduce their resource consumption and increase their biodiversity. Currently, four out of seven schools across the Westernport Water service area have begun their resource smart journey. The schools are implementing actions in specific resource areas including biodiversity, energy, waste and water. The program is designed to build on existing achievements and generate high participation by students, staff, the wider school community, and environment community groups.

Schools Water Efficiency Program

The Schools Water Efficiency Program provides students and teachers with access to data via a web platform where they can analyse their water consumption and start to be smarter about water use and sustainability. The platform helps schools identify unexpected leaks and faulty appliances. Westernport Water is proud to report five out of seven schools in its supply district are currently benefiting from live monitoring and thousands of litres of water losses have been identified.

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.

Although Westernport Water does not have major commercial customers consuming over 200 ML per annum within their region, they have continued to undertake waterMAPs to assist non-residential customers who have applied for a water efficiency grant through the Small Business Grant Program to both help identify water efficiency opportunities and monitor outcomes of the grant projects.

Water efficiency results monitored from waterMAP's developed during 2013-14 collectively delivered a significant reduction in potable water use from 25.32 ML per annum down to 8.82 ML per annum. This resulted in a saving of approximately 65 per cent of potable water use. Initially the predicted water efficiencies equated to 9.88 ML per annum, however the actual savings totalled 16.51 ML (60 per cent increased improvement), predominantly due to one commercial customer tripling their predicted potable water savings.

Engaging with customers

Westernport Water chose to engage with the community in a number of effective ways in 2013-14 including the annual customer satisfaction survey, open days, public information days, water tours, practical workshops, and attendance at community meetings and events. Westernport Water also continued to engage with its customers via its Customer Consultative Panel and recycled water communities.

Other statutory obligations

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 local landholders for on-the-ground works for farm, land and waterway improvements
- engaged with Port Phillip and Westernport Catchment Management Authorities on the draft Regional Catchment Management Strategy
- planted 37,150 plants around Candowie Reservoir
- participated in a Gippsland regional forum to provide a regional response to development in water supply catchments by developing a regional policy.

Biodiversity

The Biodiversity Strategy 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 2013-14, Westernport Water continued to work with the Bass Coast Landcare Network to monitor biodiversity of the Corporation's managed lands. The assessment measures impacts of activities on the natural environment and the success the organisation's programs are having on the maintenance and improvement of biodiversity assets.

The Corporation's activities during 2013-14 to support biodiversity management included:

- identifying pest plant and animal priorities, and revegetation opportunities to improve biodiversity outcomes
- continued implementation of five-year bushland management plans focusing on pest and plant management, and biodiversity improvement through protection and improvement works
- phase three works for revegetation of the land surrounding Candowie Reservoir including the planting out and maintenance of 28 hectares of land with 37,150 plants and 20kg of seeds which meets net gain requirements resulting from the removal of vegetation and assists manage catchment run-off.

Candowie Reservoir revegetation

The growth of the 37,150 tube stocks planted at Candowie Reservoir has been impressive and survival rates were high. Direct application of 20kg of seeds, however, was less successful. The Bass Coast Landcare Network is unsure why, but extreme wet and then extreme dry weather can result in direct seeding projects not succeeding. Following the first round of revegetation monitoring, supplementary planting is scheduled for 2014-15. This project will see a great improvement in flora and fauna diversity and density at the Candowie property. It is anticipated that the revegetation works program will start to have a real impact on the biodiversity estimated at three years for birds and six years for other fauna species.



Victorian Waterway Management Strategy

The Victorian River Health Strategy was replaced with the Victorian Waterway Management Strategy in September 2013, the strategy is a Victorian Government State-wide initiative aimed at protecting and improving the health of the region's rivers and river ecosystems. In 2013-14, Westernport Water invested in works to downstream Tennent Creek as part of the annual Landcare Operational Plan. Grant funding will be used to address weed management in a significant strand of remnant vegetation downstream from the Candowie Reservoir spillway on Westernport Water land, as well as continue to address wallaby grazing on new native vegetation plantations along Salt Water Creek within the Phillip Island Wildlife Corridor.

Westernport Water is required to meet environmental conditions within its BE for Tennent Creek and the Bass River. This is the first year Westernport Water has provided environmental flow to Tennent Creek, downstream of the Candowie Reservoir dam wall. Water releases for this year totalled 72.76ML to enhance the river health downstream. An additional flow of 958.39ML was spilled from the Reservoir through the dam wall spillway.

Melbourne Water stream frontage program

Westernport Water was successful in gaining two Stream Frontage Management Program grants from Melbourne Water to assist with revegetation, and pest plant and animal protection along Salt Water Creek plus the lower reaches of Tennent Creek. The Tennent Creek project has been successful with the Saltwater Creek submission still pending. The Bass Coast Landcare Network facilitated the development of these projects, value adding to the operational plan partnership.

State Environment Protection Policy (Waters of Victoria)

Westernport Water has commissioned annual marine studies to assess the impact of its discharge from the CWWTP to Bass Strait. The marine study covers toxicity testing, discharge water quality analysis and marine surveys. It will assist Westernport Water to establish a mixing zone to meet compliance with the government's State Environment Protection Policy – Waters of Victoria.

Victoria urban stormwater

The Bass Coast Integrated Water Reference Group established in May 2014 will examine best practice environmental management for urban stormwater, in line with Victorian urban Stormwater: Best Practice Environmental Management Guidelines..

Waterways and bays

The Victorian Government's Healthy Waterways Strategy outlines to organisations the value of protecting waterways and bays. Westernport Water works with regional partners and Melbourne Water on projects and programs that enhance and protect waterway values. One such project is along Salt Water Creek, which looks at pest plant and animal pressures on native revegetation plantings, this area is of significant importance to the Island and is part of the Phillip Island Wildlife Corridor.

As part of the OLV San Remo options study, Westernport Water will look at best practice stormwater treatment and harvesting options to meet local water needs for garden and open space watering. This is to address the expected enhanced impact of nutrient loads as a result of planned urban development in the San Remo area.

Central Region Sustainable Water Strategy

The Central Region Sustainable Water Strategy (CRSWS) guides Westernport Water on 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.

In order to implement the CRSWS at a local level, the following actions have been completed or remain ongoing:

- the application of permanent water saving rules
- water conservation programs
- promotion of Small Business Grants
- administration of the water rebate program.

Environmental Protection and Biodiversity Conservation Act 1999

There were no referrals made during this reporting year.

Pest plants and animals

Through its partnership with the Bass Coast Landcare Network, Westernport Water is working on 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 2013-14, the Corporation continued its program of 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.

Cultural heritage management plans

During the reporting period, the Corporation did not make any works applications to Aboriginal Affairs Victoria.

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:

- three breaches of the maximum daily flow volumes from the CWWTP, due to severe wet weather events in 2013
- the annual mean flow licence volume discharge limit of 2.5 ML was exceeded and will be addressed through an EPA licence amended at the completion of the CWWTP upgrade.
- three wet weather sewer spills during the 2013-14 period
- three dry weather sewer spills with two a result of minor infrastructure malfunction and one as a result of planned contractor maintenance of the sewer system.
- five odour complaints were lodged with EPA Victoria in January and February 2014 from the sewer pump station in Church Street, Cowes
- 15 complaints from community members in relation to odour.

The CWWTP breached the maximum daily discharge condition under its EPA Victoria licence due to severe wet weather in August, September and November 2013. During these wet weather events, additional samples were collected that showed water quality remained within licence limits. This licence non-compliance is being addressed through the CWWTP upgrade project set out for Water Plan 3 (2014-2019). The upgrade will give Westernport Water more flexibility to better manage storm water inflows during any future wet weather events. It will also improve nutrient removal, reducing the environmental impact to Bass Strait. These maximum daily breaches contributed to the breach of the annual median licence limit of 2.5 ML. An increase to annual mean limit will be addressed with EPA Victoria following the CWWTP upgrade.

In response to the odour complaints received in the Cowes area early in 2014, Westernport Water has installed an odour monitoring unit and is trialling a new chemical for odour management at the pump station. Further pump station upgrade plans are in place with works commencing in December 2014. Funds are being reserved in 2015-16 for installation of a new odour management unit should these existing measures fail to resolve odour issues.

Environmental management

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 recyclables
- separation of compost and true waste
- a reduction in emissions from the vehicle fleet
- making environmentally sound purchase decisions
- reporting on environmental performance.

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
- water consumption.

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

- annual performance monitoring against EPA Victoria's corporate licence, guidelines and regulatory requirements
- checking compliance with ESC service standards for sewer systems
- internal auditing of the EMS
- recording the number of environmental incidents
- against the Corporation's own aspects and impacts register.

Resource recovery and waste minimisation

Biosolids management

Westernport Water's Regional Environmental Improvement Plan (EIP) for biosolids management was approved by EPA Victoria and the Corporation has completed its first trial application of biosolids to private agricultural land on Phillip Island. The biosolids, a by-product from the wastewater treatment process, provide a soil conditioner making nutrients and organic carbon available to improve crop yields and agricultural land. During 2013-14, the Corporation applied all of the available 559 dry tonnes (tested and validated) of stored biosolids.

The biosolids program includes careful monitoring of contaminants and nutrients in the biosolids, and the application site's background soil condition. This is to ensure there is no overloading that could cause a detrimental impact to the environment. Following biosolids application, site soil tests were undertaken. Further pasture feed tests are planned to measure the benefits to crop yields. These will also assist in assessing the long-term sustainability of the reuse scheme.

Office-based environmental impacts

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

Energy

The following table identifies the amount of energy used within the corporate office building during 2012-13 and 2013-14. The significant decrease in electricity consumption during the period can be attributed to the virtualization of IT infrastructure components which reduced the energy demand from the main office IT server.

Indicator	2013-14			2012-13		
	Electricity	Natural gas	Green power	Electricity	Natural gas	Green power
Total energy usage segmented by primary source (MJ)	735,127 ¹	–	–	828,000	–	–
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO ₂ e)	240	–	–	274	–	–
Percentage of electricity purchased as green power	0	–	–	0	–	–
Units of energy used per FTE (MJ/FTE)	10,685	–	–	12,211	–	–
Units of energy used per unit of office area (MJ/m ²)	758	–	–	854	–	–

Notes:

(1) During 2013-14, some IT infrastructure components were made virtual, reducing energy demand from the IT server room.

Waste

The waste generated by processes within the Corporation is divided into three general classes: landfill, compost and recycling. A recycling system was implemented in 2010-11, with most regional sites now covered. This program facilitates the easy segregation of waste materials in the Corporation's offices for recycling, composting or landfill.

Indicator	2013-14			2012-13		
	Landfill	Commingled recycling	Compost	Landfill	Commingled recycling	Compost
Total units of waste disposed of by destination (kg/yr) ¹	8810	3400	26	8810	4740	–
Units of waste disposed of per FTE by destinations (kg/FTE)	128	49	.4	130	70	–
Recycling rate (percentage of total waste)	–	–	38.5	–	–	34
Greenhouse gas emissions associated with waste disposal (t CO ₂ e)	–	–	158	–	–	158

Notes:

(1) Waste volumes remain consistent due to the methodology of determination of volume, which is based on volume of waste receptacles by the number of times empties during the period.

Paper

The Corporation is becoming more efficient in relation to paper use. A printer rationalisation program commenced during the reporting period which provided additional reductions in consumption.

Indicator	2013-14	2012-13
Total units of copy paper used (reams)	333 ¹	363
Units of copy paper used per FTE (reams/FTE)	4.8	5
Percentage of 50 75% recycled content copy paper purchased	100	100

Notes:

(1) A reduction in paper usage as the impacts of the printer rationalization were realised.



Water

The data in the next table is based on water meter readings from the administrative corporate office site. The increase in water consumption at the site during the 2013-14 periods is the result of 2 separate water internal pipe leaks, which have been rectified.

Indicator	2013-14	2012-13
Units of metered water consumed in offices per FTE (kilolitres/FTE)	38.89	21.61 ¹
Units of metered water consumed in offices per unit of office area (kilolitres/m ²)	2.76	1.51

Notes:

(1) This figure has been amended due to a reporting error.

Transport

The Department's fleet comprises 34 vehicles, 88 percent of which are operational vehicles, and the remainder are pool vehicles.

Operational vehicles	2013-14	2012-13
Total energy consumption by vehicles (MJ)	2,962,768	2,822,380
Total vehicle travel associated with entity operations (km)	593,097	548,227
Total distance travelled by aeroplane (km)	19,862	18,022

Greenhouse gas emissions and net energy consumption

The Corporation consumes energy for a number of different uses: office facilities (3.7 percent), wastewater treatment plants (65 percent), water treatment plant (24 percent), and other uses such as remote pumping stations.

Greenhouse gas emissions (GGE) during 2013-14 increased by three percent from the previous year, but stayed below the annual target of 6500 t CO₂-e. The increase in GGE emissions can mainly be attributed to increased wastewater pumping during the year (both treatment plants received 13 percent more additional waste loads in 2013-14 compared with 2012-13, as well as being subject to wet weather pressures).

Greenhouse Gas Emissions (GGE)							
	Note	2013-14	% difference	2012-13	2011-12	2010-11	2009-10
Vehicle fleet (t CO ₂ -e)		221	3%	216	215	234	233
Wastewater treatment (t CO ₂ -e)	1	4230	12%	3,779	4,681	2,614	2,187
Water supply & treatment (t CO ₂ -e)	2	1599	-13%	1,832	1,849	1,253	1,665
Waste disposal (new) (t CCO ₂ -e)		158	0%	158	181	143	n/a
Other (t CO ₂ -e) ⁵	3	246	-12%	274	355	243	232
Total (t CO ₂ -e)		6455	3%	6,260	7,280	4,487	4,317
Offsets purchased (new)		0	-	0	0	0	n/a
Net Energy Consumption (kWh/ML)							
Sewerage Treatment	4	1922	-5%	2013	1887	1482	1581
Water supply	5	789	-10%	871	925	565	757

Notes:

(1) Increase in wastewater treatment due wet weather pressures and increased pumping associated with increased flows.

(2) Decrease due to lower demand for water during the cooler summer.

(3) Decrease in energy consumption in office due to the redundancy of large scale localised IT infrastructure.

(4) Decrease in net energy consumption per ML of Sewerage Treated due to pumping optimisations.

(5) Decrease in net energy consumption per ML of Water Supply due to reduced chlorine injection throughout the network, as a result of a change to Chloramination.

Social Sustainability

Value of community service obligation provided

	Notes	2013-14 (\$)	2012-13 (\$)	2011-12 (\$)
Concessions to pensioners	5	646,701	606,125	578,944
Rebates for not-for-profit organisations under the water and sewerage rebate scheme		26,585	25,350	24,960
Utility relief grant scheme payments		15,824	14,764	9913
Water concession for life-support machines		0	0	0
*Living Victoria Rebate Program – Small Business	1	28,448	14,543	7000
*Living Victoria Rebate Program – Residential	2	9,370	13,600	9640
*Small business water conservation grants	3	5,000	35,458	2224
Industry and community sponsorship including exchange programs and in-kind support	4	49,092	57,430	53,832
Total community service obligation provided	5	791,020	746,235	689,638

Notes:

- (1) A direct result of the local area promotion of the programs.
- (2) Customer focus has changed from larger claims to smaller claims for water efficiency.
- (3) Small business grant program was concluded at the end of December 2013.
- (4) Total sponsorship has decreased by \$7000 through the reduction of industry sponsorship, however, the value of community support is consistent with the previous year.
- (5) The Corporation has been working closer with its customers to identify unregistered concession card holders.

Small business grants help industry

Small Business Grants continued to help local industry invest in water saving measures. Grants of up to \$5,000 were available to small businesses that could increase water efficiencies, reduce water waste and improve sustainability. The Corporation supported one additional small business project and continue to monitor three projects that are currently under construction. Potable water savings from these four small business grant recipients is estimated at approximately 7ML per annum. For a full list grants and transfer of payments refer to p.5.

Rebate programs

The Victorian Government's commitment to water efficiency via the Living Victoria Water Rebate Program has enabled Westernport Water's customers to purchase and install water efficient products that reduce water consumption. Throughout the year eligible residential customers received \$9,370 and small business received \$28,448 to help improve water efficiency.

Customer assistance programs

Westernport Water offers a range of assistance programs to customers experiencing financial difficulties. The Corporation works with people to identify appropriate solutions to meet their specific circumstances, such as alternative payment arrangements or helping customers with the paperwork necessary to gain access to government concessions and financial assistance programs.

Westernport Water's high water usage policy is available for customers who experience a sudden increase in their charges 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, Westernport Water provides free access to a telephone interpreter service. This ensures it can effectively assist non-English speaking customers with their water and wastewater product and service enquiries.



World Environment Day tree planting

Learning opportunities for the community

Westernport Water has partnered with local secondary colleges to offer student work placement. Workplace learning involves students in structured, on-the-job training during which they develop a designated set of skills and competencies related to courses accredited by the Victorian Qualifications Authority. One student is currently enrolled in the Victorian Certificate of Applied Learning (VCAL) program at Westernport Water and is undertaking a rotation throughout its business departments to gain the valuable skills required to achieve the VCAL qualification.

An internship was also provided to a civil engineer and Monash University student, through Professional Pathways Australia who assisted with assessing Candowie Reservoir water quality implications arising from the recent upgrade, and also assisted with building processes to manage water quality challenges.

Scholarship

This year, Westernport Water awarded a local engineering student studying at Monash University, a scholarship which includes a contribution to university fees and three months' employment each year for three years. It also includes one-year guaranteed employment upon the successful completion of his course.

Engaging and empowering the community

Representing the interests of water users the Customer Consultative Panel (CCP) provides valuable feedback on a wide range of strategic and operational matters, providing insight on customer needs and influencing decisions for the best possible outcomes for the community.

CCP members represent a cross-section of the community and geographic segments, including permanent, non-permanent residents and commercial customers. This year the CCP was consulted with on:

- policies such as the Customer Charter review, CCP Charter, hardship and water quality
- major projects including the Candowie Reservoir upgrade, biosolids management and billing changes
- community activities such as the establishment of the Phillip Island community orchard and water education
- feedback on the effectiveness of the Corporation's communications, products and services.

CCP members during the reporting period were: Neil Beddoe (Chairman 17 May 2013 – current), David Pearson (Deputy Chairman to 20 June 2014), Edgar Runge, Glenda Salter, Ian Samuel, Pam Lamaro, Phil Dixon and Linda Cuttriss. There are currently two vacancies on the Panel and new members will be appointed during 2014-15.

Customer satisfaction

Completed in October 2013, this is the eleventh consecutive year Westernport Water has conducted a customer satisfaction survey to provide feedback and statistical evidence of its performance from a customer perspective.

The survey measures ten aspects of service delivery related to customer satisfaction.

Overall, 93 percent of customers were satisfied with the service compared to 94 percent in the previous year. 28 percent of customers were very satisfied with the service compared to 27 percent last survey.

Pleasingly, since the survey commenced the proportion of very satisfied customers has been increasing by an average of 0.7 percent per annum, while the proportion of dissatisfied customers has been decreasing by 0.4 percent per annum.

This year the high performing areas where customers were satisfied or very satisfied were:

- wastewater services – 98% total satisfaction
- managing service interruptions – 98% total satisfaction
- water supply – 97% total satisfaction
- customer service – 93% total satisfaction
- management of the account – 92% total satisfaction
- provision of information – 92% total satisfaction.

According to customer suggestions the areas with the largest room for improvements are price and water quality, which is comparable with the responses from 2012-13).

Community support

Through a program of sponsorship, the Corporation has been able to support 38 community events and initiatives. Sponsorship applications that support the Corporation's strategic direction and demonstrate relevance to water, wastewater and conservation were viewed favourably, and those awarded covered education, sports and the environment.

This year 76 percent of the Corporation's sponsorship contribution to the local community was in the form of in-kind support through the provision of a mobile water trailer, establishment of a community billboard, creation of a community orchard, exchange programs, water-wise giveaways, water-related education activities, sustainability programs and community events.

To further encourage and promote the great work Westernport Water customers are doing for sustainability and water conservation, the Corporation invested 25 percent of its sponsorship allocation into partnership programs and awards. Partnership programs with Landcare have enabled a number of water and sustainability workshops and the Corporation also supported the Landcare sustainability awards for residential and commercial customers. Other recognition and award programs include the Savewater! industry awards, Bass Coast Super Pages environment award, and National Water Week awards. The remaining eight percent of sponsorship support was provided to not-for-profit community groups as a direct cash contribution.

Procurement

Disclosure of major contracts

Westernport Water did not award any major contracts (greater than \$10 million) during 2013-14.

Contracts awarded over \$1 million in 2013-14

Westernport Water award one contract over one million during 2013-14, details are provided in the table below.

Contracts	Description of works	Project (\$)
Simpson Constructions Pty Ltd	Cowes waste water treatment plant upgrade	1,821,320

Consultancy expenditure

The definition of consultancy was updated effective from 1 July 2013. Consequently, disclosures on the 2013-14 consultancy expenditure cannot be compared with previous year disclosures.

Details of consultancies over \$10,000

In 2013-14, there were nine consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2013-14 in relation to these consultancies is \$367,209 (excl. GST). Details of individual consultancies are outlined below:

Consultancies awarded 01 July 2013 to 30 June 2014

Consultant	Purpose of consultancy	Start date	End Date	Total approved project fee (\$) (ex GST)	Expenditure (\$) 2013-14 (ex GST)	Future expenditure (\$) (ex GST)
GHD Pty Ltd	Optimisation of water sources for Candowie Reservoir	10-01-2014	10-04-2014	10,581	10,581	0
Atma Environmental Pty Ltd	Biosolids Stockpile Assessment CWWTP	25-03-2014	29-04-2014	15,709	15,709	0
CEE Consultancy Pty Ltd	CWWTP Futures Functional Design – Capital Works	31-10-2013	02-05-2014	118,000	110,000	0
CEE Consultancy Pty Ltd	Ocean Outfall Study	01-04-2014	23-06-2014	33,636	33,636	0
Odysseus-Imc Pty Ltd	Asset criticality ratings	12-08-2013	20-12-2013	19,940	19,940	0
E2E Designlab Pty Ltd	San Remo Integrated Water Options Study	17-01-2014	30-06-2014	154,840	150,000	0
Telford Environment Consulting Services Pty Ltd	Class A plant audit	31-12-2013	11-12-2013	14,775	14,775	0

Consultancies awarded prior to 01 July 2013 with expenditure in 2013-14

Consultant	Start date	End Date	Total approved project fee (\$) (ex GST)	Expenditure (\$) 2013-14 (ex GST)	Future expenditure (\$) (ex GST)
Entura (Hydro Tasmania)	01-09-2011	30-08-2013	13,444	4,974	0
Ag Challenge	31-10-2012	2-04-2014	3,195	7,594	0

Notes:

- (1) CEE Consultancy, are regional based are utilised for regular consulting services.
- (2) E2E Designlab Pty Ltd were successful in an open tender to participate in the San Remo integrated water option study where Westernport Water was being sponsored by the OLV to complete this study.

Details of consultancies under \$10,000

In 2013-14, the total for the 12 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000, was \$40,033 (excl. GST).

Government advertising expenditure

Westernport Water did not undertake any campaigns with a media spend of \$150,000 or greater during the 2013-14 year.

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 comply with this principle in its business undertakings.

Freedom of information

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 Freedom of Information (FOI) for the period 01 July 2013 – 30 June 2014 was Vicki Connelly, Records Coordinator. A copy of the Act can be found at www.foi.vic.gov.au.

Making a FOI 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 \$26.50 will apply from 1 July 2013. 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
Email:
westport@westernportwater.com.au

During the reporting period there was one request for information under the FOI Act.

Further information regarding FOI or to lodge a request online visit www.foi.vic.gov.au

Statement of availability of other information

Other information required by the *Financial Management Act 1994*, but not specifically referred to in this report, 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*.

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

Energy & Water Ombudsman Victoria (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
GPO Box 469 Melbourne 3001
www.ewov.com.au

Compliance with the Carers Recognition Act 2012

The Carers Recognition Act came into effect on 1 July 2012 to support any customers or staff in a care relationship. The Act defines a carer as someone who provides care to another person, and includes carers under the age of 18. Care relationships also include those situations where a person is being cared for in a foster, kinship or permanent care arrangement. Carers can provide care for a person who:

- has a disability
- has a mental illness
- has an ongoing medical condition
- is an older person with care needs.

Westernport Water respects and supports our customers and our employees in care relationships by:

- promoting the principles of the Act to people in care relationships who receive our services and to the wider community, providing links to state government resource materials on our website;
- ensuring our staff have an awareness and understanding of the care relationship principles set out in the Act, by developing training to further progress staff awareness.
- providing flexible working arrangements and leave provisions to ensure that we comply with the statement of principles in the Act. The Corporation actively promotes the *Carers Recognition Act 2012*, within our workplace by including information on the organisation's internet site / online forums, and include web links to the Act and charter.

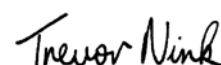
Compliance with the Data Vic Access Policy

Westernport Water has adopted the DataVic Access Policy, and made available its data. The Corporation has voluntarily supported a number of community and stakeholder initiatives by enabling access to data to support education and promote integrated water management within the municipality. A member of the public can make a request for data in writing to the Freedom of Information Officer at Westernport Water under the *FOI Act 1982*. Data will be made available unless access is restricted for reasons of privacy, public safety, security and law enforcement, public health and compliance with the law.

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
18 July 2014

Performance Report

for the Year Ended 30 June 2014

	2013 Result	2014 Result	2014 Target	Variance Prior Year %	Notes	Variance to Target %	Notes
Financial Performance Indicators							
Cash Interest Cover							
Cash Flow from Operations before Net Interest and Tax / Net Interest Payments	61.2	10.0	12.5	-83.7%	1	-20.0%	8
Gearing Ratio (%)							
Total Debt (Including Finance leases) / Total Assets x 100	3.6%	6.6%	6.9%	83.3%	2	-4.3%	
Internal Financial Ratio (%)							
(Net Operating Cash Flow – Dividends) / Capital Expenditure x 100	78.2%	47.6%	59.0%	-39.1%	3	-19.3%	9
Current Ratio							
Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.32	0.90	0.30	181.3%	4	200.0%	10
Return on Assets (%)							
Earnings before net interest and tax / average assets x 100	0.8%	1.0%	0.8%	25.0%	5	25.0%	11
Return on Equity (%)							
net profit after tax / average total equity x 100	0.6%	0.7%	0.5%	16.7%	6	40.0%	12
EBITDA Margin (%)							
Earnings before Interest Tax depreciation and Amortisation / Total Revenue x 100	31%	36%	35%	16.1%	7	2.9%	

Notes –

Variations Greater Than 10% to Prior Year:

- (1) Cash interest cover is lower due to increased borrowings which supported recent asset augmentation. Borrowings are not expected to reduce in 2014-15 but will in subsequent years.
- (2) The level of borrowings increased by 85 percent during the year allowing the Corporation to finalise the Candowie upgrade project.
- (3) Internal financing ratio decreased as the net operating cash flow was lower due to construction creditor payments (related to the Candowie Dam project) planned in 2012-13 not being paid until July 2013.
- (4) Current ratio improved as holdings of current assets increased (mainly cash) and lower current liabilities (mainly from lower creditors) which were abnormally high at 30 June 2013 due to the financing issues associated with the Candowie upgrade project as noted above.
- (5) Return on assets improved due in part to a higher profit and higher borrowing costs which are added back to the profit for this ratio.
- (6) Return on equity improved due to higher after tax result mainly from lower operating expenditure.

- (7) EBITDA margin improved from higher net earnings and higher interest expense which raises the earning before interest above the prior year.

Notes – Variations Greater Than 10% to Target:

- (8) Cash interest cover lower as the budget was based on a change from quarterly billing to monthly billing commencing in July 2013, bringing forward billing proceeds. The system functionality was not delivered in 2013-14 and 2014-15 planning has been based on quarterly billing whilst work proceeds on monthly billing capability.
- (9) Internal financing ratio was lower as the targeted net cash flows from operations included a one off revenue gain (Note 8 above) from the conversion of the billing system from quarterly to monthly billing.
- (10) Current ratio improved as the target assumed continuous billing would be implemented on 1 July 2013, but the current quarterly billing system was retained which generates a higher level of debtors at 30 June. Together with a higher level of cash as undrawn loans were fully drawn at 30 June 2014 increased the total current assets above the target.

- (11) Return on assets improved due to the above targeted net profit result for 2014.

- (12) Return on equity improved due to the above targeted net profit result for 2014 and lower average equity due to the correction of prior year error for tax effect accounting.

Financial Indicators:

Internal Financial Ratio – Low ratio indicates less operating cash available to fund the capital investment program.

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.

Performance Report (continued)

for the Year Ended 30 June 2014

	2012-13 Result	2013-14 Result	2013-14 Target	Variance to prior year %	Notes	Variance to Target %	Notes
Water and Sewerage Service Performance Indicators							
Unplanned Water Supply Interruptions							
No. of customers receiving > 1 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100.	7.2%	3%	8.4%	-58%	1	-64%	2
Interruption Time							
Average duration of unplanned water supply interruptions (minutes)	124.4	92.3	60	-26%	3	54%	4
Restoration of Unplanned Water Supply							
Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100.	97.3%	100%	100%	3%		0%	
Containment of sewer spills							
Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers.	100%	91%	100%	-9%	5	-9%	5
Sewer Spills Interruptions							
No. of residential sewerage customers affected by sewerage interruptions restored within five hours.	100%	86%	100%	-14%	6	-14%	6

Notes:

- (1),(2) A decline in the number of Priority 1 and 2 (P1 & P2) burst/leaks was due to the success of a water mains renewal program and a milder summer. In 2012-13, P1 & P2 burst/leaks were greater due to a high number of interruptions from the annual air scouring program.
- (3) Total minutes to restore unplanned interruption is less than reported in 2012-13 and to the target due to the decline in P1 & P2 burst/leaks. In 2012-13, six jobs interrupted a total of 2,099 customers for a total of 430,238 minutes. We have changed the air-scouring process to improve our performance for this indicator.
- (4) A single Priority 1 case accounts for 43 percent of the variance. A burst on the critical water main supply for Smiths Beach impacted the ability to meet target. Changes to the air-scouring process will address this performance indicator.
- (5) A decrease from the previous year and target was due to a number of wet weather spill events resulting in high inflow and infiltration, and a decrease in blockages from tree roots entering our infrastructure. This is getting addressed through our ongoing Preventative Maintenance Program, including closed-circuit television monitoring.
- (6) Three sewer spills into customer properties not contained within 5 hours during extreme wet weather events, resulting in a variance on previous year and target. A study has commenced on the sewer hydraulic system to identify operational and capital works to improve our capacity to accommodate high inflows.

Performance Report (continued)

for the Year Ended 30 June 2014

	2012-13 Result	2013-14 Result	2013-14 Target	Variance to prior year %	Notes	Variance to Target %	Notes
Customer Responsiveness Performance Indicators							
Water quality complaints No. of complaints per 100 customers.	0.10	0.56	0.25	460%	1	124%	1
Sewerage service quality complaints No. of complaints per 100 customers.	0	0	0.03	0%		-100%	2
Sewage odour complaints No. of complaints per 100 customers.	1.06	0.08	0.7	-92%	3	-89%	3
Billing complaints No. of complaints per 100 customers.	0.10	0.12	0.11	20%	4	9%	5

Notes:

- (1) The significant increase in complaints during 2013-14 was due to a system failure and blue green algae blooms during the same period, resulting in a variance on previous year and target. Process improvements have been implemented to address issues associated with taste and odour.
- (2) No sewerage service quality complaints were received due to the effectiveness of our preventative maintenance program.
- (3) Decrease in sewer odour complaints due to ongoing maintenance focus and installation of an odour control unit at the highest impacting sewerage pump station.
- (4) Billing complaints increased by three additional complaints compared to previous year. This is being addressed through the introduction of a new billing system.
- (5) Billing complaints increased by three additional complaints in 2013-14. The variance to target is being addressed through the implementation of a new billing system and increased training for customer support staff.

	2012-13 Result	2013-14 Result	2013-14 Target	Variance to prior year %	Notes	Variance to Target %	Notes
Environmental Performance Indicators							
Effluent reuse volume	17.70	17.50	18.50	-1%		-5%	1
Total net CO ₂ emissions Net tonnes CO ₂ equivalent	6,260	6,455	6,500	3%		-1%	

Notes:

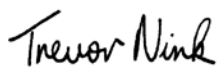
- (1) The target variance has a negative trend due to the wetter November and December months in 2013, limiting the irrigation demand from major reuse customers. The seasonal impact explains the variance and the Corporation has increased monitoring and implemented a marketing plan to increase recycled water usage.

Certification of Performance Report for 2013-14

We certify that the accompanying Performance Report of Westernport Region Water Corporation in respect of the 2013-14 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2013-14 Corporate Plan, the actual and comparative 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 and/or between the actual results in the current year and the previous year.

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
5 September 2014



Murray Jackson, Managing Director
5 September 2014

Dated this 5th day of September 2014.

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

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 2014 of the Westernport Region Water Corporation which comprises the performance report, 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 2014 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 2014 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
5 September 2014



John Doyle
Auditor-General

Financial Statements

	Page
Financial Statements	
Comprehensive Operating Statement	38
Balance Sheet	39
Cash Flow Statement	41
Statement of Changes in Equity	40
Notes to the Financial Report	
1 General information	42
1 Summary of significant accounting policies	42
2 Application of new and revised accounting standards	48
3 Critical accounting estimates and judgements	48
4 Correction of error	48
5 Revenue and expense disclosures	49
6 Income tax equivalents	51
7 Cash and cash equivalents	53
8 Receivables	53
9 Inventories	54
10 Biological assets	54
11 Property, plant and equipment	55
12 Intangible assets	59
13 Payables	59
14 Borrowings	60
15 Provisions	60
16 Contributed capital	61
17 Reserves	61
18 Accumulated funds	61
19 Financial instruments	62
20 Commitments for expenditure	67
21 Contingent assets and contingent liabilities	68
22 Superannuation and defined benefit plans	68
23 Responsible persons and executive officer disclosures	71
24 Notes to the cash flow statement	72
25 Remuneration of auditors	73
26 Subsequent events	73
27 Prior period error	74
Statutory certification	75
Appendices	
Accountable Officer's and Chief Finance and Accounting Officer's declaration	75
Auditor-General's report	76
Disclosure Index	79

Comprehensive Operating Statement

for the Financial Year ended 30 June 2014

	Notes	2014 \$'000	2013 Restated ⁽¹⁾ \$'000
Revenue			
Sales Revenue	5 (a)	18,402	17,877
Other Revenue	5 (a)	1,799	2,747
Total Revenue		20,201	20,624
Expenses			
Borrowing Expense	5 (b)	501	216
Depreciation and Amortisation Expenses	5 (b), 27	5,439	5,037
Employee Expenses	5 (b)	5,904	5,856
Repairs and Maintenance	5 (b)	753	784
Environmental Contributions	5 (b)	794	547
Impairment of Assets	5 (b)	–	230
Outsourced Services	5 (b)	3,262	4,648
Other	5 (b)	2,226	2,092
Total Expenses		18,879	19,410
Net Profit before Income Tax Equivalents Expense		1,322	1,214
Income Tax Equivalents Expense (benefit)	6 (a), 27	398	388
Net Profit after Income Tax Equivalents Expense	18	924	826
Other Comprehensive Income			
<i>Items that will not be reclassified to profit or loss</i>		–	–
Total Comprehensive Income for the Period		924	826

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

(1) The Corporation has restated the Comprehensive Operating Statement to correct errors as outlined in Notes 4 & 27.

Balance Sheet

as at 30 June 2014

	Notes	2014 \$'000	2013 Restated ⁽¹⁾ \$'000	1 July 2012 Restated ⁽²⁾ \$'000
Current Assets				
Cash and Cash Equivalents	1(d), 7	1,318	153	34
Receivables	1(d), 8	2,265	2,001	1,776
Inventories	1(d), 9	468	426	428
Prepayments		152	123	139
Biological Assets	10	50	48	82
Land Held for Sale	1(d), 11b	–	366	–
Total Current Assets		4,253	3,117	2,459
Non-current Assets				
Receivables	1(d), 8	88	92	111
Property, Plant and Equipment	11	173,727	174,642	166,713
Intangible Assets	12	2,206	2,065	1,862
Inventories	1(d), 9	–	65	100
Total Non-current Assets		176,021	176,864	168,786
Total Assets		180,274	179,981	171,245
Current Liabilities				
Payables	13	2,399	8,976	2,967
Borrowings	14	1,500	–	1,940
Provisions	15	1,336	1,293	1,123
Total Current Liabilities		5,235	10,269	6,030
Non-current Liabilities				
Payables		–	–	666
Borrowings	14	10,440	6,440	2,500
Provisions	15	207	202	193
Deferred Tax Liabilities	6, 27	23,990	23,592	23,204
Total Non-current Liabilities		34,637	30,234	26,563
Total Liabilities		39,872	40,503	32,593
Net Assets		140,402	139,478	138,652
Equity				
Contributions by Owners	16	51,323	51,323	51,323
Reserves	17	31,865	31,865	31,865
Accumulated Funds	18	57,214	56,290	55,464
Total Equity		140,402	139,478	138,652
Commitments for Expenditure	20			
Contingent Assets and Contingent Liabilities	21			

(1) The Corporation has corrected errors as outlined in Notes 4 & 27.

(2) The Corporation has restated the balance sheet as at 1 July 2012 to correct errors as outlined in Notes 4 & 27.

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

Statement of Changes in Equity

for the Financial Year ended 30 June 2014

	Notes	Accumulated Funds \$'000	Contributions by Owners \$'000	Reserves \$'000	Total Equity \$'000
Balance as at 1 July 2012 as Reported		64,092	51,323	31,865	147,280
Prior Period Adjustments					
Prior period contributed asset adjustment	27	644	–	–	644
Prior period tax effect accounting adjustment	27	(9,272)	–	–	(9,272)
Balance as at 1 July 2012 Restated		55,464	51,323	31,865	138,652
Net Profit after Income Tax Equivalents Expense (As Previously Reported)	27	1,234	–	–	1,234
Prior period adjustments					
Prior period depreciation adjustment	27	(20)	–	–	(20)
Prior period income tax expense adjustment	27	(388)	–	–	(388)
Net Profit after Income Tax Equivalents Expense (Restated)	18, 27	826	–	–	826
Balance as at 30 June 2013		56,290	51,323	31,865	139,478
Net Profit after Income Tax Equivalents Expense	18	924	–	–	924
Balance as at 30 June 2014		57,214	51,323	31,865	140,402

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

Cash Flow Statement

for the Financial Year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash Flows from Operating Activities			
Receipts from Customers		19,859	19,021
Receipts from Other Sources		71	205
Payments to Suppliers and Employees		(15,083)	(13,536)
GST Net Received		1,078	1,654
Interest Received		31	38
Interest Paid		(527)	(152)
Environmental Contributions		(976)	(365)
Net Cash Inflow from Operating Activities	24 (a)	4,453	6,865
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(9,352)	(8,782)
Proceeds from Sale of Property, Plant and Equipment		564	36
Net Cash (Outflow) from Investing Activities		(8,788)	(8,746)
Cash Flows from Financing Activities			
Proceeds from Borrowings		19,385	6,440
Repayment of Borrowings		(13,885)	(4,440)
Net Cash Inflow from Financing Activities		5,500	2,000
Net Increase (Decrease) in Cash and Cash Equivalents		1,165	119
Cash and Cash Equivalents at the Beginning of the Year		153	34
Cash and Cash Equivalents at the End of the Year	24 (b)	1,318	153

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 2014

Note 1. Significant Accounting Policies

1. (a) Basis of accounting

The financial report includes separate financial statements for Westernport Region Water Corporation (the Corporation) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity, 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 (AASB), 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 5 September 2014.

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. A number of comparative figures relating to the Comprehensive Operating Statement, Balance Sheet, Statement of Cash Flows and notes have been reclassified to align with current presentation and disclosure. This was considered to provide improved classification of the reported items.

Change in accounting policy

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. The Standard does not change when to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The Corporation has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and required no adjustment. The Corporation has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of the Corporation. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

AASB 119 Employee Benefits

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the Corporation is a member of a plan where the Funds assets and liabilities are pooled and not allocated to each employer, changes in defined benefit obligations and plan assets will have limited impact on the Corporation.

The revised Standard also changes the definition of short term employee benefits.

These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service. Short term employee benefits are now defined as benefits expected (permanent, not temporary timing of settlement) to be settled wholly (defined at the entity level not individual level) within twelve months after the end of the reporting period. As a result, accrued annual leave balances are now calculated on a discounted basis and will be classified as non-current liabilities in 2013-14.

Westernport Water has assessed annual leave patterns and determined the timing of employee benefit settlements match the criteria of having a permanent expectation of being wholly settled within twelve months. Accordingly, no change in disclosure between current and non-current liabilities has been applied from 2012-13 to 2013-14.

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 and certain classes of property, plant and equipment.

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 Corporation'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;
- impairment of assets;
- unearned revenue
- recognition of deferred tax assets and liabilities; and
- provisions

1. (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.

Developer contributions

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.

Developer contributed assets are recognised at fair value. Fair value is determination is based on a replacement cost matrix taking into account the asset type, materials used and other factors. The fair value of these assets are recognised as revenue in the accounts when the Corporation gains control of the assets.

Government grants and contributions

Government grants and contributions are recognised as revenue on receipt or when the Corporation 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.

1. (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.

Included in Borrowing Costs is the Financial Accommodation Levy (FAL) which is administered by the Department

of Treasury and Finance. The purpose of the FAL is to neutralise the competitive advantage of the Corporation having access to funding through Treasury Corporation Victoria.

All borrowing costs are recognised in the Comprehensive Operating Statement in the period in which they are incurred.

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 for impairment, 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 the last fair value assessment was conducted on 30 June 2011:

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

Note 1. Significant Accounting Policies (continued)

Employee benefits/costs

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

Environmental contributions

The *Water Industry (Environmental Contributions) Act 2004* amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply corporations. The Act establishes an obligation for authorities to pay into the consolidated fund annually in accordance with a pre-established schedule of payments, which sets out the amounts payable by the Corporation. This schedule has been set for the period 1 July 2012 to 30 June 2016.

This contribution is recognised as an expense during the reporting period, commitments for future periods are included in Note 20 Commitments for Expenditure.

The purpose for the environmental contribution is set out in the Act and the funding may be used for the purpose of financing initiatives that seek to promote the sustainable management of water or address water related activities.

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.

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.

Resources provided free of charge

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

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.

1. (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.

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 receivable may not be collected. 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.

Biological assets

Livestock are recognised as biological assets. These biological assets are measured at fair value less costs to sell and are revalued by a registered stock valuer at 30 June each year. If livestock is acquired near the end of the financial year and there is no change in biological transformation and there has been no change in the market, a livestock valuation may not be undertaken as the purchase price is deemed to be an equivalent of fair value.

The fair value is based on the amount that could be expected to be received from the disposal of livestock with similar attributes.

An increase or decrease in the fair value of the biological assets is recognised in the comprehensive operating statement as other economic flow.

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.

Rental 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 are evaluated in terms of being a component and a useful life of more than one year to determine recognition as an asset or being expensed through the profit and loss.

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) 103E Non-current Physical Assets.

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

Plant, equipment and motor vehicles are measured at fair value.

Water and wastewater infrastructure assets, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103E. 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 the sewage system.

The most recent fair value assessment for water and wastewater infrastructure was undertaken with involvement from VGV and under the instructions of DTF. The assessment was performed on a portfolio basis for various categories of water and wastewater infrastructures. Further detail of valuation is provided in Note 11.

iii. Revaluation of non-current physical assets

Revaluation increments are credited directly to equity in the asset 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 asset 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 de-recognition of the relevant asset.

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;
- biological assets;
- deferred tax assets;
- financial instrument assets;

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment based on objective evidence from historical default experience adjusted for conditions existing at balance date.

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.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. 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.

Note 1. Significant Accounting Policies (continued)

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.

1. (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.

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. When a provision is measured using the cash estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the effect of the time value of money is material.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as 'current liabilities', because the Corporation does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

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

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements 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:

- undiscounted value if the Corporation expects to wholly settle within 12 months; and
- present value if the Corporation does not expect to wholly settle within 12 months.

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Corporation recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

On-costs

Provisions for on costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

Performance payments

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

1. (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.

Asset revaluation reserve

The asset evaluation reserve recognises increments and decrements from asset revaluations of property, plant and equipment.

1. (g) Financial instruments

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the instrument.

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

Financial assets are classified into the following specified categories: financial assets 'at fair value through the Statement of Comprehensive Income', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The Corporation does not currently hold, nor is it likely to hold, any financial assets classified 'at fair value through the Statement of Comprehensive Income', 'held to maturity' investments, or 'available for sale'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 in the Balance Sheet. Loans and receivables are recorded at amortised cost less

impairment. Loans and receivables exclude statutory receivables.

iii. Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Impairment losses are recognised in the Comprehensive Operating Statement.

iv. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at Fair Value through the Statement of Comprehensive Income' or 'other financial liabilities'. Currently the Corporation does not, nor is it likely to, hold financial liabilities classified at fair value through the Statement of Comprehensive Income.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

1. (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 percent, 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.

1. (i) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed in Note 20 at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

1. (j) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed in Note 21 and, if quantifiable, are measured at nominal value. Contingent assets and liabilities when quantified are presented inclusive of GST receivable or payable respectively.

1. (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*. At the 30th June 2014 the Corporation had not received any advice it would be required to pay a dividend on the 2013-14 financial results. No dividend payment was required in respect to the 2012-13 financial results.

1. (l) Goods and services tax

Revenues, expenses and assets are recognised net of 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.

Note 1. Significant Accounting Policies (continued)

1. (m) Fair value measurement

Consistent with AASB 13 Fair Value Measurement, the Corporation determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, biological assets, financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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

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

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

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

Note 2. 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 2014 reporting period. As at 30 June 2014, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2014. The Corporation does not intend to adopt the standard earlier than the mandatory adoption date.

Australian Accounting Standard	Standard Interpretation	Effective Date	Impact on Financial Statements
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	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
AASB 2012-3 <i>Offsetting Financial Assets and Financial Liabilities</i>	The amendment to AASB 132 is to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	1 Jan 2014	The Corporation is still assessing the impact of this standard, but does not consider any significant impact on future financial statements.
AASB 2013-3 <i>Amendment to AASB 136</i>	The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 Jan 2014	The Corporation is yet to assess the full impact. It will apply the standard from the effective date.
AASB 2013-9 <i>Amendment to Conceptual Framework, Materiality and Financial Instruments</i>	This standard amends AASB [3,4,5,7,9,101,102,108,112,118,120,121,132,134,136,137,139,1023,1031,1038,1049,1052] and AAS 25. The Standard updates references to the <i>Framework for the Preparation and Presentation of Financial Statements</i> as a consequence of the issue of AASB CF 2013-1 in December 2013.	1 Jan 2017	The Corporation is yet to assess the full impact. It will apply the standard from the effective date.

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. Correction of Error

Deferred tax

A deferred tax liability has been recognised since the infrastructure revaluation on 30 June 2011. The liability did not reflect the tax effect of other temporary differences that can be offset against it, eg tax losses, provisions and tax values for property, plant and equipment. The financial statements for 2012 and 2013 should have reflected these amendments to the deferred tax liability in accordance with AASB 112 Income Taxes. Restatement is required to the deferred tax liability to the comparative figures with corresponding adjustments to Accumulated Funds from 1 July 2012 and income tax expense for 2013.

Developer contribution

The Corporation has identified a material omission from 2011-12 financial statements. A gifted asset contributed by a developer with a fair value of \$920,000 should have been reported as income at 30 June 2012. By recognising this gifted asset within these financial statements there is also an amendment to the 2012-13 financial statements for the depreciation charge omitted from those accounts.

Details of the full treatment of net deferred tax and the contributed asset are disclosed at Note 27.

Note 5. Revenue and Expense Disclosures

	2014 \$'000	2013 \$'000
(a) Revenue		
Sales revenue		
Service charges:		
Water	6,284	6,196
Waste	8,860	8,832
Other	66	61
Total service charges	15,210	15,089
Usage charges:		
Water	3,089	2,679
Other	46	38
Tradewaste	57	71
Total usage charges	3,192	2,788
Total sales revenue	18,402	17,877
Other revenue:		
Developer contributions:		
Headwork charges	506	792
Contributed assets – water	169	711
Contributed assets – waste	400	487
Total developer contributions	1,075	1,990
Government grants and funding	61	151
Interest earned – deposits and investments	31	33
Profit on disposal of property plant and equipment	139	(64)
Recoverable works	85	122
Miscellaneous	408	515
Total other revenue	1,799	2,747
Total revenue	20,201	20,624

Note 5. Revenue and Expense Disclosures (continued)

	2014 \$'000	2013 \$'000
(b) Expenses		
Borrowing costs	501	216
<i>Depreciation and amortisation expenses:</i>		
Buildings	36	66
Water infrastructure assets – refer Note 27	2,209	2,050
Wastewater infrastructure assets – refer Note 27	2,113	2,091
Infrastructure gas	6	6
Plant and equipment	654	620
Intangibles	421	204
Total	5,439	5,037
<i>Employee costs:</i>		
Annual leave benefits	289	306
Long service leave benefits	23	42
Superannuation contributions	427	494
Superannuation contributions – defined benefits	39	30
Other employee costs	5,126	4,984
Total	5,904	5,856
Repairs and maintenance	753	784
Environmental contribution	794	547
Impairment of assets	–	230
<i>Outsourced services:</i>		
Consultants	335	375
Contractors	2,561	3,853
Testing and sampling	290	377
Collection fees	76	43
Total	3,262	4,648
<i>Other expenses:</i>		
Computer expenses	327	262
Electricity	713	688
Training and travel	117	123
Bad and doubtful debts	13	8
Miscellaneous expenses	1,056	1,011
Total	2,226	2,092
Total expenses	18,879	19,410

Note 6. Income Tax Equivalents

	2014 \$'000	2013 ⁽¹⁾ \$'000
(a) Income tax recognised in the Comprehensive Operating Statement		
Current tax		
In respect to the current year	—	—
	—	—
Deferred tax		
In respect to the current year	398	388
	398	388
Total income tax expense recognised in the current year	398	388
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	1,322	1,214
Income tax equivalents calculated at 30% (2013: 30%)	397	364
Non-deductible expenses	1	24
Income tax as reported in the Comprehensive Operating Statement	398	388

The tax equivalent rate used in the reconciliations above is the national tax equivalent rate payable of 30 percent payable by Australian national tax equivalent entities on profits under Australian tax law.

There was no deferred tax recognised in other comprehensive income during the period.

As there is no tax payable from the current year trading result, there is no current tax equivalent asset or liability.

Gross cumulative tax equivalent losses at 30 June 2014 are \$8,539,087 (2013: \$8,214,759), tax effect, 2014 \$2,561,726, (2013: \$2,464,428).

(1) Refer Note 27.

Note 6. Income Tax Equivalents (continued)

	2014 \$'000	2013 \$'000			
(b) Net deferred tax balances					
Net deferred tax liabilities are presented in the balance sheet as follows:	23,990	23,592 ⁽¹⁾			
Taxable and deductible differences arise from the following:					
2014	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Other \$'000	Closing Balance \$'000
Deferred tax equivalent assets: ⁽¹⁾					
Provisions	983	66	–	–	1,049
Tax losses	2,465	97	–	–	2,562
Other	314	(184)	–	–	130
	3,762	(21)	–	–	3,741
Deferred tax equivalent liabilities:					
Receivables	(224)	157	–	–	(67)
Property, plant and equipment ⁽¹⁾	(27,119)	(508)	–	–	(27,627)
Intangibles	(9)	(28)	–	–	(37)
Other	(2)	2	–	–	–
	(27,354)	(377)	–	–	(27,731)
Net deferred tax equivalent (liabilities):	(23,592)	(398)	–	–	(23,990)
2013	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Other \$'000	Closing Balance \$'000
Deferred tax equivalent assets: ⁽¹⁾					
Provisions	489	494	–	–	983
Tax losses	2,784	(319)	–	–	2,465
Other	321	(7)	–	–	314
	3,594	168	–	–	3,762
Deferred tax equivalent liabilities: ⁽¹⁾					
Receivables	(176)	(48)	–	–	(224)
Property, plant and equipment	(26,621)	(498)	–	–	(27,119)
Intangibles	–	(9)	–	–	(9)
Other	(1)	(1)	–	–	(2)
	(26,798)	(556)	–	–	(27,354)
Net deferred tax equivalent (liabilities): ⁽¹⁾	(23,204)	(388)	–	–	(23,592)

(1) Refer Note 27.

Note 7. Cash and Cash Equivalents

	2014 \$'000	2013 \$'000
Cash at bank and on hand	1,318	153
Total	1,318	153

Note 8. Receivables

	2014 \$'000	2013 \$'000
Current		
Trade receivables	997	1,002
Unbilled water and sewerage income	1,135	745
Other receivables	349	480
Less allowance for impaired receivables	(216)	(226)
Total	2,265	2,001
Non-current		
Trade receivables	145	148
Less allowance for impaired trade receivables	(57)	(56)
	88	92
Total receivables	2,353	2,093

An ageing analysis of receivables is provided in Note 19 (c) Credit Risk.

Movement in allowance for impaired trade receivables.

Opening balance	282	313
Increase (decrease) in allowance	(9)	35
Amounts written off during the year	–	(66)
Closing balance	273	282

An allowance has been made for estimated unrecoverable amounts when there is objective evidence that an individual receivable is impaired. The movement in the allowance was recognised in the net result for the current year.

Note 9. Inventories

	2014 \$'000	2013 \$'000
Current		
Stores and consumables at cost	341	341
Chemicals	127	85
	468	426
Non-current		
Stores and consumables at cost	–	65
Total	468	491

For fair value the carrying value approximates the fair value as the inventory turns over with such frequency it reflects current replacement cost. No adjustments are performed apart from reviewing inventory for impairment which are disclosed through the Comprehensive Operating Statement.

Note 10. Biological Assets

	2014 \$'000	2013 \$'000
Movements during the reporting period		
Carrying amount at beginning of period	48	82
Increases due to purchases	54	37
Decreases due to sales	(43)	(76)
Increases (decreases) due to fair value adjustment	(9)	5
Other transfer of stock	–	–
Carrying amount at end of period	50	48

	2014 Headcount	2013 Headcount
Livestock	88	64

Westernport Water recognises livestock as biological assets.

As at 30 June 2014 commitments for the acquisition of livestock \$Nil (2013: \$Nil).

The Corporation is exposed to financial risk in respect of its biological assets. These risks are managed by pasture being irrigated sourced from the treated outflows from the KRWWTP. This ensures a reliable growth of fodder allowing for livestock to reach their optimum weight for market. Market conditions are frequently monitored and livestock are traded as and when conditions are favourable.

Fair Value Hierarchy 2014	Carrying Amount \$'000	Fair Value Measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Livestock	50	0	50	0

There have been no transfers between levels during the period.

There were no changes in valuation techniques throughout the period to 30 June 2014.

The fair value for livestock is normally based on an independent valuation. Which generally reflects the shorter term spot prices available in the market place and vary depending upon the weight and condition of the animal. An independent valuation was not conducted at 30 June 2014 as the livestock were purchased within three months of the reporting date as minimal biological transformation had taken place. The market price at acquisition was deemed to reflect the fair value.

Note 11. Property, Plant and Equipment

	2014 \$'000	2013 \$'000
(a) Classes of property, plant and equipment		
Freehold land		
At fair value	9,642	9,462
	9,642	9,462
Buildings		
At fair value	2,460	2,460
Accumulated depreciation	(199)	(132)
	2,261	2,328
Water – infrastructure assets		
At fair value	81,782	68,632
Accumulated depreciation	(6,261)	(4,054)
	75,521	64,578
Wastewater – infrastructure assets		
At fair value	83,417	82,701
Accumulated depreciation	(5,980)	(3,864)
	77,437	78,837
Infrastructure assets – gas		
At fair value	270	270
Accumulated depreciation	(24)	(18)
	246	252
Equipment and motor vehicles		
At fair value	8,840	8,353
Accumulated depreciation	(5,376)	(5,017)
	3,464	3,336
Work in progress		
At cost	5,156	15,849
Total	173,727	174,642

The asset classes of land and buildings were valued at 30 June 2011 on behalf of the Valuer-General by Egan National Valuers (Vic) in accordance with the *Financial Management Act 1994* and in conformity with Australian Accounting Standards, Victorian Government Policies and valuation guidelines. The valuation was performed on a fair value basis using market evidence.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer-General, using AECOM valuers. The valuation methodology used was the depreciated replacement cost method, with current replacement costs based on the optimum modern equivalent in accordance with the relevant legislation, industry standards and guidelines.

Plant, equipment and motor vehicles are measured at fair value. 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.

Also refer to Note 1 (d) in relation to valuation of the above non-current physical assets.

Note 11. Property, Plant and Equipment (continued)

Movements during the reporting period

2013-14	\$'000	Opening WDV	Additions	Disposals	Impairment	Reclass	Transfer	Depreciation	Closing WDV
Land		9,462	180	–	–	–	–	–	9,642
Buildings		2,328	–	–	–	–	–	(67)	2,261
Infrastructure – water		64,577	169	(18)	–	(281)	13,286	(2,212)	75,521
Infrastructure – wastewater		78,837	400	–	–	281	29	(2,110)	77,437
Infrastructure – gas		252	–	–	–	–	–	(6)	246
Equipment & motor vehicles		3,336	793	(40)	–	–	–	(625)	3,464
Under construction		15,849	2,888	–	–	–	(13,581)	–	5,156
Net book value as at 30 June 2014		174,641	4,430	(58)	–	–	(266)	(5,020)	173,727

2012-13	\$'000	Opening WDV	Additions	Disposals	Impairment	Reclass	Transfer	Depreciation	Closing WDV
Land		8,668	783	–	–	11	–	–	9,462
Land (held for resale)		366	–	–	–	(366)	–	–	–
Buildings		2,394	–	–	–	–	–	(66)	2,328
Infrastructure – water		65,551	711	–	–	325	41	(2,051)	64,577
Infrastructure – wastewater		80,716	487	–	–	(341)	66	(2,091)	78,837
Infrastructure – gas		258	–	–	–	–	–	(6)	252
Equipment & motor vehicles		4,173	–	(97)	(229)	(105)	214	(620)	3,336
Under construction		4,587	11,578	–	–	–	(316)	–	15,849
Net book value as at 30 June 2013		166,713	13,559	(97)	(229)	(476)	5	(4,834)	174,641

Fair Value

The fair values of non financial assets are categorised into a hierarchy rating the inputs to the valuation techniques used to measure fair value. The Corporation's property plant and equipment are all categorised in level 2 and level 3 in the hierarchy. There are no assets which have quotable prices from active markets which is attributable to level 1 in the hierarchy. The level 2 assets are based on independent market valuations but are not immediately marketable. The fair value of most of our property plant and equipment is impacted by unobservable inputs to the determination of their fair values and consequently are reported as level 3 in the hierarchy. During the year there were no transfers of assets between level 1 and 2 within the hierarchy.

Fair value assessment

The fair value of land, buildings and infrastructure reported at 30 June 2014 have been reviewed using relevant price indices as provided by the Valuer General (VG) for land and buildings and by the Department of Treasury and Finance for infrastructure assets. As the pricing

movements using the indices are less than a cumulative 10% since the last formal valuation conducted on 30 June 2011, the Corporation is not required to recognise the movement in the fair value assessment through the physical asset revaluation reserve. Refer to Note 1 (d)(ii) for further information on the thresholds of key valuation movements and the respective action and treatment by the Corporation.

Non-specialised land and buildings

For non-specialised land and buildings, an independent valuation was performed by Egan National Valuers (Vic) with an effective date of 30 June 2011. Non-specialised land and buildings were valued using the market based direct comparison approach whereby assets were compared to recent comparable sales or sales of assets with no added or nominal added improvement value, allowing for shape, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed an appropriate rate per square metre was applied to the subject asset.

To the extent that non-specialised land and buildings do not contain significant

unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land

Valuation of specialised land is also determined using the market approach, however also considers that the highest and best use of the properties is for continued use as special purpose assets for the fulfilment of community service obligations (CSO). A discount factor is applied that allows for the risk associated with removal of the public use restrictions of subject assets and the use of the assets that is physically possible, legally permissible and financially feasible.

As CSO adjustments are considered significant unobservable inputs, specialised land is classified as Level 3 in the fair value measurement hierarchy.

An independent valuation of the Corporations' specialised land was performed by the Valuer General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2011.

Note 11. Property, Plant and Equipment (continued)

Water, wastewater and gas infrastructure

Water and wastewater infrastructure assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Current replacement cost of infrastructure assets was determined based on the valuer's inspection of a representative sample size of assets, their condition, age, performance history, specialist knowledge of water industry assets and an assessment of asset optimisation considering the asset's current service capacity and technology.

The valuer's assessment of the sample of assets was then applied to all infrastructure assets to determine useful lives, remaining useful lives and hence depreciated replacement cost. An independent valuation of the Corporations' water and wastewater infrastructure was performed by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2011.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the

market is managed by the Corporation and relevant depreciation rates during use are set to reflect the utilisation of the vehicles.

Plant and equipment

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

There were no changes in the fair valuation techniques during the year for any item of property, plant and equipment. For all assets measured at fair value, the current use is considered the highest and best use.

Fair Value Hierarchy 2014	Carrying Amount \$'000	Fair Value Measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Non-specialised land	582	–	582	–
Specialised land	9,060	–	–	9,060
Buildings at fair value				
Non-specialised buildings	2,261	–	2,261	–
Water infrastructure at fair value	75,521	–	–	75,521
Wastewater infrastructure at fair value	77,437	–	–	77,437
Infrastructure – gas	246	–	–	246
Equipment and motor vehicles	3,464	–	–	3,464
Total property plant and equipment	168,571	–	2,843	165,728

Level 3 – Movement during the reporting period

	Land \$'000	Water Infrastructure \$'000	Wastewater Infrastructure \$'000	Gas Infrastructure \$'000	Equipment and Motor Vehicles \$'000	Total \$'000
Opening balance	8,880	64,577	78,837	252	3,336	155,882
Gains or losses recognised in profit or loss	–	–	–	–	–	–
Gains or losses recognised in other comprehensive income	–	–	–	–	–	–
Purchases	180	13,174	710	–	793	14,857
Disposals	–	(18)	–	–	(40)	(58)
Transfers in or out of Level 3	–	–	–	–	–	–
Depreciation	–	(2,212)	(2,110)	(6)	(625)	(4,953)
Closing Balance	9,060	75,521	77,437	246	3,464	165,728

Note 11. Property, Plant and Equipment (continued)

Fair value unobservable inputs

Asset Type	Valuation technique	Significant unobservable inputs	Weighted average cost per unit	Sensitivity of fair value measurement to significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO)	10 – 30 percent	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value
Water Infrastructure – Headworks	Depreciated replacement cost	Cost per unit (Qty 1 Reservoir)	\$18,744,865 per reservoir	A significant increase or decrease in the cost per unit would result in a significantly lower (higher) fair value
		The useful life of the infrastructure headworks	100 years (100 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water Infrastructure – Treatment	Depreciated replacement cost	Cost per unit (Qty 1 Treatment Plant)	\$6,585,446 per plant	A significant increase or decrease in the cost per unit would result in a significantly lower (higher) fair value
		The useful life of infrastructure treatment	15–70 years (36 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Water Infrastructure – Distribution	Depreciated replacement cost	Cost per km (425km)	\$110–\$341,984 (\$132,828 per km)	A significant increase or decrease in the cost per kilometre adjustment would result in a significantly lower (higher) fair value
		The useful life of infrastructure distribution	15–80 years (31 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Wastewater Infrastructure – Collection	Depreciated replacement cost	Cost per km (337km)	\$194–\$398,879 (\$227,795 per km)	A significant increase or decrease in the cost per kilometre adjustment would result in a significantly lower (higher) fair value
		The useful life of infrastructure collection	25–80 years (65 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Wastewater Infrastructure – Treatment	Depreciated replacement cost	Cost per unit (Qty 2 Treatment Plants)	\$305,431–\$6,310,818 (\$3,308,125 per plant)	A significant increase or decrease in direct cost per unit adjustment would result in a significantly lower (higher) fair value
		The useful life of wastewater infrastructure treatment	15–70 years (37 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Gas Infrastructure	Depreciated replacement cost	Cost per unit (2.4km)	\$855 – \$270,066 (\$120,380 per km)	A significant increase or decrease in the cost per kilometre adjustment would result in a significantly lower (higher) fair value
		The useful life of gas infrastructure	15–50 years (49 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Equipment and Motor Vehicles	Depreciated replacement cost	Cost per unit	\$29–\$12,361 per unit (\$9,121)	A significant increase or decrease in the direct cost per unit would result in a significantly lower (higher) fair value
		The useful life of plant and equipment	5–10 years (8 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

Note 12. Intangible Assets

	2014 \$'000	2013 \$'000
Computer software		
At cost	2,838	2,035
Accumulated amortisation	(1,650)	(1,232)
	1,188	803
Work in progress	512	753
	1,700	1,556
Licences		
At cost	514	514
Accumulated amortisation	(8)	(5)
	506	509
Total	2,206	2,065

Intangibles – reconciliation

2013-14	\$'000	Opening WDV	Additions	Reclass	Transfer	Amortisation	Closing WDV
Software		803	400	–	403	(418)	1,188
Licences		509	–	–	–	(3)	506
Work in progress		753	296	–	(537)	–	512
Net book value as at 30 June 2014		2,065	696	–	(134)	(421)	2,206

2012-13	\$'000	Opening WDV	Additions	Reclass	Transfer	Amortisation	Closing WDV
Software		906	–	71	30	(204)	803
Licences		203	370	(64)	–	–	509
Work in progress ⁽¹⁾		753	36	–	(36)	–	753
Net book value as at 30 June 2013		1,862	406	7	(6)	(204)	2,065

(1) The opening balance was reclassified from Property, Plant and Equipment. Also refer to Note 27.

Note 13. Payables

	2014 \$'000	2013 \$'000
Trade creditors	1,446	6,908
Accrued expenses	285	588
Accrued borrowing expense	103	45
Security deposits	161	315
Overpaid rates and charges	208	193
Defined benefit contribution	–	666
Other	196	261
Total	2,399	8,976

Payables maturity analysis disclosed in Note 19(d).

Note 14. Borrowings

	2014 \$'000	2013 \$'000
All borrowings have been transacted through Treasury Corporation Victoria (TCV). All borrowings are secured by a guarantee from the Treasurer of Victoria. There were no defaults of principal or interest payments on any outstanding loans during the reporting period.		
Borrowings:		
Current	1,500	–
Non-current	10,440	6,440
Total	11,940	6,440

Borrowing maturity analysis disclosed in Note 19(d).

Note 15. Provisions

	2014 \$'000	2013 \$'000
Current		
<i>Provision for employee benefits</i>		
Employee benefits expected to be settled within 12 months measured at nominal value.	625	539
Employee benefits expected to be settled after 12 months measured at present value.	534	558
	1,159	1,097
<i>Provision for on-costs</i>		
Unconditional and expected to be settled within 12 months	86	166
Unconditional and expected to be settled after 12 months	91	30
	177	196
Total current provisions	1,336	1,293
Non-current		
Provision for employee benefits		
Conditional long service leave, measured at present value	176	175
Provision for on-costs	31	27
Total non-current provisions	207	202
Total provisions	1,543	1,495
<i>Provisions</i>		
Current employee benefits	1,159	1,097
Non-current employee benefits	176	175
Total employee benefits	1,335	1,272
<i>Current on-costs</i>	177	196
Non-current on-costs	31	27
Total on-costs	208	223
Total provisions	1,543	1,495

Note 15. Provisions (continued)

	2014 \$'000	2013 \$'000
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.4%	4.5%
Weighted average discount rate	3.6%	3.8%
<i>Weighted average settlement</i>	13 yrs	13 yrs
<i>Movement in provision for on-costs</i>		
Opening balance	196	211
Additional provisions recognised	39	21
Reductions arising from payments	(22)	(19)
Reductions resulting from re-measurement	(1)	(15)
Unwind of discount and effect of changes in discount rate	(4)	(2)
Closing balance	208	196

Note 16. Contributions from Owners

	2014 \$'000	2013 \$'000
Opening balance	51,323	51,323
Movement for year	–	–
Closing balance	51,323	51,323

Note 17. Reserves

	2014 \$'000	2013 \$'000
Asset revaluation reserve		
Opening balance	31,865	31,865
Movement for year	–	–
Closing balance	31,865	31,865

Note 18. Accumulated Funds

	2014 \$'000	2013 \$'000
Opening Balance ⁽¹⁾	56,290	55,464
Profit after Income Tax Expense ⁽¹⁾	924	826
Closing balance	57,214	56,290

(1) Refer to Note 27

Note 19. Financial Instruments

(a) Significant accounting policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Board has the primary responsibility to set appropriate policies to manage these risks. The Corporation uses different methods to measure and manage the different financial risks. 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.

This note presents information about the Corporation's exposure to each of these risks, and objectives, policies and processes for measuring and managing risk.

Details of significant accounting policies and methods adopted in the recognition and measurement with respect to each class of financial assets and liabilities are included under Notes 1(d), 1(e) and 1(g).

Categories of financial assets and financial liabilities at balance date were:

Financial Instruments	2014 Carrying Amount \$'000	2013 Carrying Amount \$'000
Financial assets		
Cash and cash equivalents	1,318	153
Loans and receivables	2,240	1,858
Total financial assets	3,558	2,011
Financial liabilities		
Payables at amortised cost	2,262	8,863
Borrowings at amortised cost	11,940	6,440
Total financial liabilities	14,202	15,303

Net holding gain / loss on financial instruments by category:

Financial Instrument	Interest Income and (Expense) \$'000	Fee Income and (Expense) \$'000	(Impairment Loss) \$'000	Total \$'000
2014				
Financial assets				
Cash and cash equivalents	1	-	-	1
Loans and receivables	30	-	(22)	8
Total financial assets	31	-	(22)	9
Financial liabilities				
Payables at amortised cost	-	-	-	-
Borrowings at amortised cost	(501)	-	-	(501)
Total financial liabilities	(501)	-	-	(501)
Net income / (expense) on financial instruments	(470)	-	(22)	(492)

Note 19. Financial Instruments (continued)

Financial Instrument	Interest Income and (Expense)	Fee Income and (Expense)	(Impairment Loss)	Total
2013	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	–	–	–	–
Loans and receivables	33	–	(8)	25
Total financial assets	33	–	(8)	25
Financial liabilities				
Payables at amortised cost	–	–	–	–
Borrowings at amortised cost	(216)	–	–	(216)
Total financial liabilities	(216)	–	–	(216)
Net income / (expense) on financial instruments	(183)	–	(8)	(191)

(b) Market risk

The Corporation's exposure to market risk is primarily through interest rate risk, there is only a limited exposure to foreign currency risk and commodity price risk.

Interest rate risk

The objectives of the Corporation's interest rate risk management policy is to contain the potential adverse financial impact from unfavourable movements in interest rates, predominantly associated with interest bearing liabilities, and to capture the potential for reducing costs by management of the Corporation's debt. The Corporation's interest rate risk is managed by settling borrowings with terms and maturity structures which reflect the medium and longer term capital requirements and tariff structures of the Corporation.

The aim of interest rate risk management is to minimise the longer term cost of borrowings by adopting debt portfolio maturities and to spread debt between fixed and floating instruments. Debt is sourced from TCV and is managed within a range of Board approved limits with debt levels and interest being monitored regularly. The Corporation has not engaged hedging as part of its financial risk management strategy.

The Corporation has minimal exposure to cash flow interest rate risk through its cash and deposits, term deposits and bank overdrafts that are at floating rates. The carrying amounts of financial assets and liabilities that are exposed to interest rates are set out in the table below.

2014	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest rate
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
Financial assets							
Cash at bank	1,318	–	–	–	–	1,318	0.40%
Receivables	–	–	–	–	2,240	2,240	–
Total	1,318	–	–	–	2,240	3,558	–
Financial liabilities							
Borrowings – TCV	1,500	1,000	6,250	3,190	–	11,940	3.35%
Payables	–	–	–	–	2,262	2,262	–
Total	1,500	1,000	6,250	3,190	2,262	14,202	–
Net financial (liabilities) assets	(182)	(1,000)	(6,250)	(3,190)	(22)	(10,644)	–

Note 19. Financial Instruments (continued)**(b) Market risk (continued)**

2013	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest rate
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
Financial assets							
Cash at bank	153	–	–	–	–	153	0.40%
Receivables	–	–	–	–	1,858	1,858	–
Total	153	–	–	–	1,858	2,011	–
Financial liabilities							
Borrowings – TCV	–	–	5,000	1,440	–	6,440	3.46%
Payables	–	4,399	–	–	4,464	8,863	18.00%
Total	–	4,399	5,000	1,440	4,464	15,303	–
Net financial (liabilities) assets	153	(4,399)	(5,000)	(1,440)	(2,606)	(13,292)	–

The table above highlights the Corporation's total exposure to variable interest rates at 30 June 2014 was a net liability of \$182,000 (2013: Net asset \$153,000).

The Corporation is exposed to movements in interest rates on variable interest bearing liabilities. The current TCV outlook on interest rates is that monetary policy remains fairly neutral with the RBA more likely to leave the cash rate on hold until mid 2015. Management considers interest rates are unlikely to move by 1 percent and consider a 0.5 percent more probable.

The table below shows the impact on the net result of a 0.5 percent increase and a 0.5 percent decrease in interest rates.

All borrowings are through TCV, except for the overdraft which was undrawn at 30 June 2014 and undrawn at 30 June 2013.

The interest rate sensitivity is largely based upon forecasts provided by TCV.

Interest Rate Sensitivity	2014	2014	2013	2013
	Net Result 0.5% increase \$'000	Net Result 0.5% decrease \$'000	Net Result 1% increase \$'000	Net Result 1% decrease \$'000
Cash and cash equivalents	13	(13)	2	(2)
Interest bearing liabilities – variable	(15)	15	–	–
Total	(2)	2	2	(2)

Foreign exchange risk

The Corporation is exposed to an insignificant foreign currency risk relating to purchases of supplies and consumables from overseas.

While there is a limited amount of purchases denominated in foreign currencies the risk is further reduced by a short time frame between commitment and settlement. The Corporation did not enter into any foreign exchange derivative instruments during the year.

Note 19. Financial Instruments (continued)

(c) Credit risk

Exposure to credit risk arises from the potential default of a counterparty with respect to the Corporation's financial assets. Financial assets include cash and cash equivalents, trade and other receivables. Credit risk is measured at fair value.

For cash at bank it is the Corporation's policy to only deal with Australian banks with a minimum Standard and Poor's long term credit rating of A. The rating of counterparties are monitored on an ongoing basis.

Trade receivables consist of a large number of customers and industries over the region. The Corporation does not hold any collateral over any trade receivable. All receivable balances are monitored on an ongoing basis. The services of an external collection agency are utilised as part of credit process.

Provision for impairment is recognised for trade receivables when there is objective evidence that the receivable is uncollectable. Usually this refers to default of payment, customer hardship or other financial difficulty.

Age of Trade Receivables that are past due but not impaired.

Trade Receivables	2014 \$'000	2013 \$'000
Not past due	42	70
0 – 30 days	39	3
31 – 60 days	200	253
61 – 90 days	3	7
91 days and over	858	817
Total	1,142	1,150

Age of impaired trade receivables

Impaired trade receivables	2014 \$'000	2013 \$'000
Not past due	–	–
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
91 days and over	273	282
Total	273	282

Note 19. Financial Instruments (continued)

(d) 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 manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecasts and actual cash flows and matching maturity profiles of financial assets and financial liabilities.

The following table identifies the contractual maturities on rollover of financial liabilities which are prepared on an undiscounted cash flow basis at the reporting date.

2014	3 months or less \$'000	3 – 12 months \$'000	1 – 2 years \$'000	2 – 5 years \$'000	> 5 years \$'000
Borrowings – TCV	1,500	1,000	1,500	4,750	3,190
Payables	2,262	–	–	–	–
Total	3,762	1,000	1,500	4,750	3,190

2013	3 months or less \$'000	3 – 12 months \$'000	1 – 2 years \$'000	2 – 5 years \$'000	> 5 years \$'000
Borrowings – TCV	–	–	1,000	4,000	1,440
Payables	8,863	–	–	–	–
Total	8,863	–	1,000	4,000	1,440

(e) Net Fair Value

At balance date the Corporation did not hold any financial instruments which have been measured at fair value and recognised on the Balance Sheet. At 30 June the Corporation was not carrying any financial assets or liabilities which were tradeable on an active market with reference to quoted prices. The Corporation had not entered into any derivatives or forward foreign currency contracts at balance date.

The fair value of the financial assets and liabilities at year end were:

Financial Instrument	Total carrying amount per the Balance Sheet		Aggregate net fair value	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial assets				
Cash at bank	1,318	153	1,318	153
Receivables	2,240	1,858	2,240	1,858
Total	3,558	2,011	3,558	2,011
Financial liabilities				
Borrowings – TCV	11,940	6,440	12,083	6,446
Payables	2,262	8,863	2,262	8,863
Total	14,202	15,303	14,345	15,309

The methods and assumptions used to determine these net fair values of the financial assets and liabilities are as follows:

- Cash, cash management and term deposits – the carrying amount approximates the fair value due to the short term nature of the instrument;
- Receivables, trade creditors and accruals – the carrying amount approximates the fair value;
- Borrowings – are carried at amortised cost which is different to net fair value due to market sensitivity of the debt portfolio as at 30 June 2014. Borrowings held until maturity are paid at the carrying amount. The fair value assessment is based upon a market value approximation prepared by TCV.

Note 20. Commitments for Expenditure

(a) Commitments

	2014 \$'000	2013 \$'000
Capital expenditure commitments		
Buildings and infrastructure	2,028	810
Biological assets	57	–
Total capital expenditure commitments	2,085	810
Lease payments expensed during the year	9	–
IT managed services	424	–
Projects under contract	14	400
Environmental contributions	1,588	2,382
Total operating and lease commitments	2,035	2,782
Total commitments (inclusive of GST)	4,120	3,592

(b) Commitments payable

	2014 \$'000	2013 \$'000
Capital expenditure commitments payable		
Payments within 1 year	2,085	810
Payments 1 – 5 years	–	–
Payments longer than 5 years	–	–
Total	2,085	810
Operating and lease commitments payable		
Payments within 1 year	1,149	1,194
Payments 1 – 5 years	886	1,588
Payments longer than 5 years	–	–
Total	2,035	2,782
Total commitments (inclusive of GST)	4,120	3,592
Less GST recoverable from the Australian Tax Office	230	110
Total commitments (exclusive of GST)	3,890	3,482

The Corporation is committed to making Environmental Contributions as required by the *Water Industry (Environmental Contributions) Act 2004*, refer Note 1 (c).

The lease commitments represent payments due on current operating leases for the Corporation's reticulated gas tank site. The leases are cancellable but incur a penalty of the present value of future lease payments.

There is no documented option to purchase leased assets at the expiry of the leases.

Note 21. Contingent Assets and Contingent Liabilities

The Corporation was not aware of any contingent assets or contingent liabilities at the time of finalising the financial report.

Note 22. Superannuation

Westernport Water makes the majority of 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 benefit 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 MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. 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 2014, the Superannuation Guarantee contribution rate is legislated to increase to 9.5%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12% will be delayed until 2022.

Defined Benefit

As provided under Paragraph 34 of AASB 119, Westernport Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Westernport Water in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding Arrangements

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. The Fund's employer funding arrangements comprise of three components which are detailed below:

1. Regular contributions – which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding call – which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments – which are additional contributions to cover the increase in liability arising from retrenchments.

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.

Employer Contributions

Regular contributions

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. For the year ended 30 June 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

In addition, Westernport Water reimburses the Fund to cover the excess of 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).

Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (ie. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the Fund has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Westernport Water) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period;
- The service periods of all deferred members split between the deferred members pre-1 July 1993 and post-30 June 1993 service period; and
- The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

In the event the participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Differences between calculations

The Fund surplus or deficit (ie. the difference between fund assets and liabilities) is calculated differently for funding purposes (ie. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in 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.

Retrenchment Increments

During 2013-14, Westernport Water was not required to make payments to the Fund in respect of retrenchment increments (2012-13: Nil). Westernport Water's liability to the Fund as at 30 June 2014, for retrenchment increments, accrued interest and tax is nil, (2012-13: Nil).

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.

Westernport Water's share of the shortfall amounted to \$666,091 (excluding contributions tax) which was accounted for in the 2011-12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions. No further amount has been accounted for in the 2013-14 Comprehensive Operating Statement within Employee Benefits (see Note 5) and in the Balance Sheet in Current Liabilities Provisions (see Note 15) (\$0 in the 2012-13 Comprehensive Operating Statement with Employee Benefits and \$0 in the 2012-13 Balance Sheet in Current Liabilities Provisions).

The amount of the unpaid shortfall at 30 June 2014 is \$0 (\$666,091 in 2012-13). The unpaid amount is included in the 2012-13 Balance Sheet in Current Liabilities Payables (see Note 13).

Note 22. Superannuation (continued)**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 AAS 25 follows:

	31-Dec-11 \$'000
Net market value of assets	4,315,324
Accrued benefits (AAS 25)	4,642,133
Difference between assets and accrued benefits (shortfall)	(326,809)
Vested benefits	4,838,503
(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 (p.a.)	7.50%
Salary inflation (p.a.)	4.25%
Price inflation (p.a.)	2.75%

The next full actuarial investigation of the Fund's liability for the accrued benefits will be based on the Fund's position as at 30 June 2014. The anticipated completion date of this actuarial investigation is 19 December 2014.

Contributions by Westernport Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2014 are detailed below:

	2014 \$'000	2013 \$'000
Contributions paid and payable		
Vision Super – Defined Benefits, 2014: 9.25% (2013: 9.25%)	39	42
Vision Super – Accumulation Funds, 2014: 9.25% (2013: 9.25%)	244	224
Other – Accumulation Funds, 2014: 9.25% (2013: 9.25%)	291	257
Total	574	523
Total contributions paid to all funds	539	415
Total contributions payable to all funds	35	108

There were \$35,082 contributions outstanding and no loans issued from or to the above schemes as at 30 June 2014.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2015 are \$40,686.

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 2014.

(a) Responsible persons

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

• The Hon Peter Walsh MP	Minister for Water	1 July 2013 – 30 June 2014
• Mr Trevor Nink	Chairman	1 July 2013 – 30 June 2014
• Mr Roland Lindell	Deputy Chairman	1 July 2013 – 30 June 2014
• Mr Murray Jackson	Managing Director	1 July 2013 – 30 June 2014
• Hon Geoff Coleman	Director	1 July 2013 – 30 June 2014
• Mr John Duscher	Director	1 July 2013 – 30 June 2014
• Ms Carol Pagnon	Director	1 July 2013 – 30 June 2014
• Ms Barbara Wagstaff	Director	1 July 2013 – 30 June 2014
• Mr Guy Wilson-Browne	Director	1 July 2013 – 30 June 2014

Directors held their current position for the whole of the financial year and since the end of the financial year.

(b) Remuneration of responsible persons

Remuneration paid to Minister Walsh 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.

Total remuneration of responsible persons excluding the Minister for Water, for payments which include termination payments, bonuses, superannuation contributions was \$418K (2013: \$412K).

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

Income bands (\$)			2014	2013
0	–	9,999	1	4
10,000	–	19,999	–	2
20,000	–	29,999	5	3
30,000	–	39,999	–	1
40,000	–	49,999	1	–
250,000	–	259,999	1	1
TOTAL			8	11

Transactions with responsible persons

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 or related parties during the financial year.

There were no other transactions between the Corporation and responsible persons and their related parties during the financial year except a number of responsible persons are residents or owners of properties in the region in which the Corporation provides water and wastewater services.

The terms and conditions of the transactions with responsible persons were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to all other customers of the Corporation.

Where matters for resolution were discussed in respect to the above transactions, directors were not present in the meetings.

Note 23. Responsible Persons and Executive Officer Disclosures (Continued)

(c) Executive officers remuneration

The number of executive officers, other than Responsible Persons, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Income Bands	Total Remuneration		Base Remuneration	
	2014	2013	2014	2013
110,000 – 119,999	1	–	2	1
120,000 – 129,999	1	1	–	–
130,000 – 139,999	–	–	–	1
140,000 – 149,999	–	1	–	–
150,000 – 159,999	–	–	–	–
160,000 – 169,999	–	–	2	2
170,000 – 179,999	2	2	–	–
Total number of executive employees	4	4	4	4
Total annualised employee equivalent (AEE)	4	4	4	4
Total remuneration amount \$'000	592	619	557	578

Other personnel

The Corporation did not engage other personnel charged with significant management responsibilities in the reporting period.

Note 24. Notes to the Cash Flow Statement

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	2014 \$'000	2013 \$'000
Net profit (loss) after income tax equivalents		924	826
Add (less) non-cash items:			
Depreciation and amortisation expense	5 (b)	5,439	5,037
Loss (profit) on sale of non-current assets	5 (a)	(139)	64
Contributed assets	5 (a)	(569)	(1,198)
Inventory adjustments		61	2
Receivables impairment expense		(9)	(31)
Bad debt write off		22	66
Impairment of non-current assets		–	230
Changes in assets and liabilities:			
(Increase) decrease in receivables		(260)	(360)
(Increase) decrease in inventory		24	36
(Increase) decrease in biological assets		(2)	34
(Increase) decrease in prepayments		(29)	16
Increase (decrease) in payables		(1,455)	1,576
Increase (decrease) in employee benefits		48	179
Increase (decrease) in deferred tax liabilities		398	388
Net cash inflows from operating activities		4,453	6,865

(b) Reconciliation of cash and cash equivalents

	Notes	2014 \$'000	2013 \$'000
Cash at bank and on hand	7	1,318	153
Cash as per cash flow statement		1,318	153

Note 25. Remuneration of Auditors

	2014 \$'000	2013 \$'000
Audit services – Victorian Auditor-General’s Office (VAGO)		
Annual external audit fee	28	32
Non-VAGO audit and assurance services		
Internal audit	62	48
Audit of regulatory returns (OH&S, tax, ESC, gas)	70	47
Total non-VAGO audit and assurance services	132	95
Total remuneration of auditors	160	127

Note 26. Subsequent Events

Apart from the item noted below, there have been no matters or circumstances that have arisen since the end of the financial year which significantly affected, or may significantly affect the operations of the Corporation, the results of those operations, or state of affairs of the Corporation in future financial years.

On 11 May 2014 the Minister for Water announced the Victorian Government’s Fairer Water Bills initiative to deliver more than \$1 billion of savings that will be made across Victoria’s urban water sector over the next four years.

As part of this initiative, Westernport Water’s residential water using customers are entitled to a bill reduction of \$23 in their third quarter bill in 2014-15. Based on the conditions of the Victorian Government’s Fairer Water Bills \$23 bill reduction, Westernport Water has not met the provision recognition criteria of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, therefore has not recognised a provision as at 30 June 2014. The cost of this initiative to be recognised in the third quarter of 2014-15 is estimated to be \$0.4 million.

Note 27. Prior Period Error – Tax Effect Accounting and Contributed Assets

(a) Tax effect accounting

In prior years the Corporation had recognised a deferred tax liability in respect of the tax effect of revaluation of property, plant and equipment in 2011. This treatment did not recognise the other timing differences inherent in the balance sheet approach required by tax effect accounting under the NTER (see Note 1(h)).

As a result an income tax expense of \$388,000 has been recognised for the 2013 year and opening retained earnings at 1 July 2012 have been reduced by \$9,548,000 relating to tax effect accounting for years prior to this date including the tax effect of the effort in 27(d)

(b) Omission of contributed asset

While preparing the 2013-14 financial statements it was identified developer contributed assets for a housing estate completed by 30 June 2012 had not been taken up in the financial records of the Corporation. The revenue and carrying value of property, plant and equipment were understated by approximately \$920,000. The assessable NTER tax for the 2011-12 income year was also understated by approximately \$276,000.

For 2012-13 financial year depreciation was under charged by approximately \$20,000.

These comparatives in the financial statements have been corrected as set out in 27(d) below.

Note 27. Prior Period Error – Tax Effect Accounting and Contributed Assets (continued)

(c) Reclassification of Intangible Work In Progress Asset

An intangible work in progress asset previously reported in property, plant and equipment work in progress has been reclassified and impacts on 1 July 2012 and 30 June 2013 restated figures. There is no tax effect in relation to this reclassification.

These comparatives in the financial statements have been corrected as set out in 27(d) below.

(d) Restatement of Financial Statements

Corrections to the Balance Sheet as at 1 July 2012 are in the table below.

Impacts on liabilities and equity	1 July 2012 As reported	Contributed Asset Correction	Tax Effect Accounting Adjustment	Reclass of Asset	1 July 2012 Restated
	\$'000	\$'000	\$'000	\$ 000	\$'000
Property, Plant & Equipment	166,546	920	–	(753)	166,713
Intangibles	1,109	–	–	753	1,862
Net Deferred Tax Liability	13,656	276	9,272	–	23,204
Accumulated funds	64,092	644	(9,272)	–	55,464

Corrections to the financial statements for 2013 are in the table below.

Comprehensive Operating Statement Extract	2013 Actual	Contributed Asset Correction	Tax Effect Accounting Adjustment	2013 Restated
	\$ 000	\$'000	\$'000	\$ 000
Revenue	20,624	–	–	20,624
Expenses	19,390	20	–	19,410
Net Profit Before Tax	1,234	(20)	–	1,214
Income Tax Expense	–	6	(394)	(388)
Net Profit After Tax	1,234	(14)	(394)	826

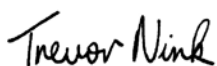
Balance Sheet Extract	2013 Actual	Contributed Asset	Tax Effect Accounting Adjustment	Reclass of Asset	2013 Restated
	\$ 000	\$'000	\$'000	\$ 000	\$'000
Current Assets	3,110	–	–	–	3,110
Non-current Assets					–
– Property, Plant and Equipment	174,495	900	–	(753)	174,642
– Intangibles	1,312	–	–	753	2,065
Total Non-current Assets	175,971	900	–	–	176,871
Total Assets	179,081	900	–	–	179,981
Current Liabilities	10,268	–	–	–	10,268
Non-current Liabilities					
– Net deferred tax	13,655	–	9,937	–	23,592
Total Non-current Liabilities	20,298	–	9,937	–	30,235
Net Assets	148,515	900	(9,937)	–	139,478
Equity					
– Accumulated funds	65,327	900	(9,937)	–	56,290
Total Equity	148,515	900	(9,937)	–	139,478

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 Financial Reporting Directions, 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 2014 and the financial position of the Corporation as at 30 June 2014.

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



Graeme Rocke
Acting Chief Financial Officer
Westernport Water

Dated this 5th day of September 2014.

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

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 2014 of the Westernport Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, statement of cash flows, 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 2014 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 2014 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
5 September 2014



John Doyle
Auditor-General

Directory

Head office

2 Boys Home Road Newhaven Vic 3925
 Email: westport@westernportwater.com.au
 Web: www.westernportwater.com.au
 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

Design

Jayne Melville
 Salt Marketing

Glossary

Terms	Meaning
AAS	Australian Accounting Standards
AS/NZS	Australian and New Zealand Standard
AWA	Australian Water Association
CCP	Customer Consultative Panel
CFAO	Chief Finance and Accountable Officer
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
EMP	Environmental Management Plan
EMS	Emergency Management System
EOFY	End of Financial Year
EPA	Environment Protection Authority
ESC	Essential Services Commission
EWOV	Energy and Water Ombudsman Victoria
FOI	Freedom of Information
FRD	Financial Reporting Direction

Terms	Meaning
GIS	Geographical 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
MoU	Memorandum of Understanding
MRD	Ministerial Reporting Direction
MSDS	Material Safety Data Sheet
OH&S	Occupational Health and Safety
OLV	Office of Living Victoria
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

Units	Meaning
ML	megalitre = one million litres
KL	kilolitre = one thousand litres
t	metric tonne
CO ₂ -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.

Legislation	Requirement	Page reference
Ministerial directions		
FRDs affecting the Report of Operations		
FRD 10	Disclosure index	79
FRD 12A	Disclosure of major contracts	29
FRD 15B	Executive officer disclosures	71
FRD 21B	Disclosure of Responsible Persons, Executive Officers and Other Personnel	71
FRD 22E	Manner of establishment and the relevant Ministers	1
	Objectives, functions, powers and duties	1
	Nature and range of services provided	1
	Organisational structure	8
	Operational and budgetary objectives and performance against objectives	6
	Summary of the financial results for the year	4
	Significant changes in financial position during the year	4
	Employment and conduct principles	12
	Occupational health and safety policy	14
	Major changes or factors affecting performance	5
	Subsequent events	5
	Application and operation of Freedom of Information Act 1982	30
	Application and operation of Protected Disclosure 2012	13
	Compliance with building and maintenance provisions of Building Act 1993	30
	Statement on National Competition Policy	30
	Application and operation of the Carers Recognition Act 1982	30
	Statement of availability of other information	30
	Details of consultancies over \$10,000	29
	Details of consultancies under \$10,000	29
FRD 24C	Office-based Environmental Data Impacts	25
FRD 25B	Victorian Industry Participation Policy	5
FRD 27C	Presentation and Reporting of Performance Information	31
FRD 29	Workforce Data disclosures	12
FRD 30A	Design and Printing Requirements	81
MRDs		
MRD 01	Performance reporting	31
MRD 02	Reporting on water consumption and drought response	16
MRD 03	Environment and social sustainability reporting	20
MRD 04	Disclosure of information on bulk entitlements, transfers of water entitlements, allocations and licences, irrigation water usage and licence requirements	18
MRD 05	Annual reporting of major non-residential major water users	19
FRDs in the notes to the Financial Statements		
FRD 03A	Accounting for Dividends	47
FRD 07A	Early adoption of Authoritative Accounting Pronouncements	48
FRD 09A	Departmental Disclosure of Administered Assets and Liabilities by Activity	N/A
FRD 11A	Disclosure of Ex-gratia payments	N/A
FRD 17A	Long Service Leave Wage Inflation and Discount Rates	46
FRD 19	Private Provision of Public Infrastructure	N/A
FRD 20A	Accounting for State Motor Vehicle Lease arrangements	N/A
FRD 21B	Responsible Person and Executive Officer Disclosures in the Financial Report	71
FRD 26A	Accounting for Vic fleet Motor Vehicle Lease Arrangements	N/A
FRD 100	Financial Reporting Directions – Framework	42

Disclosure Index (continued)

Legislation	Requirement	Page reference
FRD 101	First-time Adoption	42
FRD 102	Inventories	44
FRD 103E	Non-current Physical Assets	45
FRD 104	Foreign Currency	64
FRD 105A	Borrowing Costs	43
FRD 106	Impairment of Assets	45
FRD 107A	Investment Properties	48
FRD 109	Intangible Assets	59
FRD 110	Cash Flow Statements	41
FRD 112E	Defined Benefits Superannuation Obligations	70
FRD 113	Investments in Subsidiaries, Jointly Controlled Entities and Associates	N/A
FRD 114A	Financial Instruments	47, 62
FRD 115	Non-current Physical Assets	43
FRD 116	Financial Instruments-PFCs	N/A
FRD 117	Contributions of Existing Non-Financial Assets to Third Parties	N/A
FRD 119A	Transfers through contributed Capital	47, 61
FRD 120H	Accounting and Reporting pronouncements	42
FRD 121	Infrastructure assets	43

Standing Directions

SD 2.2 (f) & (g)	Standing Directions of the Minister for Finance under the Financial Management Act 1994 (updated May 2012)	42
SD 4.2(a)	Statement of Changes in Equity	40
SD 4.2(b)	Operating Statement	38
SD 4.2(b)	Balance Sheet	39
SD 4.5.5	Risk Management Attestation	31
SD 4.5.5.1	Insurance Attestation	N/A
SD 4.2(g)	Specific information requirements	42
SD 4.2(j)	Sign-off requirements	75
SD 4.2(c)	Declaration accountable officer	75
SD 4.2(d)	Rounding amounts	42
SD 4.2(f)	Compliance with model Financial Report	37

Other Disclosures

<i>Aboriginal Heritage Act 2006</i>	23
<i>Building Act 1983</i>	30
<i>Carers Recognition Act 2012</i>	30
<i>Equal Opportunity Act 2010</i>	12
<i>Financial Management Act 1994</i>	42
<i>Freedom of Information Act 1982</i>	30
<i>Information Privacy Act 2000</i>	30
<i>Multicultural Victoria Act 2004</i>	23
<i>Protected Disclosures Act 2012</i>	13
<i>Public Administration Act 2004</i>	12
<i>Safe Drinking Water Act 2003</i>	17
<i>Victorian Industry Participation Policy Act 2003</i>	5
<i>Water Act 1989</i>	21
<i>Water Industry (Governance) Act 2006</i>	1
<i>Water Industry Act 1994</i>	1

© State of Victoria Westernport Region Water Corporation 2014.
This publication is copyright. No part may be reproduced by any process
except in accordance with the provisions of the *Copyright Act* 1968.

ISSN: 2202-4212 (Print), ISSN: 2202-4220 (Online)



This publication is produced on Silk Matt paper, an FSC® Certified paper, made Carbon Neutral using Elemental and process Chlorine Free FSC certified mixed sources pulp and is manufactured under ISO14001 EMS certification. Printing by Complete Colour an ISO 14001 Environmental Management System and ISO 9001 Quality Management System certified printer with FSC (Chain of Custody) certification and Sustainability Victoria Wastewise Gold certification and is printed using Matt Dry inks that have no generation or use of alcohols, chlorinated solvents, acids or flammable materials using an iGEN4 device that has 97% of components that are recycled or re-manufacturable. This publication is fully recyclable, please dispose of wisely.

