

# Westernport Water Annual Report 2015



**WESTERNPORT**  
WATER™





## 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 19,026 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

All Westernport Water employees are responsible and accountable for the work that they do, and the way that they do it. Recognition of diversity is implicit in their values. The Westernport Water values are:

- we help each other
- people are engaged
- contributions are valued
- we are accountable
- people are treated with respect
- we are honest with each other.

### 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 Westernport Water by the responsible minister.

The responsible Victorian Ministers for the reporting period were:

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**the Hon. Peter Walsh, MLA,  
Minister for Water.  
1 July 2014 to 3 December 2014**

**the Hon. Lisa Neville MP,  
Minister for Environment,  
Climate Change and Water  
4 December 2014 to 30 June 2015**

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### Objectives, functions, powers and duties

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

### Nature and range of services provided

The core function of Westernport Water is to provide water and wastewater services to communities throughout the Phillip Island and the Western Port districts.

The 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 San Remo and Phillip Island communities, with total customer demand of 1,770 megalitres (ML) in 2014-15.

Wastewater services are provided to approximately 91 percent of properties that receive water services. Westernport Water has two wastewater treatment plants, which together processed 1,375ML of domestic wastewater in 2014-15. An additional 52ML 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, 20 percent of all treated effluent collected by the Corporation was reused in 2014-15.

Westernport Water provides the following additional 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
- catchment programs aimed at improving water quality.

### 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 Environment, Climate Change and Water proposed variations to the SoO during this reporting period to ensure that water corporations deliver on the Victorian Government's water agenda. The SoO guides the Corporation's proposed actions included in Water Plan 3, which concludes 30 June 2018.

# Chairperson 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 2015.

Good planning and dependable performance throughout the year made certain the Corporation once again delivered safe, reliable, and high quality water and wastewater products and services to customers and the community in an efficient manner.

### Finance statement

Westernport Water financial results for 2014-15 reflect our commitment to efficient spend with improved cash management to internally fund our operating and capital commitments, as well as reducing our borrowings. The net profit after tax \$2M is reflective of the increased development activity over the year and capital revenue recognised for 2014-15. Our region continues to realise a sustainable growth in properties connecting to our infrastructure and, our investment in infrastructure will accommodate the projected growth in our region up to year 2055.

### Increased reservoir capacity pays dividends

Water levels throughout the year remained high. The newly enlarged Candowie Reservoir has provided the Corporation with additional capacity to manage water supplies. This in turn has provided the assurance to the community that Westernport Water can confidently meet the region's long term water needs.

### Employee driven organisational improvement plan

Following an assessment of organisation goals and employee feedback, we started a journey to improve employee satisfaction, bridge gaps and develop a workplace culture that employees are passionate about. We have prepared a strong foundation and have put a comprehensive organisational improvement plan in place to engage employees, improve teamwork and promote conditions that maximise employee health, wellbeing and productivity.

### Working together to deliver improved customer outcomes

We collaborated with neighbouring water corporations (Gippsland Water, South Gippsland Water, East Gippsland Water and Southern Rural Water forming the Gippsland Strategic Alliance) to identify areas where we can work together. Among these areas identified were procurement, information technology and training, to name a few. This industry leading grouping promotes collaboration and information sharing, and provides a focus on efficiency and savings for the participating organisations and customers.

Our strategic decision to work closely with Bass Coast Shire Council is providing opportunities to improve the application and integration of water management across the region. One of the keys to success has been the Integrated Water Cycle Management reference group, which meets regularly to collaborate on local water matters.

The Phillip Island Community Orchard has proven to be a real community partnership success. This initiative is making a difference, providing opportunities for local groups and education providers that inspire community participation and connect individuals and organisations.

### Social media provides options for online engagement

We have begun to use social media to strengthen public perception, engage in two-way conversations, improve services and keep the public informed. It's only early days, but we have introduced a solid strategy to manage the various social platforms and improve the effectiveness of customer communications in the event of an emergency.



### Local farmers to benefit from sustainable resources

We have been working with local land managers and RMIT University on a sustainable solution to managing the by-product from the wastewater treatment process. The program is producing good results with the biosolids no longer seen as a waste product, but as a useful and sustainable resource able to potentially recondition salt affected land.

### Planning for the future

Progress is underway to upgrade the wastewater collection, transfer and treatment network in the Cowes area. The strategy includes two key projects comprising an upgrade to the Corporation's Cowes wastewater treatment plant, and a multi-year project for the Cowes wastewater network, which will provide increased capacity to handle wet weather flows and future demand growth. Total five year forecast expenditure \$6.4M.

### Acknowledgements

We acknowledge the support given to the Corporation by responsible ministers, government and non-government agencies. Management and employees are appreciative of the support provided by other water corporations, and in particular the members of the Gippsland Strategic Alliance. Similarly we would like to thank these industry associations for their input: the Australian Water Association, the Institute of Water Administration, the Water Services Association of Australia, the Energy and Water Ombudsman Victoria, the Essential Services Commission and VicWater.

We are grateful for the hard work of contributing community groups and, in particular, members of the Customer Consultative Panel (CCP), the Phillip Island Community Orchard and the Bass Coast Landcare Network.

We also appreciate the close working relationship formed with Bass Coast Shire Council and its management team, and look forward to continued use of best practice water management outcomes across the region.

Finally, the successes in 2014-15 would not have been possible without the contributions of our dedicated Directors, management team, employees and contractors that ensure we meet customer and community expectations and stakeholder requirements.

**Trevor Nink**, Chairperson  
17 July 2015

**Murray Jackson**, Managing Director  
17 July 2015

# Financial Review

## Current year financial review

### Net profit

The net profit before tax for the year was \$2.2M and an increase of \$0.7M from the previous year result. The 2014-15 result is higher than the expected year end profit figure due to the deferral of some planned maintenance activity (expense) and increased developer (revenue) activity during the year.

### Revenue

Total revenue reported for the year was \$21.2M and an increase of \$0.8M from 2013-14 result. The increased revenue from the previous year is a result of applying the approved price as per our five year plan (2.93%), and additional sales revenue from fixed charges. The majority of the additional revenue is attributable to increased development activity and capital revenue. Capital revenue is a combination of development headworks charges (cash) and developer gifted assets (non cash). Previous year development activity was lower than expected due to the extreme wet weather conditions experienced throughout the year, and this has had a positive impact in 2014-15 with an increase of \$0.9M recognised as capital revenue. Total capital revenue for 2014-15 was \$1.9M.

### Expenditure

Total expenditure of \$18.9M is marginally more than previous expenditure. The continued focus of cost and process efficiencies has contributed to the 2014-15 result, enabling the Corporation to pass on the full Government rebate of \$23.00 to customers during the year. A reduction in borrowings costs is reflective of the lower borrowings held during the year, and maintaining a AA credit rating. Additional savings were realised during the year from deferring some planned maintenance, reduction in contractor costs and improved utilisation of operations and maintenance staff.

### Capital expenditure

Capital expenditure for 2014-15 was \$5.3M. The key focus during the year was on:

- Improvement projects (Total \$2.55M) for our CWWTP (\$2.1M) and land management and irrigation infrastructure (\$0.25M).
- Growth related projects (Total \$1.17M) including continued works on the upgrade of CWWTP capacity (\$0.1M) and increasing pump station capacity across our Cowes service area (\$0.76M).
- Renewal programs (Total \$1.05M) including expenditure of replacing sewer main, pump stations and associated assets (\$0.35M), fleet (\$0.11M), and IT hardware (\$0.1M).

- Compliance related expenditure (Total \$0.23M) focused on critical pumping stations (\$0.1M), and improvements in our water treatment plant at Candowie (\$0.1M), and OH&S projects (\$0.02M).

### Significant changes in financial position – balance sheet

Westernport Water implemented a new billing system and billing cycle during October 2014. The change in billing cycle resulted in accounts being issued progressively over the quarter rather than the previous cycle of billing all customers at the start of each quarter. Revenue is now billed in advance and recognised as 'unearned' in the balance sheet as at 30 June 2015.

### Cash flows

As a result of the change in billing cycles from bulk quarterly accounts to continuous account issue over the quarter, we have been able to improve our cash management practices. A reduced capital expenditure program and the change in billing cycle and improved cash flow throughout the year and negated the requirement to borrow funds during periods of low cash inflows.

## Five-year financial summary

	2014-15 \$'000	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000	2010-11 \$'000
Core revenue	18,856	18,402	17,877	16,866	15,444
Government contributions	45	61	151	2,566	310
Developer contributions and gifted assets <sup>1</sup>	1,902	1,267	3,564	1,565	1,053
Other revenue	384	663	608	1,116	864
<b>Total revenue</b>	<b>21,187</b>	<b>20,393</b>	<b>22,200</b>	<b>22,113</b>	<b>17,671</b>
Operating expenditure	7,319	7,074	8,342	7,925	5,463
Depreciation <sup>2</sup>	5,780	5,476	5,086	4,929	3,826
Finance costs	453	501	216	160	24
Other	5,386	5,864	5,816	6,071	6,201
<b>Total expenditure</b>	<b>18,938</b>	<b>18,915</b>	<b>19,460</b>	<b>19,085</b>	<b>15,514</b>
<b>Net profit before tax</b>	<b>2,249</b>	<b>1,478</b>	<b>2,740</b>	<b>3,028</b>	<b>2,157</b>

#### Notes:

(1) Additional prior year developer gifted assets restated in 2013-14 and 2012-2013

(2) Additional depreciation expense in 2013-14 and 2012-13 applicable to prior year developer gifted assets

**Balance Sheet – Summary**

	2014-15 \$'000	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000	2010-11 \$'000
Current assets <sup>1</sup>	4,121	4,253	3,117	2,459	3,421
Non-current assets <sup>2</sup>	178,851	177,583	178,268	168,786	167,432
<b>Total assets</b>	<b>182,972</b>	<b>181,836</b>	<b>181,385</b>	<b>171,245</b>	<b>170,853</b>
Current liabilities	4,770	5,235	10,269	6,030	6,715
Non-current liabilities	34,437	35,106	30,655	26,563	15,826
<b>Total liabilities</b>	<b>39,207</b>	<b>40,341</b>	<b>40,924</b>	<b>32,593</b>	<b>22,541</b>
<b>Net Assets</b>	<b>143,765</b>	<b>141,495</b>	<b>140,461</b>	<b>138,652</b>	<b>148,312</b>

Notes:

- (1) Current assets reported for 2014-15 reflects additional accounts receivable balance due to a change in billing cycle and deferred debt collection activities during the last half of the financial year during transition to a new billing systems.
- (2) Non current assets for 2013-14 and 2012-13 have been restated to reflect prior year adjustments for gifted developer assets.

### Prior year adjustments

The Corporation has recognised prior period adjustments for developer gifted assets (capital revenue and depreciation) affecting the net deferred tax liability for 2012-13 and 2013-14. The adjustment has not impacted the current year result. The net impact of \$0.467M is reflected in the retained earnings.

### Subsequent events

There were no events occurring after the balance date that would significantly affect Westernport Water's operations in subsequent reporting periods.

## Capital Projects

Total net capital expenditure for the year was \$5.3M. This expenditure is in line with the Sector Efficiency Initiative adjusted capital budget of \$5.5M. The signature capital project for 2014-15 was the first-stage upgrade to the Cowes Waste Water Treatment Plant (CWWTP). The \$2.2M project spend in 2014-15 is designed to address both Environment Protection Authority Victoria (EPA Victoria) licence compliance issues and cater for customer growth on Phillip Island and San Remo.

For information on recent major 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 Victorian Government's Department of Treasury and Finance's website. This publication also contains information on the Department and its related portfolio agencies' asset investment programs.

## Disclosure of Grants and Transfer Payments

### Grants and transfer of payments

During 2014-15, Westernport Water provided a small business grant for improving water efficiency. The recipient received a grant payment for the specific purposes outlined in the funding agreement. The grant scheme was administered on behalf of the then Victorian Department of Environment and Primary Industries (DEPI).

Organisation	Description	Payment \$
Karville Pty Ltd	Cattle farm substituting potable water with class A recycled water for cattle drinking purposes, expecting to save up to 2.5ML per annum of potable water supply.	5,000

### Victorian Industry Participation Policy

During 2014-15 the Corporation did not awarded any contracts applicable to the *Victorian Industry Participation Policy Act 2003*.

# Objectives and Performance Highlights

## Our Corporate Governance

### INTENT

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

### HIGHLIGHTS

- Implemented a new billing system to provide improved customer service, and cash flow management.
- Southern Rural Water joined the Gippsland Strategic Alliance.
- Implemented the Strategic Planning annual program of events.
- Implemented an organisational ideas and opportunities portfolio.
- Centralised performance and compliance monitoring and reporting.
- Improved internal and external reporting utilising corporate systems.

### FUTURE INITIATIVES

- Complete corporate systems integration to improve productivity.
- Review and update key corporate frameworks, including risk and emergency incident management.



## Our People

### INTENT

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

### HIGHLIGHTS

- Commenced a long-term organisational improvement plan with an initial focus on building our desired culture.
- Implemented new human resources (HR) initiatives including new policies and procedures.
- Introduced new Westernport Water values and behavioural indicators.
- Graduated a team leader from the Gippsland Community Leadership program.
- 15 percent of staff completed or are currently completing higher education funded by Westernport Water.
- Advertised 10 vacant positions in 2014-15 attracting a total of 357 applications with 60 percent of vacancies filled by local residents.

### FUTURE INITIATIVES

- The organisational improvement plan will enter the next phase focusing on the key areas of leadership development and change management.
- Establish a learning environment through a whole-of-business skills analysis and targeted training programs.



## Our Products and Services

### INTENT

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

### HIGHLIGHTS

- Maintained full compliance with the Safe Drinking Water Act 2003 and regulations for the third year running.
- Achieved another strong customer satisfaction result of 93 percent of customers satisfied with the overall service.
- A new customer billing system was implemented providing improved reporting and options for the introduction of e-services.
- Implemented a successful direct debit campaign and increased direct debit payment use by 10 percent of customers.
- Implemented process improvements to mitigate water quality taste and odour issues.
- Completed two key consultancy studies addressing treatment options on Candowie Reservoir and the IBWPP.

### FUTURE INITIATIVES

- Implement enhanced monitoring of the Candowie Reservoir, including exploring lead indicators to warn of blue-green algal blooms.
- Go live with a new customer-friendly website with e-services capabilities.
- Implement a new customer service strategy with a focus on vulnerable customers.
- Continue investigations into renewable energy options.



## Our Assets

### INTENT

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

### HIGHLIGHTS

- Completed \$2.2M CWWTP upgrades.
- Completed upgrade to the Church Street Sewer Pump Station (SPS) and commenced upgrade to Chapel Street SPS as part of the \$0.8M Cowes Wastewater Futures project.
- Completed the migration of corporate systems into an offsite managed services platform 'cloud'.
- Improved the disaster recovery solution for offsite and onsite ITC.
- Reduction in onsite servers with virtualisation environment to reduce energy costs.
- Completed master plans for the King Road Waste Water Treatment Plant (KWWTP).
- Developed a long-term strategy for the Phillip Island sewer transfer main.
- Prepared a 20-year plan for upgrading the asbestos cement water main network.
- Developed the integrated asset management system (AMS), work order and geospatial information systems (GIS) for improved decision making.
- Final stages of rolling out new end point devices (Google Chrome).
- Improved field mobility using smart phones, laptops and continuous 4G connections.

### FUTURE INITIATIVES

- Allocate and record preventative maintenance activities against assets.
- Use the MyPredictor functionality within the AMS to develop evidenced based priorities for ongoing capital and operational programs.
- Develop master plans (civil, electrical and mechanical) for the seven high and 44 medium critical SPSs.
- Conduct tests on critical infrastructure failure and recovery exercises to identify process improvement opportunities.
- Test the commissioning protocols for Westernport Water's connection to the Metropolitan pool.

## Our Environment

### INTENT

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

### HIGHLIGHTS

- Released over 643ML of water into the Tennent Creek downstream of Candowie Reservoir to support ecological processes in Tennent Creek and the Bass River.
- Continued work with land management partners on revegetation programs that benefited Salt Water Creek and the lower reaches of Tennent Creek.
- Established a sugar gum plantation at the CWWTP irrigated by wastewater to reduce ocean outfall.
- Re-established nine hectares of irrigation area at the KWWTP.
- Expanded the program to address problems associated with invasive animal and plant species on land managed by the Corporation and neighbouring land holders.

### FUTURE INITIATIVES

- Undertake a climate change vulnerability assessment of the Corporation's facilities and infrastructure to address climate change preparedness.
- Advance work on a contract to install an air treatment facility for the Church Street SPS in 2015-16 to address odour issues.



## Our Community

### INTENT

To be a valued member of the community.

### HIGHLIGHTS

- Increased awareness of the benefits of gardening with recycled water and demonstrated how it supports future development through the Phillip Island Community Orchard project.
- Provided 'Stop it. Don't block it' education campaign components to over 250 students and people in the local community.
- Sponsored over 50 events to support local community initiatives.
- Introduced social media tools to improve customer communication and engagement.
- Welcomed three customers as new members of the CCP.
- Installed three new drink fountains in the service area.

### FUTURE INITIATIVES

- Continue to deliver 'Stop it. Don't block it' and 'Choose Tap' education campaigns.
- Initiate a community engagement program for the next planning period.
- Continue to support the Phillip Island Community Orchard and key community partnerships.
- Participate and support the South Gippsland Community Energy Committee.



# Initiatives and Key Achievements

## Major Capital projects

The upgrade to the CWWTP and the Cowes Wastewater Futures project were two key capital projects that advanced in 2014-15.

The conversion of the CWWTP to a full biological nutrient removal process will improve the quality of the discharge to ocean as well as prepare for future growth. \$2.2M has been spent on this project in 2014-15, with a further \$1.3M expected over the next 5 years.

The Cowes Wastewater Futures project is a multi-year initiative to improve the collection and transfer of sewage from the Cowes area. In 2014-15, \$0.8M was invested in completing the upgrade to the Church Street SPS and commencement of the Chapel Street SPS upgrade. Total expected project expenditure for the next five years is \$5.1M.

## Organisational improvement

The Corporation invested in a whole-of-organisation improvement plan, which was initiated in the second half of 2014. The plan's aim is to improve employee engagement and productivity thereby delivering improved customer services. Westernport Water has committed \$0.1M to this initiative, which started with the launch of a culture change program. Over the next two years, the Corporation will focus on leadership development, change management and providing a clear and compelling direction.

## IT transition to managed services

Since 1 July 2014, Westernport Water has been working to transfer onsite infrastructure information to cloud computing services using a managed services solution. Up to 30 June 2015, Westernport Water has committed \$0.2M to the cloud solution and upgraded onsite IT infrastructure. The shift from a local area IT solution to a cloud-based solution offers many advantages including improved security and data integrity, as well as providing savings on replacing hardware and reduction in licensing costs. It also improves flexibility as it enables employees to work remotely on any approved devices.

## Utility billing system

Since 1 July 2014, Westernport Water implemented a new utility billing system to provide efficiencies, enhance services and improve customer communication. Up to 30 June 2015, Westernport Water has committed \$0.3M to the development and implementation of this system. Over the next twelve months, Westernport Water will continue to develop and implement process improvements to the system. Total investment in corporate billing and finance systems is \$0.9M.

## Water quality initiatives

The Corporation implemented a range of internal process improvements to mitigate risk of taste and odour issues arising from blue-green algal blooms. These included establishing a taste test panel and applying a robust monitoring program. These initiatives, combined with favourable weather, have resulted in a reduction in customer complaints by 73 percent from the previous year.

Westernport Water engaged consultants to assess the raw water quality of Candowie Reservoir. The Corporation is planning to install a water profiler in 2015-16 that continuously measures water quality to inform aeration requirements and any future treatment plant upgrades.

## Assets achievement

All asset management system information was successfully migrated to the cloud environment. A number of 'smart' programs were developed, including predictive pump maintenance algorithms and development of a 'many assets to one task' functionality between the GIS and the work order system for preventative maintenance plans. Total investment in AMS and GIS solution is \$1.3M.

## Initiative for environmental benefit

Westernport Water has a focus on sustainability and beneficial reuse of wastewater by-products, and has committed to a long-term plan to increase the volume of treated effluent reused. At the CWWTP, establishment of a 14-hectare irrigation-ready area was completed in 2014-15 at a total project cost of \$0.4M. This project will reduce the volume of

effluent and solids discharged to ocean by 70+ML/annum (six percent of the total volume treated).

The KWWTP receives and treats, on average, 200ML of effluent each year, which is all eventually disposed to land when conditions permit. The irrigation project completed in 2014-15 at a cost of \$0.2M, involved the establishment of irrigation infrastructure and more than nine hectares of tree plantation to allow for the disposal of an additional 100+ML/annum of treated effluent. The total irrigation project is estimated at \$0.6M with two more stages to be completed.

These irrigation projects are driven by EPA Victoria licence compliance requirements to treat, store and safely dispose of treated effluent in a manner that ensures Westernport Water does not impact on the beneficial uses of the environment. A side benefit of the King Road project was developing a partnership with a local tourist attraction to provide vegetation suitable for koala feed, resulting in 11,000 mixed species trees.

## Water sector efficiency initiative

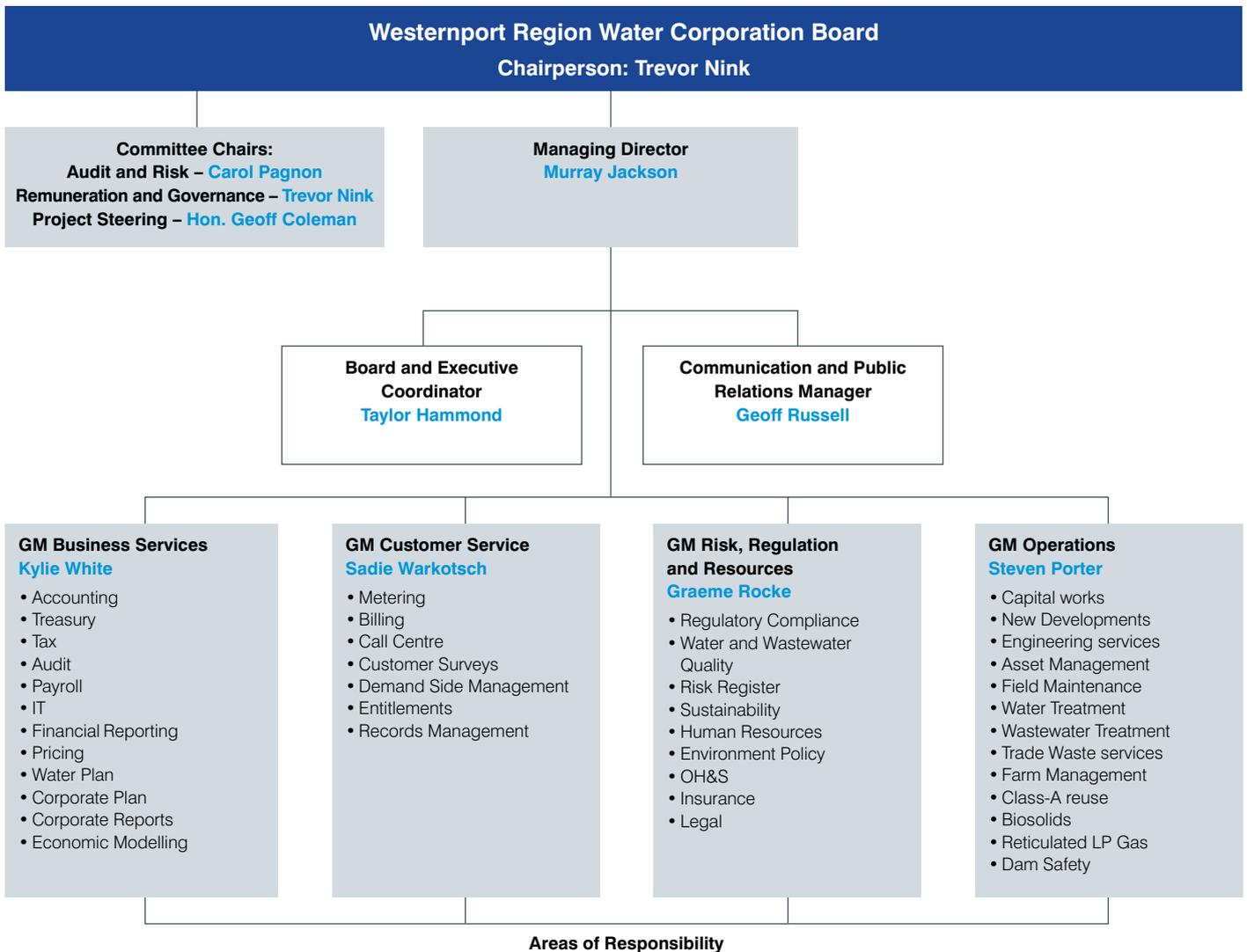
As a result of the water sector efficiency initiative, Westernport Water implemented a number of cost saving activities that resulted in a one-off government water rebate of \$23.00 to all of its customers in January 2015. The Corporation will strive to realise efficiencies that result in further rebates to its customers. For the 2015-16 financial year the government water rebate will increase to \$23.40.

## Collaboration within the water sector

Gippsland Water, in partnership with East Gippsland Water, South Gippsland Water, Westernport Water, and more recently, Southern Rural Water, continues to proactively engage in delivering efficiencies and service improvements for water customers across the region as part of its industry-leading Strategic Alliance. In the last 18 months, the five Gippsland water corporations have identified efficiencies and improvements across areas such as procurement, electricity forward contracts, fleet management, customer services, and meter reading and training.

# Governance

## Organisational structure



### Structural changes during 2014-15

There have been no significant structural changes in the reporting period, however the Corporation undertook the search for a new Managing Director who will take over on 1 September 2015. Additionally, a number of employees gained valuable experience across other areas of the business as part of a succession planning initiative.

### Senior executives

Westernport Water is led by its Managing Director – Murray Jackson and supported by a senior executive group, known as the Executive Management Team, comprising: General Manager (GM) Business Services & Chief Financial Officer – Kylie White; GM Operations – Steven Porter; GM Customer Services – Sadie Warkotsch; and GM Risk, Regulation and Resources – Graeme Rocke. Refer to above organisational structure outlining areas of responsibilities.

## 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
- setting service standards and monitoring achievements
- establishing measurable goals and objectives
- review of Board and Committee charters
- evaluating the Board and executive performance to ensure integrity of corporate governance practice and ethical conduct.

**Trevor Nink (Chairperson)** has held various appointments with international building, engineering and packaging companies including 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 Chairperson)**

is chairperson of Youth Connect (2011-current) and director of the Progressive Business Association (2011-current). He 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).

### **Murray Jackson (Managing Director)**

previously completed a 10-year appointment with Genesis Energy in New Zealand and qualifications include a Master of Business Administration, 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. His 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) supporting research and treatment of cancer.

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

**John Duscher** has 40 years experience in education and extensive experience in local government in the Bass Coast Region. He is heavily involved in a range of community and sporting organisations in leadership roles and his experience extends to emergency management planning, fire prevention, audits and community planning. He is currently a Justice of the Peace and Bail Justice.

### **Carol Pagnon**

has extensive experience in governance, risk management, risk assurance, project management and change management across the Victorian public sector. She is a graduate of the AICD, a Fellow of the Society of Certified Practising Accountants Australia, a Chartered Accountant, a Master of Business (Risk, Assurance and Compliance) and is a PRINCE 2 accredited project management practitioner.

**Barbara Wagstaff** is self-employed providing banking, finance and management advisory services on a contract basis (1992-current). She has previously been 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). She has a Bachelor of Economics (Honours) and is a graduate of the AICD.

**Guy Wilson-Browne** has more than 15 years' experience as a senior manager in the public infrastructure sector. He has a Bachelor of Civil Engineering degree and graduate diplomas in Business Administration (Leisure & Tourism) and Commercial Law. He is a Fellow of the AICD. As a director of infrastructure services, he is responsible for the overall planning, provision and maintenance of public infrastructure for Yarra City Council.

## Board committees

### Audit and risk

The Audit & Risk Committee (ARC) is a committee of the Board consisting of five independent members:

Carol Pagnon – Chairperson, Barbara Wagstaff, John Duscher, Guy Wilson-Browne and the Hon. Geoff Colman.

The ARC is independent of the activities of the Corporation's management ensuring that the Committee acts in an objective, impartial manner free from any conflict of interest, inherent bias or undue external influence. Meetings are attended by management as required and all directors have a standing, but not mandatory, invitation to attend. During the year, seven physical meetings and four update meetings were held.

ARC responsibilities comprise:

- reviewing and reporting independently to the Board on the annual report and financial information published by the Corporation
- reviewing and recommending to the Board the acceptance of the Victorian Auditor-General's reports
- determining the scope of and monitoring the internal audit function, and ensuring that its resources are adequate and used effectively and that risks are managed and issues identified are addressed appropriately
- oversight of the risk management framework, risk tolerances and practices across all strategic and operational areas
- oversight of insurance strategies
- monitoring the level of regulatory compliance.

### Remuneration and governance

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 to examine other delegated governance issues that may arise.

The RGC members in 2014-15 were: Trevor Nink – Chairperson, Roland Lindell, Barbara Wagstaff and John Duscher. Committee member terms are listed in the Board and Committee attendance table (next table). The Committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel (GSERP).

During the year, six meetings were held and the committee:

- conducted a recruitment process to appoint a Managing Director effective 1 September 2015
- reviewed senior executive performance, salaries and bonuses using the Victorian Public Sector Commission framework
- developed and implemented a governance procedure for corporate policies
- reviewed senior employee succession planning activities.

### Project steering

The Project Steering Committee (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 Corporate Plan.

The PSC is a group of five members, comprising: the Hon. Geoff Coleman – Chairperson, Roland Lindell, Carol Pagnon, Guy Wilson-Browne and

Managing Director, Murray Jackson.

During 2014-15, the PSC convened eight meetings and:

- provided oversight and recommendation for these capital projects
  - CWWTP upgrade
  - Metropolitan Pool water connection
  - utility billing development and implementation
  - wastewater futures – pump station upgrades
  - wastewater irrigation project
  - asset management system development and implementation
- developed assessment criteria for the provision of service providers
- assessed and endorsed rolling capex program and five year budget for 2015-20
- evaluated and endorsed asset renewal program
- assessed potential use for vacant landholdings
- reviewed and endorsed investigations into renewable energy options.

## Table of Board / Committee attendance

	Board meetings	Audit & Risk Committee (ARC) meetings	Remuneration & Governance Committee (RGC) meetings	Project Steering Committee (PSC) meetings
<b>Physical meetings held<sup>1</sup></b>	Held – 11	Held – 7	Held – 6	Held – 8
<b>Director</b>	<b>Attended<sup>3</sup></b>	<b>Attended</b>	<b>Attended</b>	<b>Attended</b>
Murray Jackson <i>(Managing Director)</i>	11	6	–	7
Trevor Nink – <i>Chairperson of Board &amp; RGC 2007 to current</i>	9	6	6	6
<i>Chairperson – 1-10-12 to current</i>				
<i>Chairperson RGC – 1-10-12 to current</i>				
Roland Lindell <i>1-10-2011 to current</i>	10	6	6	8
<i>Deputy Chairperson – 1-10-12 to current</i>				
Barbara Wagstaff <i>1-10-2011 to current</i>	11	7	6	1
Hon. Geoff Coleman <i>– Chairperson PSC 1-10-2011 to current</i>	9	6	–	7
Carol Pagnon <i>– Chairperson ARC Board member – 1-10-12 to current</i>	10	7	–	8
John Duscher <i>1-10-12 to current</i>	9	6	5	1
Guy Wilson-Browne <i>1-10-12 to current</i>	8	4	–	5

Notes:

- (1) 'Held' meetings are physical meetings with members in attendance. When physical meetings are not held 'update' reports are provided to all members.
- (2) Attendance in italics represents non committee members attending meetings.
- (3) All members met the requirements of attendance at more than 70 percent of meetings.

# Our People



**Westernport Water believes that its people are critical to the success of the Corporation, now and into the future. With a particular focus on its people in 2014-15, the Corporation is committed to creating more positive employee engagement and promoting a healthy and safe working environment for all employees.**

A refresh of the human resources policies and procedures, with Board approval, has provided an up-to-date and accurate guidance for all employees, including a clear grievance process. All people procedures and practices uphold and preserve the public sector code of conduct and public sector employment principles.

## Culture

Westernport Water is focusing on improving its organisational culture, with the aim of improved staff satisfaction, productivity and health and wellbeing. During the reporting period, employee surveys informed the organisation's improvement plans. This employee-driven initiative determines the cultural attributes that enable Westernport Water to succeed and make the organisation a happy, healthy and productive place to work. As a result of this consultation, employees devised the desired values and behavioural indicators.

## Employment merit and equity

Westernport Water is proud of its commitment to upholding merit and equity principles throughout the employment lifecycle. At all stages of employment, people are treated in a fair and equitable manner without regard to race, religion, disability, parental or carer status, age, sex, pregnancy, sexual activity, gender identity, marital status, physical features or exercising a work right.

Employment selection processes ensure applicants are assessed and evaluated fairly and equitably, and are based on key selection criteria, ability, knowledge, experience and skill.

Employees are promoted for positions after fair and open competition, and measurement against the position requirements.

## Conduct principles

All Westernport Water employees work within the standards of conduct expected of all public officials as stated in the *Public Administration Act 2004*. They also work within the *Victorian Charter of Human Rights and Responsibilities Act 2006* to ensure that all people who interact with Westernport Water (internally and externally) are treated in a manner which demonstrates the Victorian public sector values.

## Recognition

Westernport Water celebrates its employee's abilities, qualities, achievements and years of service. In 2014-15, Westernport Water congratulated one employee who completed an outstanding 30 years of service, two employees who reached 15 years of service, and two who completed 10 years of valuable service to the organisation.

## Training and employee development highlights

In 2014-15, the Corporation conducted a broad range of training programs, including employee development and compliance programs. Westernport Water is working collaboratively with neighbouring Gippsland water corporations to create additional learning opportunities for its employees. In 2014-15, Westernport Water saw the successful completion of a water operations traineeship where the trainee was offered full-time employment as a result, and recruited another trainee to complete the two year program.

During the year:

- 15 percent of staff completed or are currently completing higher education funded by Westernport Water
- all employees attended workshops during the last 12 months to equip them with the capabilities to move to a more productive and engaging culture, give and receive effective feedback, and built awareness of compliance and expectations as public officers
- one employee completed the Gippsland Community Leadership Program giving insights into Gippsland community opportunities and challenges and building skills in community participation, engagement and leadership in the community
- managers attended equal opportunity and employee relations training while the customer support team completed a program for team excellence
- specialist employees attended water quality training programs, that covered reclaimed water training, water quality awareness and distribution system management, dissolved aeration flotation filtration, biological nutrient removal, and water sampling.

## Diversity

Westernport Water is committed to building an organisational culture where diversity and inclusion principles are embraced in everyday work. The Corporation promotes a diverse workforce that reflects its community and is able to respond to customers' needs for effective services.

The Corporation focuses on attracting, recruiting, developing and retaining diverse groups, such as people with disabilities, women in non-traditional roles, culturally and linguistically diverse, indigenous, or similar. Presently the Corporation employs a well balanced range of staff, which extends to our Executive Management Team, where two of the five executives are female.

## Executive officer (EO) disclosure numbers classified into 'ongoing' and 'special' projects<sup>1</sup>

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

Notes:

- (1) No executive officers were allocated to special projects during the 2015-16 reporting period.

## Comparative workforce data

Full time equivalents (FTE) employee trends from 2011 to 2015.<sup>1</sup>

2015	2014	2013	2012	2011
63.94 <sup>2</sup>	68.79	67.81	70.36	66.49

## Statement of workforce data

Summary of employment levels in June 2014 and 2015.<sup>1</sup>

	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 2015	57 <sup>2</sup>	55.70	7	6.50	2	1.74	66	63.942

Notes:

- (1) All figures reflect employment levels during the last full pay period in June of each year, and does not include employees on long term leave without pay, or unpaid maternity leave.  
 (2) The reduction in headcount / FTE is attributed to four vacancies that existed at the time of reporting. Recruitment for four roles was being undertaken at this time.

## Details of employment in June 2014 and 2015<sup>1</sup>

	June 2015			June 2014		
	Ongoing		Fixed term & casual employees	Ongoing		Fixed term & casual employees
	Employees (Headcount)	FTE		Employees (Headcount)	FTE	
<b>Gender</b>						
Male	42	40.78	4	40	40.00	4.00
Female	15 <sup>5</sup>	14.92	4.24	21	20.47	4.32
<b>Age</b>						
Under 25	3	3	3	1	1.00	3.00
25-34	9	8.07	-	10	9.63	-
35-44	9 <sup>1</sup>	9	2.50	13	12.84	2.43
45-54	22	22	1	25	25.00	1.00
55-64	12	11.63	1.74	10	10.00	1.89
Over 64	2	2	-	2	2.00	-
<b>Classification</b>						
Broadband 2	10 <sup>1</sup>	10	5.24	18	14.63	1.73
Broadband 3	9 <sup>1</sup>	9	2	15	13.43	1
Broadband 4	14	12.7	-	12	12	-
Broadband 5	8	8	-	7	7	-
Broadband 6	4	4	-	6	6	-
SEO <sup>2</sup>	9	9	-	9	8	1
Executive <sup>3</sup>	3	3	-	3	3	-
Other <sup>4</sup>	-	-	1	1	1	-

Notes:

- (1) All figures reflect employment levels during the last full pay period in June of each year, and does not include employees on long term leave without pay or unpaid maternity leave.  
 (2) SEO – Senior Executive Officers full time or under contract.  
 (3) Executive – Government Sector Executive Remuneration Panel (GSERP) contacted employee.  
 (4) Other – Traineeship two years.  
 (5) The reduction in headcount is attributed to four vacancies that existed at the time of reporting.

### Reconciliation of executive numbers

		2015	2014
<i>Add</i>	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
<i>Less</i>	Separations	0	0
	<b>Total executive numbers at 30 June 2015</b>	<b>3</b>	<b>3</b>

### 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	0	0	0	1	0
Governance	1	0	0	1	0	0	0
Operations	1	0	0	1	0	0	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>

### Protected disclosures

The *Protected Disclosure Act 2012* enables people to make disclosures about improper conduct by public officers and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

Westernport Water does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct.

To make a protected disclosure about Westernport Water or its Board members, officers or employees can contact the Independent Broad-based Anti-corruption Commission Victoria (details follow). During the reporting period there were no disclosures made under the *Protected Disclosure Act 2012*.

#### Contacts:

#### **Department of Environment, Land, Water and Planning (DELWP)**

Jennifer Berensen, Senior Advisor,  
Privacy & Ombudsman

Mail: PO Box 500, East Melbourne VIC  
8002

Phone: 03 9637 8697

Website: [www.delwp.vic.gov.au](http://www.delwp.vic.gov.au)

#### **Independent Broad-based Anti-corruption Commission (IBAC) Victoria**

Level 1, North Tower, 459 Collins Street,  
Melbourne Victoria, 3000

Mail: IBAC, GPO Box 24234, Melbourne  
Victoria 3001

Phone: 1300 735 135

Website: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

### Work health and safety

The Corporation's workplace safety approach is to provide and maintain a workplace that is safe and without risks to health. This principle extends to the safety of contractors, visitors and the general public to ensure there is no adverse impact resulting from businesses undertakings and actions.

Westernport Water has developed and implemented an occupational health and safety (OHS) management system geared toward continuous improvement. This ongoing improvement is achieved by tracking OHS statistics and using the data to identify where corrective action is required.

During the year, employees participated in training on the following OHS-related topics: confined space, electrical spotters, first aid, asbestos awareness, construction induction, fire warden, extinguishers and class B asbestos removal.

### Health and wellbeing

Employees are encouraged to participate in health and wellbeing programs offered by Westernport Water. These programs include subsidised gym memberships, subsidised private health insurance, the confidential employee assistance program and encouraging healthy eating choices by providing fortnightly seasonal fruit baskets.

### Work health checks

The Corporation's employee health monitoring program includes free annual flu vaccinations, targeted vaccinations against occupational communicable diseases, skin cancer checks, and biannual audiometric and spirometry testing.

### Return to work

The Corporation recognises the importance of keeping injured employees connected with the workplace. The Return to Work Coordinator facilitates all return to work activities, planning and correspondence, and ensures that the Corporation meets its legislated obligations under the *Workplace Injury Rehabilitation and Compensation Act 2013*.

## OH&S Performance Indicators

The OHS statistics demonstrate a strong commitment to safety and confirm the Corporation's focus on continuous improvement is effective. A notable result is the three year downward trend in OHS incidents being reported.

Measure	KPI	2014-15	2013-14	2012-13
<b>Incidents</b>	No. of Incidents <sup>1</sup>	6	8	9
	Rate per 100 FTE <sup>1</sup>	9.3	11.7	6.10
<b>Claims</b>	No. of standard claims <sup>2</sup>	0	0	0
	Rate per 100 FTE	0	0	0
	No. of lost time claims	0	1	0
	Rate per 100 FTE	0	1.5	0
	No. of claims exceeding 13 weeks	0	0	0
	Rate per 100 FTE	0	0	0
<b>Fatalities</b>	Fatality claims	0	0	0
<b>Claim costs</b>	Average cost per standard claim <sup>2</sup>	0	\$1500	0
<b>Return to work (RTW)</b>	Percentage of claims with RTW plan <30 days	0	0	–
<b>Management commitment</b>	Evidence of OH&S policy statement, OH&S objectives, regular reporting to senior management of OH&S, and OH&S plans (signed by Managing Director or equivalent)	completed	completed	completed
	Evidence of OH&S criteria(s) in purchasing guidelines (including goods, services and personnel)	completed	completed	completed
<b>Consultation and participation</b>	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs)	completed	completed	completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs	completed	completed	completed
<b>Risk Management</b>	Percentage of internal audits/ inspections conducted as planned	100%	100%	100%
	Percentage of issues identified actioned arising from:			
	– internal audits	100%	100%	100%
	– HSR provisional improvement notices (PINs)	–	–	–
	– WorkSafe notices	–	–	–
<b>Training</b>	Percentage of managers and employee that have received OH&S training:	100%	100%	100%
	– induction	100%	100%	100%
	– management training	–	–	–
	– contractors, temp, visitors	100%	100%	–
	Percentage of HSRs trained:			
	– acceptance of role <sup>3</sup>	100%	–	–
	– re-training (refresher)	100%	100%	100%
– reporting of incidents and injuries	100%	100%	100%	

Notes:

(1) Decrease in OHS related incidents for the third consecutive year.

(2) There were no WorkCover claims reported in the 2014-15 period and as such no claims costs incurred in said period.

(3) New HSRs were appointed and trained in 2014-15, no training required in the period prior.



## Incident management

Incidents reported across the Corporation decreased by 39 percent per 100 FTE in 2014-15. In whole numbers, the decrease equates to 18 less incidents compared with the previous year. Of the 28 incidents reported during 2014-15 period, the most common incident types included; occupational health and safety, motor vehicle, property and liability and water quality.

## Number of incidents and rate per FTE

	2014-15	2013-14	2012-13
Incidents	28 <sup>1</sup>	46	38
Rate per 100 FTE	44 <sup>1</sup>	67	56

Notes:

(1) The significant drop in the number of incidents reported from the previous year can be attributed to a sharp decrease in the number of water quality incidents being reported. This improvement in water quality is related to a reduced number of wet weather and algae events occurring in the 2014-15 period.

# Water Consumption and Drought Response

## Water supply sources

Westernport Water has completed its mission to diversify its access to 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. The Corporation has access to the following water supply sources:

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

## Water consumption report

District Name	Residential customers					Non-residential customers					Total Number of Customers
	Potable	Recycled <sup>6</sup>	(1)	(2)	(3)	Potable	Recycled <sup>6</sup>	(4)	(5)	(6)	
			Potable Water volume (ML)	Recycled Wastewater Volume (ML)	Recycled Stormwater Volume (ML)			Potable Water volume (ML)	Recycled Wastewater Volume (ML) <sup>6</sup>	Recycled Stormwater Volume (ML)	
<b>Candowie Reservoir 2013-14</b>	14,607	95	1,173	4	–	1,119	5	579	55	–	15,726
<b>Candowie Reservoir 2014-15</b>	14,653	217 <sup>1</sup>	1,176	6	– <sup>2</sup>	1,055 <sup>8</sup>	5	594	80 <sup>3</sup>	–	15,708
	(7)	(8)	(9)	Average annual consumption (ML)	Non-revenue water (ML)			(13)	Total water all sources (ML) (9) + (13)		
	Total potable water volume (1)+(4) (ML)	Total recycled water volume (2)+(3)+(5)+(6) (ML)	Total consumption (7) + (8) (ML)		(10) Leakage	(11) Firefighting	(12) Other <sup>5</sup>	Total non revenue water (ML) (10)+(11)+(12)			
<b>Candowie Reservoir 2013-14</b>	1,752	59	1,811	1,760	61 <sup>4</sup>	–	3	64	1,875		
<b>Candowie Reservoir 2014-15</b>	1,770	86 <sup>3</sup>	1,856	1,755 <sup>7</sup>	74 <sup>4</sup>	–	4	78 <sup>4</sup>	1,934		

### Notes:

- (1) Recycled water customers are now reported separately.
- (2) Westernport Water does not provide recycled stormwater.
- (3) Increase in recycled wastewater volume is attributed to a Westernport Water tree plantation / irrigation project.
- (4) This is attributed to unaccounted for water lost through leakage.
- (5) Includes known water loss, mains break and system maintenance.
- (6) Reporting recycled water customers both residential and commercial is new.
- (7) Average annual consumption calculated using three years.
- (8) The new customer relationship management system has identified the Corporations meters were previously counted in non-residential customer numbers.



Candowie Reservoir Water Tower

### Household drinking water consumption (KL) – residential<sup>1</sup>

Month <sup>2</sup>	Week 1	Week 2	Week 3	Week 4
January	28,183	28,183	28,183	28,183
February	28,183	28,183	28,183	28,183
March	28,183	28,183	28,183	28,183
April	24,429	24,429	24,429	24,429
May	24,429	24,429	24,429	24,429
June	24,429	24,429	24,429	24,429
July	17,121	17,121	17,121	17,121
August	17,121	17,121	17,121	17,121
September	17,121	17,121	17,121	17,121
October	23,130	23,130	23,130	23,130
November	23,130	23,130	23,130	23,130
December	23,130	23,130	23,130	23,130
<b>TOTAL</b>	<b>278,586</b>	<b>278,586</b>	<b>278,586</b>	<b>278,586</b>

Notes:

- (1) New table for 2015.
- (2) Meters are read quarterly and consumption divided into weeks.

### Water quality

Water quality indicators were fully compliant with targets quoted in the 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 and numerous strategic test points in the distribution system.

### Water quality performance against target 2014-15

Water quality indicator	2014-15 Actual	2014-15 Target	Target met	2013-14	2012-13	2011-12	2010-11
<b>E. coli (% samples containing zero organisms per 100ML)</b>	100.00%	>98.00% <sup>1</sup>	Yes	100.00%	100.00%	100.00%	99.17%
<b>Turbidity (Nephelometric Turbidity Units, NTU)</b>	100.00%	>95.00% <sup>2</sup>	Yes	100.00%	100.00%	99.80%	99.80%
<b>Aluminium (mg/L)</b>	100.00%	100.00%	Yes	100.00%	100.00%	99.16%	97.50%
<b>Trihalomethanes (ug/L)</b>	100.00%	100.00%	Yes	100.00%	100.00%	100.00%	99.17%

Notes:

- (1) Target is derived from the *Safe Drinking Water Regulations 2005*, which states "at least 98% of all samples of drinking water collected in any 12 month period contain no *Escherichia coli* per 100 millilitres of drinking water".
- (2) Target is derived from the *Safe Drinking Water Regulations 2005*, which states "95% upper confidence limit of the mean of samples of drinking water collected in any 12 month period must be less than or equal to 50 Nephelometric Turbidity Units".

### Challenges

Westernport Water is aware of the seasonal challenges surrounding the naturally occurring blue-green algal blooms that can lead to taste and odour issues. Process improvements, coupled with excellent treatment plant management and a cooler, drier summer than previous years, led to no disruption to water supply or taste and odour issues associated with algae this year. However, algae remain an ever present threat in Candowie Reservoir and a

constant challenge regardless of weather conditions.

During February 2015, a one-off water sample scheduled under the *Safe Drinking Water Act 2003* was missed. This was due to a schedule error by an external water testing laboratory. While a non-conformance with the Act generally results in penalty, Westernport Water was exempted due to corrective actions undertaken with the laboratory. An ongoing challenge is to ensure the schedule reflects sampling requirements.

### Water supply and demand

Key components of Westernport Water's, Water Supply Demand Strategy (WSDS) 2012 have been achieved. The commissioning protocols for access to the Metropolitan Pool have been approved and commissioning will take place in 2015-16. The Corporation's groundwater licence is valid until June 2016 and a new bulk entitlement (BE) for the Metropolitan Pool has been enacted that will provide a water allocation in cases of extreme drought or failure of Candowie Reservoir.

## Water supply outlook

As part of the monitoring of the water supply sources, Westernport Water publishes a Water Supply Outlook report in November of each year. Westernport Water is pleased to report no drought response plans were invoked during the year.

## Dam safety report 2014-15

Westernport Water owns and operates 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 DELWP. The five yearly comprehensive dam safety inspection was completed in February 2015 to validate dam safety.

## Integrated water cycle management

This project investigated whole-of-water-cycle solutions for water and wastewater services to the San Remo region, and its potential application in other communities of Westernport Water's service area to utilise alternative water sources. Bass Coast Shire Council supported the project and formed a reference group with Westernport Water. During 2013, the Victorian State Government allocated \$210,000 for the project.

The options study (stage one) was completed on 10 March 2015 at a funding cost of \$159,754. Stage two was approved by the current State Government to use the remaining funding to conduct a concept design of preferred options which was completed in June 2015.

## Bulk entitlements

The standard reporting template for Westernport Water for its three bulk entitlements BEs for Westernport Tennent Creek, Bass River and the Greater Yarra System – Thomson River Pool (Melbourne Pool) is shown in the next table.

### Bass River bulk entitlement

Due to rainfall in July 2014, Candowie Reservoir filled to 100 percent and the Bass River pump station was not required during the reporting period. Westernport Water complied with all conditions and requirements as no water was extracted under this BE.

### Westernport bulk entitlement

Westernport Water complied with all of the BE conditions and requirements except for the environmental flow requirements.

The BE has provided a forum for discussion between the DELWP and Melbourne Water on river health for the Bass River and Tennent Creek and the best way to implement an environmental flow that provides the most benefit and compliance with conditions. This has resulted in some shortcomings being identified in the BE sections and an amendment proposed. This BE amendment process is currently underway and is expected to be completed later in 2015. These amendments will make the BE easier to administer as well as provide operational benefits and flows to the environment.

On 1 April 2015, Westernport Water sent an application to amend the BE to the Minister of Environment, Climate Change and Water seeking the following amendments:

- clarify operational tolerances for environmental releases
- allow for suspension of environmental releases due to emergency events
- to discontinue all winter environmental releases when the reservoir level falls below 850ML
- obligate Westernport Water to create operational amendments in consultation with the waterway manager (Melbourne Water).

These amendments are currently being considered by the Minister.

Since 1 July 2014, Westernport Water has released 261ML of environmental flow under the BE, and the dam has spilled 382ML of water to assist the downstream environment of Tennent Creek. This water has not been released strictly within the conditions of the BE hence the need for the minor amendment. The environmental releases and the spills from the dam have exceeded the volume required to be released for the environmental flow under the BE.

### Greater Yarra System – Thomson River Pool

Westernport Water complied with all conditions and requirements for this BE as no water entitlement was used. The connection to the Melbourne Pool has been completed and is awaiting commission. This is a new BE, that commenced on the 30 July 2014, and replaced BE Melbourne Headwork's System. Westernport Water receives a water allocation on a monthly basis from the water resource manager Melbourne Water that also provides an update on any carryover water and spills from the storages. The latest information from the resource manager is that Westernport Water has a remaining water allocation of 566ML, a carryover of 713ML and an available balance of available water of 1,279ML. Westernport Water contributes to the formulation of the system management rules and the operating arrangements to manage the BE.

### Water extraction bore licence

Westernport Water has a licence to take and use 490ML of water from the Corinella Aquifer for urban water supply until 30 June 2016, and is scheduled to review the licence in 2016.

Since 1 July 2014, Westernport Water did not take any water from this source for water supply. However, in accordance with the licence to monitor and test the bores and pipelines, periodic monitoring of the bores and the aquifer was undertaken to ensure the condition of the aquifer.

## Major non-residential users

The Corporation had no major non-residential customers consuming greater than 200ML in 2014-15.

### Bulk Entitlement

<b>BE (Westernport) Conversion Order 1997</b>			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 <sup>1</sup>	Amount taken ML/y <sup>2</sup>	Annual environment flow ML	Amendment of programs
Tennent Creek	Candowie Reservoir	2911	11.7	5.0 winter 0.1 summer 7.5 fresh	2,738	1,848	261 <sup>6</sup> 382 <sup>7</sup>	Nil
			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	Greater Yarra System – Thomson River Pool	Yes, see notes under BE	Amend BE
<b>BE (Westernport – Bass River) Order 2009</b>			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 <sup>4</sup>	Amendment of programs	Amount Taken ML/y <sup>2</sup>	Entitlement transfer from	Entitlement transfer to
Bass River		3000	14.0	Yes	Nil	0	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	Greater Yarra System – Thomson River Pool	Nil	Nil		
<b>BE (Greater Yarra system – Thomson River Pool – Westernport Water) Order 2014<sup>3</sup></b>			13.1(a)	13.1(b)	13.1(c)	13.1(d)	13.1(e)	13.1(f)
			Amount taken ML/y	Water allocation and carryover ML	Entitlement volume compliance	Entitlement transfer	Metering program	Entitlement amendment <sup>3</sup>
Greater Yarra System – Thomson River Pool		1000	Nil	1,279	Yes	Nil	Nil	Yes Melbourne Headwork's System rescinded
			13.1(g)	13.1(h)	13.1(i)			
			New entitlement	Failure to comply	Difficulties and remedial actions	Comment		
			Yes	No	No	This BE commenced on 1 July 2014 and connection point has been constructed but awaiting commissioning tests.		

Notes:

1. Water storage level at 30 June 2015.
2. Annual amount of water taken in ML demand of system.
3. New changed BE for Greater Yarra system and Thomson River Pool commenced on 1 July 2014, entitlement volume 1,000ML under a water allocation.
4. Daily flow in waterway exceeded 40ML/d during any extraction periods.
5. All BEs service the entire region.
6. Environmental flow released though the environmental flow pipeline.
7. Flow that was spilled into Tennent Creek below Candowie Reservoir.

# Environment and Social Sustainability



CCP members with the new Smith Beach water station

## Sustainable water use

Westernport Water supports sustainable use of all water resources through increased access to recycled water, building community awareness and strong inter-agency relationships, supporting sustainable initiatives and promoting water education.

### Water recycling

The community can relieve pressure on drinking water supplies through greater use of recycled water. Class A recycled water provides an alternative, reliable and fit-for-purpose water source that can be used for non-drinking purposes such as toilet flushing, garden use and irrigation. On Phillip Island, recycled water also provides commercial customers with a guaranteed water supply that is not subject to permanent water saving rules. Increasing recycled water use has the added benefit of minimising nutrient loads on the receiving environment.



Since 1 July 2014, 78ML of water was transferred through the Class A recycled water network, however due to failure of the membrane fibres at the Recycled Water Treatment Plant (RWTP) the Corporation was only able to produce some 5.6ML of Class A recycled water. The remaining water transferred through the network was from the automated potable back up supply.

Westernport Water reduced the load on Bass Strait by five percent this year by developing irrigation infrastructure at the CWWTP to water sugar gum tree plantations. This volume is expected to increase by at least 10 percent when the RWTP is back in operation this summer.

### Water conservation

In 2014-15, Westernport Water actively promoted a number of activities aimed at developing smart water behaviours. Activities such as tours and workshops, providing a showerhead and trigger nozzle exchange, conducting water audits and promoting the use of water efficient appliances through the government rebate program. In addition, the Corporation supported many local sustainability events and environment awards, and provided drinking water at local events to encourage people to choose tap water over pre-packaged bottled water.

### Permanent water saving rules

Permanent Water Saving Rules are a common set of easy to remember, ongoing rules that remain in place across Westernport Water's entire service area. These guide the efficient use of drinking water and were in place for the entire 2014-15 reporting period.

### Water restrictions

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. During the reporting period no restrictions were imposed in any of the water supply districts that Westernport Water services.

## Sustainable and resilient communities

### Phillip Island Community Orchard

Now in its second year, the Phillip Island Community Orchard has successfully delivered on stage one of the Corporation's strategic plan. The Orchard currently holds approximately 100 fruit trees, 50 bush tucker plants and 500 native species. Connecting people and organisations, the Orchard has evolved into a place that is used by a number of community groups and education providers, and is supported by the business community. With an active and passionate group of volunteers the Orchard has thrived and been successful in obtaining funding from various sources to support its continued growth.

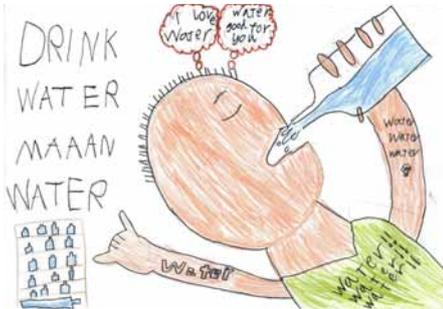
### Education

Improving community awareness of Westernport Water's various products and services remained a focus for the organisation this year. Local schools were provided with opportunities for water-related learning through field visits, excursions, incursions, workshops and events such as National Water Week.

Education programs 'Down the drain to use again' and 'Stop it. Don't block it' aimed to raise community awareness of wastewater and recycled water services.

Partnering with community groups and businesses to provide opportunities, Westernport Water has provided support for:

- school education programs that address environment and sustainability
- a gardening with recycled water workshop
- a hands-on workshop for installing drip irrigation
- practical sustainability seminars
- Landcare annual awards incorporating Urban Landcare garden tours
- indigenous plantings workshop and an organic gardening field day
- several community planting days
- a redesign your garden workshop
- a plumbers forum
- an environment and sustainability award.



NWW – Grade 1 & 2 – Winner –  
Sonny McMillan

### ResourceSmart AuSSI Vic

Is a state-wide initiative that assists schools to reduce their resource consumption and increase their biodiversity. Several schools across the Westernport Water service area are implementing actions to contribute to improving their biodiversity and their energy, waste and water usage.

### Schools water efficiency program

Providing students and teachers with access to online, real-time data, the Schools Water Efficiency Program (SWEP) has enabled schools to analyse their water consumption and start to be smarter about water use and sustainability. The SWEP helps schools identify unexpected leaks and faulty appliances. Westernport Water is proud to report six out of seven schools in its supply district are benefiting from live monitoring and the schools have saved over 4.8ML of water since the program began.

### Helping business WaterMAP

Voluntary Water Management Action Plans (WaterMAPs) exist to help non-residential high water users increase their water efficiency. Westernport Water is working with one customer to complete a plan and continues to offer assistance to other high volume water users.

### Engaging with customers and the community

Westernport Water successfully engaged with the community in a number of ways in 2014-15. This year the Corporation conducted its annual customer satisfaction survey; held public information days, educational tours and

practical workshops; and its employees attended many community meetings and events. Continued engagement with its customers via its permanent CCP has proven effective. Social media tools (Twitter, Facebook and LinkedIn) allowed Westernport Water to improve its online engagement with customers.

## 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:

- continued the land management partnership with catchment partners, Bass Coast Landcare Network and Melbourne Water to promote opportunities to local land holders for on-the-ground works for farm, land and waterway improvements
- undertook pest plant and animal programs on land managed by the Corporation
- implemented a three year program of works downstream of the spillway on Tennent Creek to protect a significant stand of remnant vegetation and provide protection to fauna moving along the creek edge
- participated in a catchment management strategy with other Gippsland water corporations to develop a unified approach to urban development within water supply catchments.

### Victorian biodiversity strategy

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

During 2014-15, Westernport Water continued to work with the Bass Coast Landcare Network to monitor biodiversity on the Corporation's managed lands. The assessment measures the impacts of activities on the natural environment and any successes the programs are having on the upkeep and improvement of biodiversity assets.

The Corporation's activities during 2014-15 to support biodiversity management included:

- an extended pest plant and animal program to address key target species and revegetation opportunities to improve biodiversity outcomes
- continuation of the major revegetation works surrounding the Candowie Reservoir
- continued implementation of five-year land management plans focusing on pest and plant management, and biodiversity improvement through protection and improvement works
- participation in the development of a rabbit control strategy for Phillip Island and surrounding waterline suburbs.

### 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.

All of the actions in the CRSWS pertaining to alternative supplies for Westernport Water have been enacted. Other actions are ongoing: permanent water saving rules, use and expansion of Class A water recycling to residential development, and the expansion of water recycling for irrigation. There has been a reduction in the per capita water use by Westernport Water customers over the past six years and the challenge is to maintain this lower demand.



Candowie revegetation 2013-15

### Victorian Waterway Management Strategy

The aim of the Victorian Waterway Management Strategy is to protect and improve the health of the region's rivers and river ecosystems. In 2014-15, Westernport Water invested in works on Tennent Creek downstream of Candowie Reservoir as part of the annual Landcare Land Management Operational Plan. Ongoing programs, to address weed management in a significant strand of remnant vegetation downstream from the Candowie Reservoir spillway on Westernport Water land, have continued in this period.

A Salt Water Creek rehabilitation program has been a focus on Phillip Island, but wallaby grazing on new native vegetation plantations is a problem. Extended fencing for protection of tree plantings and stream protection measures along Salt Water Creek within the Phillip Island Wildlife Corridor were required, increase the success of the revegetation program.

### Stream frontage program

Since 1 July 2014, Westernport Water has successfully gained two stream frontage management program grants from Melbourne Water to assist with revegetation, and pest plant and animal protection along Salt Water Creek and the lower reaches of Tennent Creek. Bass Coast Landcare Network facilitated the development of these projects, enhancing the operational plan partnership between the three organisations.

### Environment protection policy

Westernport Water has commissioned its annual marine study 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 assists Westernport Water to establish a mixing zone that complies with the State Environment Protection Policy (Waters of Victoria). The works and application for an EPA Victoria licence amendment to comply with the policy is expected to be completed by the end of 2015.

To further reduce ocean outfall volumes, the Corporation has constructed irrigation infrastructure at the CWWTP to supply recycled water to a eucalyptus plantation consisting of 14,000 Sugar Gums (*E. cladocalyx*). In 2014-15, approximately 52ML of recycled water was used for land based irrigation rather than being discharged to ocean.

### Waterways and bays

The Victorian Government's Healthy Waterways Strategy outlines 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 as this area is of significant natural importance to Phillip Island and is part of the Island's Wildlife Corridor. The project looks at pest plant and animal pressures on native revegetation plantings.

As part of a study that looks at the future supply of water services for the San Remo and Newhaven area, Westernport Water has investigated options to harvest stormwater. This in turn is part of an integrated water strategy that considers both the impact of nutrient loads to Western Port and urban use of the water in the San Remo area.

### 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 2014-15, 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.

This year the pest animal program was extended to include a specialist contractor to target species and complement the existing baiting programs at each of the Corporation's sites.

### Cultural heritage management plans

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

### Environmental incidents

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

- the annual mean flow licence volume discharge limit of 2.5ML was exceeded and will be addressed through a EPA Victoria licence amendment at the completion of the CWWTP upgrade, with an application to be lodged in late August 2015
- that due to a high intensity rainfall event concentrated over the Cowes and Ventnor areas, four SPSs overflowed on 6 July 2014 within the sewer safety catchment

- five odour complaints were lodged with EPA Victoria in January and February 2015, and six complaints from community members were made to the Corporation in regards to the sewer pump station in Church Street, Cowes
- received two abatement notices.

The CWWTP upgrade project will give Westernport Water more flexibility to better manage stormwater inflows during wet weather events. It will also improve nutrient removal and thus reduce the environmental impact to Bass Strait and ensure compliance with the State Environment Protection Policy (Waters of Victoria). An application to increase the annual licence mean limit will be addressed with EPA Victoria following the CWWTP upgrade. These increased flows contributed to the breach of the annual median licence limit of 2.5ML in 2014-15.

The rainfall intensity that caused sewer overflows to four SPSs in the Cowes and Ventnor areas was assessed as a greater than 1-in-10 year rainfall event, which exceeds the standard required to manage sewerage flows. Overflows occurred at controlled sites and clean-up activities were carried out on 7 July 2015. An incident report was lodged with the EPA Victoria at the time, which also included a follow up debrief report.

In response to the odour complaints arising from the Church Street SPS and the Pollution Abatement Notice issued by EPA Victoria, the Corporation engaged an independent consultant to review odour monitoring data and come up with options for minimising the odour impacts to the neighbouring community. A project for installation of an air treatment facility has been initiated for completion in 2015-16.

## 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 are:

- 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 consider:

- 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 Essential Services Commission (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 completed its second application of biosolids to privately owned agricultural land in accordance with its EPA Victoria-approved regional Environmental Improvement Plan (EIP) for biosolids management. The biosolids, a by-product from the wastewater treatment process, provides a soil conditioner making nutrients and organic carbon available to improve crop yields and agricultural land. During 2014-15, the Corporation applied all of the available 416.6 product tonnes (tested and validated) of its stored biosolids.

The biosolids program included a trial application to assess the benefit of using biosolids to remediate salt affected land. This is a research project in partnership with RMIT University. Outcomes from the research project are scheduled for next winter after pasture growth rates and the soil condition has been evaluated.

### Renewable Energy

Westernport Water has committed to pursuing community renewable energy options and has been approved as a member of the South Gippsland Community Energy Committee. The Committee will provide the governance and oversight necessary to select and establish community renewable energy projects in the South Gippsland region. The key mandate for this Committee is significant community consultation. Westernport Water will benefit from identification of potential shared renewable energy options with the community, as well as obtaining community and customer feedback to help guide Westernport Water's direction for the next planning period which commences in 2018.



Cowes Wastewater Treatment Plant

## Office based environmental impacts

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



### Energy

The following table identifies the amount of energy used within the corporate office building during 2013-14 and 2014-15. The decrease in electricity consumption during the period can be attributed to the virtualisation of IT infrastructure components, which reduced the energy demand from the main office IT server and adjustments to the office building central heating.

Indicator	2014-15			2013-14		
	Electricity	Natural gas	Green power	Electricity	Natural gas	Green power
Total energy usage segmented by primary source (MJ)	674,695 <sup>1</sup>	–	–	735,127 <sup>1</sup>	–	–
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO <sup>2</sup> e)	221	–	–	240	–	–
Percentage of electricity purchased as green power	0	–	–	0	–	–
Units of energy used per FTE (MJ/FTE)	10,552	–	–	10,685	–	–
Units of energy used per unit of office area (MJ/m <sup>2</sup> )	696	–	–	758	–	–

Notes:

(1) During 2014-15 there was a decrease in energy use at the main office building, attributed to two actions, a reduction in office heating parameters and the removal of IT servers.

### Waste

Waste generated by the Corporation is divided into three general classes: landfill, compost and recycling. The recycling system is working well, and employees are supportive of initiatives. The increase in waste disposal during the year can be attributed to an archive project which has seen a clean out of records to electronic copies and offsite storage, resulting in an increase in waste from old plastic folders and shelving.

Indicator	2014-15			2013-14		
	Landfill	Commingled recycling	Compost	Landfill	Commingled recycling	Compost
Total units of waste disposed of by destination (kg/yr)	11,232	2,688 <sup>1</sup>	28	8810	3400	26
Units of waste disposed of per FTE by destinations (kg/FTE)	179	42	0.4	128	49	.4
Recycling rate (percentage of total waste)			19			28
Greenhouse gas emissions associated with waste disposal (t CO <sup>2</sup> e)			12			9.6

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 empties during the period. There was a calculation error in last years percentage rate calculation and greenhouse calculation last years was for waste from all operational activities, this has now been corrected. Hence the lower volume of recycling.

### Paper

The Corporation is becoming more efficient with its paper use after a printer rationalisation program commenced during the previous reporting period. However, the FTE rate for this period was less than the previous year showing that the business requirements for paper usage was static at the time of reporting.

Indicator	2014-15	2013-14
	Total units of copy paper used <sup>1</sup> (reams)	336
Units of copy paper used per FTE (reams/FTE)	5.3	4.8
Percentage of 50 75% recycled content copy paper purchased	100	100

Notes:

(1) A reduction in the FTE rate has caused the reams of paper usage per FTE to raise however this also shows paper usage is based on business needs not just employee use of paper.

## Water

The data is based on water meter readings at the administrative corporate office site.

Indicator	2014-15	2013-14
Units of metered water consumed in offices per FTE (kilolitres/FTE)	9.31 <sup>1</sup>	38.8
Units of metered water consumed in offices per unit of office area (kilolitres/m <sup>2</sup> )	0.61 <sup>1</sup>	2.76

Notes:

(1) The decrease in water consumption during 2014-15 is a direct result of rectifying two leaks onsite.

## Transport

The Corporation's fleet comprises 29 vehicles, 86 percent of which are operational vehicles. Pool vehicles account for the remaining 14 percent. The fleet is made up of 20 -4cl vehicles, six- 4wd, two 6cl and one truck. Of the fleet 72 percent are powered by diesel and 28 percent unleaded fuel.

Operational vehicles	2014-15	2013-14
Total energy consumption by vehicles (MJ)	2,734,243	2,962,768
Total vehicle travel associated with entity operations (km)	507,693	593,097
Total greenhouse gas emissions from vehicle fleet (t CO <sub>2</sub> e)	190	221
Total distance travelled by aeroplane (km)	6,417	19,862

Notes:

(1) The reduction in fleet travel in 2014-15 is the result of a reduction in employee numbers over the year and movement of staff rather than a significant program to reduce fuel consumption or vehicle use.

(2) This year the corporation reviewed business travel and saw a reduction in domestic airline travel.

## 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 2014-15, decreased by one percent from the previous year, and continued to stay below the annual target of 6,500 t CO<sub>2</sub> e. The decrease in GGE can mainly be attributed to a decrease in water treatment energy consumption to produce a similar volume of water. This is due to increased instances of backwashes and pumping of water treatment chemicals in order to treat an algae bloom during summer 2013-14. Small changes relating to heating and the server room in the main office building resulted in another small decrease in emissions.

The main increase in emissions is attributed to waste disposal and wastewater treatment through changes in the treatment process at Cowes wastewater treatment plant, resulting in an increase in nitrification at the plant.

Greenhouse Gas Emissions (GGE)							
	Note	2014-15	% difference	2013-14	2012-13	2011-12	2010-11
Vehicle fleet (t CO <sub>2</sub> -e)	1	190	-14	221	216	215	234
Wastewater treatment (t CO <sub>2</sub> -e)		4,512	7	4,230	3,779	4,681	2,614
Water supply & treatment (t CO <sub>2</sub> -e)	2	1,351	-16	1,599	1,832	1,849	1,253
Waste disposal (new) (t CCO <sub>2</sub> -e)	3	195	23	158	158	181	143
Other (t CO <sub>2</sub> -e) <sup>5</sup>	4	224	-9	246	274	355	243
Total (t CO <sub>2</sub> -e)		6,473	0	6,455	6,260	7,280	4,487
Offsets purchased (new)		0	0	0	0	0	0

Notes:

(1) A decrease in transport is an overall reduction in FTE and due to efficiency in providing training locally. As a result staff have not had to travel.

(2) The reduction in water treatment GGE emissions is the result of the increased plant operation during summer 2013-14 compared to summer 2014-15 to treat water to required quality requirements during algae event in the reservoir.

(3) The increase in waste emissions is due to disposal of historical alum sludge to landfill.

(4) The decrease in other emissions is attributed to two actions at the main office building, with a reduction in heating parameters for the building and removal of servers as a result of moving to a managed server platform.



## Social Sustainability

### Value of community service obligation provided

	Notes	2014-15 (\$)	2013-14 (\$)	2012-13 (\$)
Concessions to pensioners		667,510	646,701	606,125
Rebates for not-for-profit organisations under the water and sewerage rebate scheme	2	29,297	26,585	25,350
Utility relief grant scheme payments	1	12,428	15,824	14,764
Water concession for life-support machines		0	0	0
Victorian Government Rebate Program – Small Business	3	17,403	28,448	14,543
Victoria Government Rebate Program – Residential	4	7,380	9,370	13,600
Small business grants – (ended 30 June 2015)		5,000	5,000	35,458
Industry and community sponsorship including exchange programs and in-kind support		52,075	49,092	57,430
<b>Total community service obligation provided</b>		<b>791,093</b>	<b>791,020</b>	<b>746,235</b>

#### Notes:

- (1) Reduction in utility relief grants is attributed to two factors, a resource dedicated to customer assistance programs absent for a quarter of the reporting period, plus customers not returning the paperwork.
- (2) A major customer reviewed their properties resulting in more entitlements available.
- (3) Fewer customers applied for small business rebates this year.
- (4) Customers were claiming more small ticket items and less tanks.

### Small business grants

The Corporation supported one additional small business project to invest in water saving measures during the reporting period and it continues to offer high volume water users support to manage and monitor water usage. For a full list grants and transfer of payments refer to page 5.

### Rebate programs

The Victorian Government's water rebate program ended on 30 June 2015. The program supported customers to purchase and install water efficient products. Throughout the year, eligible residential customers received \$7,380 and small business received \$17,403 to help improve water efficiency.

### Customer assistance programs

Westernport Water offers a range of assistance programs to help customers in need and works with customers to find solutions to their individual circumstances. Assistance can include payment plans, alternative payment arrangements, helping customers with paperwork, applying for government concessions, financial assistance programs, utility relief grants, water rebates and exchange programs.

Customers who may experience unexpected high volume water usage are provided with support and options under Westernport Water's high volume water usage policy. 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.



### Learning opportunities for the community

Working with local secondary colleges, this year Westernport Water offered students 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 was enrolled in the Victorian Certificate of Applied Learning (VCAL) program during the reporting period and gained valuable workplace skills required to achieve the VCAL qualification.

An internship was provided to a civil engineer and Monash University student, through Professional Pathways Australia. The intern 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

Westernport Water awarded one local engineering student from Monash University a scholarship during 2014. The scholarship includes a contribution to university fees and three months' employment each year for three years. It also includes one year of guaranteed employment upon the successful completion of the 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, and an insight into customer needs. CCP insights influence Corporation decisions that affect customers and help provide the best possible outcomes for the community.

This year the CCP was engaged on a number of topics including:

- the Cowes Wastewater Futures strategy, biosolids management, vulnerable customers and affordability, the changes to customer billing cycle and the new customer billing system
- water education, and the delivery of value added community services like the Phillip Island Community Orchard and the installation of drink fountains to promote tap water use
- feedback on the effectiveness of the Corporation's products and services, as well as the social media launch
- policy and document review including the Customer Charter review, CCP Charter, hardship and water quality.

CCP members during the reporting period were: Neil Beddoe (Chairperson 17 May 2013 – current), Phil Dixon (Deputy Chairperson June 2014 – current), Edgar Runge, Glenda Salter, Pam Lamaro, Phil Dixon, Linda Cuttriss. This year, the CCP also welcomed three new members: Fred Ardern, Viviane Verwey and Amanda Collins.

## Customer satisfaction

This is the twelfth consecutive year Westernport Water has conducted a customer satisfaction survey. This year's survey (completed in October 2014) involved four Gippsland water corporations as a way of obtaining better value for money for survey services. The survey allows for benchmarking of results and further identification of opportunities for collaboration.

This year's survey drew attention to performance across a number of categories including customer perceptions, customer service, brand awareness, service delivery, environment and community awareness, and overall customer satisfaction.

The data shed light on a number of tensions, including the balance between fixed and variable pricing, water quality perceptions and price, customer desire for greater cost control or increased service, awareness of services and permanent water saving rules. This customer data is used to inform strategic direction and future strategies. Pleasingly, overall customer satisfaction remains steady at 93 percent which is consistent with the past two years.

## Community support

Through its sponsorship program, the Corporation has been able to support over 50 community events and initiatives. Sponsorship applications that support the Corporation's strategic direction and demonstrate relevance to water, wastewater, health, environment and conservation were viewed favourably.

This year, 71 percent of the Corporation's sponsorship was in the form of in-kind support (mobile water trailer, community billboard and orchard). Sponsorship was also provided in the form of exchange programs, water-wise giveaways, water-related education activities, sustainability programs and support for community events.

To further encourage sustainability and water conservation, the Corporation invested 23 percent of its sponsorship allocation into partnership programs and awards. Partnership programs with Landcare have enabled a number of educational workshops as well as support for the sustainability awards for residential and commercial customers. Other recognition and award programs include the Bass Coast Business awards, National Water Week and the Savewater industry awards. The remaining six percent of sponsorship funding was provided to local not-for-profit community groups as a direct cash contribution towards events.



Newhaven College students tree planting near Salt Water Creek.

# Procurement

## Disclosure of major contracts

Westernport Water did not award any major contracts (greater than \$10M) during 2014-15.

## Contracts awarded over \$1M in 2014-15

Westernport Water did not awarded any new major contracts with a value greater than \$1 million during 2014-15. A contract for \$1.8 million originally awarded in 2013-14 was completed in 2014-15.

## Details of consultancies under \$10,000

In 2014-15, the total spend for the 11 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000, Total expenditure incurred during 2014-15 in relation to these consultancies is \$133,879 (excl. GST).

## Details of consultancies over \$10,000

In 2014-15, there were eight consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2014-15 in relation to these consultancies is \$336,163(excl. GST). Details of individual consultancies are outlined below:

Consultancies awarded 01 July 2014 to 30 June 2015						
Consultant	Purpose of consultancy	Start date	End Date	Total approved project fee (\$) (ex GST)	Expenditure (\$) 2014-15 (ex GST)	Future expenditure (\$) (ex GST)
CH2MHill Australia	IBWPP – tertiary treatment option assessment	01-12-2014	30-04-2015	30,000	49,350	0
	Engineering Services for Candowie Reservoir Aeration Study	02-02-2015	21-04-2015	50,000	61,404	0
E2 DesignLab <sup>1</sup>	San Remo IWCM – Stage 2 Concept Design	10-03-2015	31-08-2015	60,000	10,700	49,300
Raymac Enterprises Pty Ltd	Supply of Civil Engineering Consulting Services; Contract Management System	05-08-2014	28-05-2015	18,000	25,650	0
CMP Consulting Group	KRWWTP Plant Mater Plan 2015 – 40	20-09-2014	25-02-2015	54,095	54,077	18
Keystone Management Services	Culture workshops – staff interviews, reporting and associated meetings by S. Simpson to analyse current culture	22-12-2014	22-12-2014	20,000	20,000	0
	Phase 2 Culture workshops – Leadership and staff workshops	20-03-2015	20-03-2015	35,200	35,200	0
	Phase 3 Culture workshops – until end of engagement	05-06-2015	28-08-2015	22,400	22,400	0
Wayne Mitchell Surveying Pty Ltd	Conduct a Dam Break Survey of the flood levels downstream of Candowie Dam as per brief	09-04-2015	26-06-2015	22,500	23,650	0
Cee Consultants Pty Ltd	Marine Ecosystem Study Cowes Ocean Outfall includes marine ecosystem, water quality and marine toxicity study	20-04-2015	21-04-2015	33,732	33,732	0

### Notes:

(1) E2E Designlab was originally awarded a contract in 2012-13 for an options study for the IWCM project, a separate contract was awarded for the stage two concept design.

## Government advertising expenditure

Westernport Water's expenditure in the 2014-15 reporting period on government campaign expenditure did not exceed \$150,000.

## National competition policy

Competitive neutrality seeks to enable fair competition between government and private sector organisations. 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.

## Compliance with the DataVic 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 FOI at Westernport Water under the Act. 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.

## 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 2014 – 30 June 2015 was Elizabeth Crump, Records Coordinator. A copy of the Act can be found at [www.foi.vic.gov.au](http://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 \$27.20 will apply from 1 July 2015. A written request, outlining the documents required along with the application fee, should be sent to:

### Elizabeth Crump

Freedom of Information Officer  
Westernport Water  
2 Boys Home Rd  
Newhaven Victoria 3925  
Phone: (03) 59564128  
Email: [westport@westernportwater.com.au](mailto:westport@westernportwater.com.au)

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

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

## Statement of availability of information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by Westernport Water and are available on request, subject to the provisions of the *Freedom of Information Act 1982*:

- details of publications produced by Westernport Water about itself, and how these can be obtained
- details of any major external reviews carried out on Westernport Water
- details of major research and development activities undertaken by Westernport Water
- details of major promotional, public relations and marketing activities undertaken by Westernport Water to develop community awareness of the entity and its services
- details of changes in prices, fees, charges, rates and levies charged.

The information is available on request from:

### Elizabeth Crump

Records Coordinator  
Westernport Water  
2 Boys Home Rd  
Newhaven Victoria 3925  
Phone: (03) 59564128  
Email: [westport@westernportwater.com.au](mailto:westport@westernportwater.com.au)

## Additional information included in annual report

Details in respect of the following items have been included in Westernport Water's annual report, on the pages indicated below:

- assessments and measures undertaken to improve the occupational health and safety of employees on page 14.
- a list of Westernport Water's major committees; the purposes of each committee; and the extent to which the purposes have been achieved on page 11
- a statement of completion of declarations of pecuniary interests by relevant officers on page 28.

## Compliance with the Building Act 1993

Westernport Water owns and operates one regional office on Phillip Island, and three remote offices within its service area.

Westernport Water complies with the *Building Act 1993*, the *Building Regulations 2006* and associated statutory requirements and amendments. Either an Occupancy Permit or a Certificate of Final Inspection is obtained for new facilities or for upgrades to existing facilities endorsed by a Municipal Building Surveyor or a Registered Building Surveyor Practitioner.

Westernport Water conducts and reports on quarterly inspections of its owned buildings to ensure compliance with building standards and regulations. This internal control system allows Westernport Water to satisfactorily manage risks.

Westernport Water conducted no other major projects or works on buildings owned by it greater than \$50,000 in 2014-15.

## Energy and Water Ombudsman Victoria

The Energy and 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. During the year, EWOV received 0.67 complaints per 1,000 customers about Westernport Water, who were disputing their water bill.

### 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

The *Carers Recognition Act* 2012 came into effect on 1 July 2012, to support customers or employees 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, mental illness, ongoing medical condition or is an older person with care needs.

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

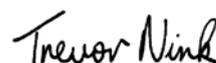
- promoting the principles of the Act to people in care relationships who receive its services and to the wider community by providing links to state government resource materials online
- ensuring employees have an awareness and understanding of the care relationship principles set out in the Act through training to raise employee awareness
- providing flexible working arrangements and leave provisions to ensure that the Corporation complies with the statement of principles in the Act.

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# Risk management at Westernport Water

## Risk management attestation

"I, Trevor Nink, certify that Westernport Region Water Corporation has complied with the Ministerial Standing Direction 4.5.5 Risk Management Framework and Processes. The Westernport Water Audit and Risk Committee verify this assurance and that the risk profile of Westernport Water has been critically reviewed within the last 12 months.



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Trevor Nink, Chairperson  
17 July 2015

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# Performance Report

for the Year Ended 30 June 2015

	2013-14 Result	2014-15 Result	2014-15 Target	Variance to Prior Year %	Notes	Variance to Target %	Notes
<b>Financial Performance Indicators</b>							
<b>Cash Interest Cover</b>							
Cash Flow from Operations before Net Interest and Tax / Net Interest	10.0	16.9	12.4	69.0%	1	36.3%	1
<b>Gearing Ratio (%)</b>							
Total Debt (Including Finance leases) / Total Assets x 100	6.6%	5.5%	6.5%	-16.7%	2	-15.4%	2
<b>Internal Financing Ratio (%)</b>							
(Net Operating Cash Flow – Dividends) / Capital Expenditure x 100	47.6%	127.1%	98.2%	167.0%	8	29.4%	3
<b>Current Ratio*</b>							
Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.84	0.89	0.40	6.0%	–	123%	4
<b>Return on Assets (%)*</b>							
Earnings before net interest and tax / average assets x 100	1.1%	1.5%	0.8%	36.4%	9	87.5%	5
<b>Return on Equity (%)</b>							
Net profit after tax / average total equity x 100	0.7%	1.4%	0.6%	100.0%	6	133.3%	6
<b>EBITDA Margin (%)</b>							
Earnings before Interest Tax Depreciation and Amortisation / Total Revenue x 100	36%	40%	34.8%	11.1%	7	14.9%	7

(\*) in 2013-14 Current ratio was reported as 0.84 and Return on Assets was reported as 1.0%. The 2013-14 restated result is due to the correction of prior year errors relating to the recognition of revenue from developer gifted assets (\$192k) and the impacts on depreciation (\$36k) and tax (\$46) omitted from 2013-14 accounts.

## Notes – Variances Greater Than 10%

- Cash interest cover is favourable to target due to the change in our customer account billing cycles in Oct 2014 and improved cash flow. Quarterly bills are now issued progressively over the period rather than in bulk at the start of the quarter. This change has improved cash flow and debt management in 2014-15 and has positively impacted our financial performance for the year as compared against prior year and current year target. Maintaining our 'AA' credit rating has also had a positive impact on reducing the cost of borrowings.
- The level of borrowings decreased by 16% percent during the year. Less reliance on short term borrowings and payout of long term debt during the year was possible due to increased operating cash flow (refer note 1). Variances from target and prior year reflects improved cash position from change in billing structure and reduced debt.
- Additional cash flow during the year (refer note 1) provided funds for financing the 2014-15 capital investment program. Target for 2014-15 assumed full utilisation of borrowings to fund capital spend which did not occur creating a positive variance from target.
- An increase in current receivables due to change in billing structure at year end and reduced borrowings is contributing to the favourable variance from target for 2014-15. Customer accounts are now raised progressively in June rather than in July, increasing receivables at year end (refer note 1).
- ROA improved result as compared to target is mainly due to the additional unbudgeted revenue from development activity during 2014-15, and recognition of additional development assets from prior year activity.
- ROE improved from prior year and to target due to additional developer revenue (refer note 5) and lower operating expenditure as a result of efficiency savings, as well as deferring some annual planned works. Recognition of prior year developer gifted assets has affected the total equity for 2013-14 and 2014-15.
- Improved EBITDA margin result as compared to prior year and target is due to the improved earning position - refer note 2. A key strategic focus for 2014-15 was to improve processes and promote efficient spend. This has contributed to the favourable results reported for the year.
- Significant variance from prior year result due to improved cash flow (refer note 1) and a reduced capital program from \$9M in 2013-14 to \$5M in 2014-15.
- 2013-14 developer revenue was lower than expected due to continued wet weather, effectively deferring works until 2014-15. Additional unbudgeted revenue from development activity is recognised in 2014-15 contributing to the favourable variance from prior year result.

## Financial Indicators:

Interest 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

Current Ratio (working capital) – The higher the current ratio, the more capacity to pay obligations in the short term.

Return on Assets – indicates how profitable a company is relative to its total assets. The higher the ROA indicates that more money is being earned on less investment.

Return on Equity – profitability indicator. A higher result indicates a better use of equity to generate profits.

EBITDA Margin – a measure of how much cash profit is made during the year.

# Performance Report (continued)

for the Year Ended 30 June 2015

	2013-14 Result	2014-15 Result	2014-15 Target	Variance to prior year %	Notes	Variance to Target %	Notes
<b>Water and Sewerage Service Performance Indicators</b>							
<b>Unplanned Water Supply Interruptions</b>							
No. of customers receiving 1 or more unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100.	27%	20%	10%	-25.9	1a	100.0	1b
<b>Interruption Time</b>							
Average duration of unplanned water supply interruptions (minutes).	92.3	103.4	90.0	12.0	2a	14.9	2b
<b>Restoration of Unplanned Water Supply</b>							
Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100.	100.0%	98%	100%	-2.0	-	-2.0	-
<b>Containment of sewer spills</b>							
Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers.	91%	100%	100%	9.9	3a	0.0	-
<b>Sewer Spills Interruptions</b>							
No. of residential sewerage customers affected by sewerage interruptions restored within five hours.	86%	100%	100%	16.3	4a	0.0	-

**Notes:**

- (1a) In 2013-14 multiple breaks on the Smiths Beach main caused a higher number of customer interruptions. An upgrade to the main has resulted in a reduction in interruptions to customers from 2014-15.
- (1b) There were 3 water main repairs to the single water supply main which impacted a significant number of customers, however these repairs were scheduled for night work to minimise the severity of the impact, and emergency water was available as per our operating procedures. A water main repair program to reseal joints is currently being completed to prevent further bursts. Additionally a number of unplanned interruptions occurred following the annual (planned) air scouring program which has impacted the current year result and variance from target. The air scouring program is a rolling three year program to cover the entire network.
- (2a) Maintenance on the single water supply main takes a long time to drain and recharge to restore water supply, resulting in extended periods of interruption. A water main repair program to reseal joints is currently being completed to prevent further bursts.
- (2b) There were 3 repairs on the single water supply main during the period resulting in extended periods of interruption time. Targeted preventative maintenance plans have been developed and implemented in 2014-15 to help reduce the number and frequency of unplanned events experienced.
- (3a & 4a) Upgrades to the sewerage pump station, less rainfall and the ongoing preventative maintenance program has achieved a reduction in sewer spills and interruptions in comparison to the prior year.

# Performance Report (continued)

for the Year Ended 30 June 2015

	2013-14 Result	2014-15 Result	2014-15 Target	Variance to prior year %	Notes	Variance to Target %	Notes
<b>Customer Responsiveness Performance Indicators</b>							
<b>Water quality complaints</b> No. of complaints per 100 customers for:	0.56	0.15	0.25	-73.2	6a	-40.0	6b
<b>Sewerage service quality complaints</b> No. of complaints per 100 customers.	0	0	0	0.0	-	0.0	-
<b>Sewerage odour complaints</b> No. of complaints per 100 customers.	0.08	0.03	0	-62.5	7a	0.0	-
<b>Billing complaints</b> No. of complaints per 100 customers.	0.12	0.07	0.11	-41.7	7b	-36.4	4b

**Notes:**

(6a) Improvements to process controls at Ian Barlett Water Purification Plant to manage potential algal blooms have resulted in a reduction in complaints compared to 2013-14.

(6b) Favourable weather conditions in 2014-15 resulted in improved raw water quality in Candowie Reservoir, allowing for effective treatment of drinking water. This has had a positive impact on results as compared to target for the year.

(7a) There was a decrease from 10 complaints in 2013-14 to 6 complaints in 2014-15 with an ongoing focus on system improvements to improve on the previous year result, and 2014-15 target of zero.

(7b & 4b) There was a decrease from 21 complaints in 2013-14 to 14 complaints in 2014-15 with an ongoing focus on communication with our customers via newsletters, media releases, and direct contact resulting in a positive variance to target and prior year.

	2013-14 Result	2014-15 Result	2014-15 Target	Variance to prior year %	Notes	Variance to Target %	Notes
<b>Environmental Performance Indicators</b>							
<b>Effluent reuse volume</b> Percentage recycled for each category:	17.5	20	19	14.3	8a	5.3	8a
<b>Total net CO<sub>2</sub> emissions</b> Net tonnes CO <sub>2</sub> equivalent	6,455	6,473	6,300	0.3	-	2.7	-

**Notes:**

(8a) An increase in reuse water used in the irrigation process for a new tree plantation at the Cowes treatment plant site is contributing to the favourable variance for reuse targets.

## Certification of Performance Report for 2014-15

We certify that the accompanying Performance Report of Westernport Region Water Corporation in respect of the 2014-15 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 Environment, Climate Change and Water and as set out in the 2014-15 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.



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**Trevor Nink**, Chairperson  
Westernport Water



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**Peter Quigley**, Managing Director  
Westernport Water<sup>1</sup>



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**Kylie White**, General Manager Business  
Services, Chief Finance Officer  
Westernport Water

Dated this 30th day of September 2015.

(1) The information in this Annual Report was prepared under the direction of Managing Director Murray Jackson and was signed off by Peter Quigley who was appointed as Managing Director of Westernport Water on 1 September 2015.

# 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](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://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 2015 of the Westernport Region Water Corporation which comprises the performance report, the related notes and the certification of performance report 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 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 2015 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE  
30 September 2015



Dr Peter Frost  
*Acting Auditor-General*

# Financial Statements

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# Comprehensive Operating Statement

## for the Financial Year ended 30 June 2015

	Notes	2015 \$'000	2014 Restated <sup>(1)</sup> \$'000
<b>Revenue</b>			
Sales Revenue	5 (a)	18,856	18,402
Other Revenue	5 (a), 28	2,331	1,991
<b>Total Revenue</b>		<b>21,187</b>	<b>20,393</b>
<b>Expenses</b>			
Borrowing Expense	5 (b)	453	501
Depreciation and Amortisation Expenses	5 (b), 28	5,780	5,475
Employee Expenses	5 (b)	5,986	5,904
Repairs and Maintenance	5 (b)	833	753
Environmental Contributions	5 (b)	770	794
Outsourced Services	5 (b)	3,033	3,262
Other	5 (b)	2,083	2,226
<b>Total Expenses</b>		<b>18,938</b>	<b>18,915</b>
Net Profit before Income Tax Equivalents Expense		2,249	1,478
Income Tax Equivalents Expense (benefit)	6 (a), 28	210	444
<b>Net Profit after Income Tax Equivalents Expense</b>	19	<b>2,039</b>	<b>1,034</b>
<b>Other Comprehensive Income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Net gain on revaluation of buildings	18	329	–
Income tax relating to other comprehensive income	6	(98)	–
<b>Total Other Comprehensive Income for the Period</b>		<b>231</b>	<b>–</b>
<b>Comprehensive Result</b>		<b>2,270</b>	<b>1,034</b>

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 and 28.

# Balance Sheet

as at 30 June 2015

	Notes	2015 \$'000	2014 Restated <sup>(1)</sup> \$'000	1 July 2013 Restated <sup>(2)</sup> \$'000
<b>Current Assets</b>				
Cash and Cash Equivalents	1(d), 7	850	1,318	153
Receivables	1(d), 8	2,706	2,265	2,001
Inventories	1(d), 9	341	468	426
Prepayments		101	152	123
Biological Assets – Cattle	10	123	50	48
Land Held for Sale	1(d), 11(b)	–	–	366
<b>Total Current Assets</b>		<b>4,121</b>	<b>4,253</b>	<b>3,117</b>
<b>Non-current Assets</b>				
Receivables	1(d), 8	66	88	92
Property, Plant and Equipment	11	176,901	175,289	176,046
Intangibles	12	1,884	2,206	2,065
Inventories	1(d), 9	–	–	65
<b>Total Non-current Assets</b>		<b>178,851</b>	<b>177,583</b>	<b>178,268</b>
<b>Total Assets</b>		<b>182,972</b>	<b>181,836</b>	<b>181,385</b>
<b>Current Liabilities</b>				
Payables	13	2,045	2,399	8,976
Borrowings	15	550	1,500	–
Provisions	16	1,397	1,336	1,293
Other	14	778	–	–
<b>Total Current Liabilities</b>		<b>4,770</b>	<b>5,235</b>	<b>10,269</b>
<b>Non-current Liabilities</b>				
Borrowings	15	9,440	10,440	6,440
Provisions	16	233	207	202
Net Deferred Tax Liabilities	6, 28	24,764	24,459	24,013
<b>Total Non-current Liabilities</b>		<b>34,437</b>	<b>35,106</b>	<b>30,655</b>
<b>Total Liabilities</b>		<b>39,207</b>	<b>40,341</b>	<b>40,924</b>
<b>Net Assets</b>		<b>143,765</b>	<b>141,495</b>	<b>140,461</b>
<b>Equity</b>				
Contributions by Owners	17	51,323	51,323	51,323
Reserves	18	32,096	31,865	31,865
Accumulated Funds	19	60,346	58,307	57,273
<b>Total Equity</b>		<b>143,765</b>	<b>141,495</b>	<b>140,461</b>
Commitments for Expenditure	21			
Contingent Assets and Contingent Liabilities	22			

(1) The Corporation has restated the Balance Sheet as at 30 June 2014 to correct errors as outlined in Notes 4 & 28.

(2) The Corporation has restated the Balance Sheet as at 1 July 2013 to correct errors as outlined in Notes 4 & 28.

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

# Statement of Cash Flows

## for the Financial Year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers		20,377	19,859
Receipts from Other Sources		393	71
Payments to Suppliers and Employees		(13,688)	(15,083)
GST Net Received		853	1,078
Interest Received		12	31
Interest Paid		(436)	(527)
Environmental Contributions		(770)	(976)
<b>Net Cash Inflow from Operating Activities</b>	25 (a)	6,741	4,453
<b>Cash Flows from Investing Activities</b>			
Payments for Property, Plant, Equipment, and intangibles		(5,302)	(9,352)
Proceeds from Sale		43	564
<b>Net Cash (Outflow) from Investing Activities</b>		(5,259)	(8,788)
<b>Cash Flows from Financing Activities</b>			
Proceeds from Borrowings		–	19,385
Repayment of Borrowings		(1,950)	(13,885)
<b>Net Cash Inflow from Financing Activities</b>		(1,950)	5,500
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		(468)	1,165
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		1,318	153
<b>Cash and Cash Equivalents at the End of the Year</b>	25 (b)	<b>850</b>	<b>1,318</b>

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

# Statement of Changes in Equity

## for the Financial Year ended 30 June 2015

	Notes	Accumulated Funds \$'000	Contributions by Owners \$'000	Reserves \$'000	Total Equity \$'000
<b>Balance as at 1 July 2013 as Reported</b>		56,290	51,323	31,865	139,478
Prior period adjustments <sup>1</sup>					
Prior period contributed asset adjustment	28	1,404	–	–	1,404
Prior period tax effect accounting adjustment	28	(421)	–	–	(421)
<b>Balance as at 1 July 2013 Restated</b>		<b>57,273</b>	<b>51,323</b>	<b>31,865</b>	<b>140,461</b>
Net Profit after Income Tax Equivalents Expense (As Previously Reported)		924	–	–	924
Prior period error adjustments <sup>1</sup>					–
Prior period additional revenue adjustment	28	192	–	–	192
Prior period depreciation adjustment	28	(36)	–	–	(36)
Prior period income tax expense adjustment	28	(46)	–	–	(46)
Net Profit after Income Tax Equivalents Expense (Restated)	19, 28	1,034	–	–	1,034
<b>Balance as at 30 June 2014 restated</b>		<b>58,307</b>	<b>51,323</b>	<b>31,865</b>	<b>141,495</b>
Net Result for the period	19	2,039	–	–	2,039
Other Comprehensive Income	18	–	–	231	231
<b>Balance as at 30 June 2015</b>		<b>60,346</b>	<b>51,323</b>	<b>32,096</b>	<b>143,765</b>

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

(1) Restatement of 2014 balances due to prior year error adjustment. Refer to Notes 4 & 28

# Notes to the Financial Report

## for the year ended 30 June 2015

### Note 1 Significant Accounting Policies

#### 1. (a) Basis of Accounting

The financial report includes separate financial statements for Westernport Regional 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 Regional Water Corporation is a not for-profit entity for the purpose of preparing the financial statements.

The accounts have been prepared on a going concern basis. 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 30 September 2015.

The principal address is:  
Westernport Regional 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 2013-14 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below:

#### AASB 10 Consolidated Financial Statements

AASB 10 provides a new approach to determine whether an entity has control over an entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

- (a) The investor has power over the investee;
- (b) The investor has exposure, or rights to variable returns from its involvement with the investee; and
- (c) The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, the Corporation has reviewed the existing arrangements to determine if there are any additional entities that need to be consolidated into the group. The Corporation has concluded that no entity has met the control criteria.

As a result, the Corporation has not included any additional entities in the financial statements.

#### AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The Corporation has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11. It has concluded that there are no current joint ventures. As a result, no adjustments have been made to the financial statements.

#### AASB 12 Disclosure of Interests in Other Entities

AASB 12 Disclosure of Interests in Other Entities prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to the entity's association with unconsolidated structured entities.

The Corporation has reviewed its current contractual arrangements to determine if there are any unconsolidated structured entities that the Corporation has involvement with. It has not identified any unconsolidated structured entities during the assessment.

#### Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which Westernport Regional Water Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Westernport Regional 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.

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and certain classes of property, plant and equipment.

## Note 1. Significant Accounting Policies (continued)

### 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;
- fair value of infrastructure, land and buildings;
- impairment of assets;
- unearned revenue;
- recognition of deferred tax assets and liabilities;
- accrued billings; and
- provisions.

### Financial statement presentation

The Corporation has applied the revised AASB 101 Presentation of Financial Statements which became effective for reporting periods beginning, on or after, 1 July 2014, and AASB 1054 Australian Additional Disclosures which became effective for reporting periods beginning on, or after, 1 July 2014.

### Rounding

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

### (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. The implementation of our new revenue system, and continuous quarterly billing in October 2014 resulted

in accounts being issued in June which included service charges billed in advance and cash received is recognised as unearned income.

#### Developer contributions

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

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

#### Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004 Contributions, 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 in accordance with FRD 119A Transfers through Contributed Capital.

#### 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.

#### Grants and other transfers

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals; other transfer payments made to State-owned agencies, local government, non-government schools, and community groups.

#### 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).

## Note 1. Significant Accounting Policies (continued)

### 1. (c) Expenses (continued)

Major depreciation periods used are listed below and are consistent with the prior year:

<b>Physical Assets:</b>	<b>Periods</b>		<b>Periods</b>
Buildings	40-70 years	<b>Other Assets</b>	
Infrastructure		Equipment	5-10 years
<b>Water</b>		Machinery	5-10 years
Storages	20-100 years	Furniture & computers	2.5-13 years
Distribution Network	15-80 years	Motor Vehicles	4 years
Treatment Plants	15-70 years	Gas Network	15-50 years
<b>Wastewater</b>		<b>Intangible Assets:</b>	
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

#### 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 21 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 when the transferred obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchases if not donated.

#### Superannuation

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

Receivables consist of:

- contractual receivables or trade receivables, such as debtors in relation to goods and services; and
- statutory receivables, such as Goods and Services Tax (GST) input tax credits recoverable

Contractual receivables are classified as financial instruments and categorised as loans and receivables.

Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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 contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision 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 provision are recognised as an expense in the comprehensive operating statement.

## Note 1. Significant Accounting Policies (continued)

### 1. (d) Assets (continued)

#### **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.

Inventories also include goods held for distribution at no or nominal cost. Inventories held for distribution are measured at cost, adjusted for any loss of service potential. Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

#### **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 (2014: \$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) 103F Non-current Physical Assets.

Revaluations are conducted in accordance with FRD 103F. 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. 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 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 infrastructure assets, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. 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 occurred as at 30 June 2011 and 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.

## Note 1. Significant Accounting Policies (continued)

### 1. (d) Assets (continued)

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.

#### v. Fair value

Consistent with AASB 13 Fair Value Measurement, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, biological assets, investment properties and financial instruments and for non recurring fair value measurements such as 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.

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency in relation to valuation of infrastructure, land and buildings.

Elders Vic Pty Ltd provides valuation services in relation to biological assets.

The Corporation, in conjunction with VGV [and other external valuers], monitors changes in the fair value of infrastructure, plant and equipment through relevant data sources to determine whether revaluation is required.

### 1. (e) Liabilities

#### Payables

Payables consist of:

- contractual payables, such as accounts payable and unearned. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

The contractual payables are unsecured and are usually paid within 28 days of recognition.

## Note 1. Significant Accounting Policies (continued)

### 1. (e) Liabilities (continued)

#### **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.

Westernport Water has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the Borrowings and Investment Powers Act 1987. Borrowings known as 11am debt are classified as current borrowings.

#### **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, 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 revaluation reserve recognises increments and decrements from asset revaluations of property, plant and equipment.

## Note 1. Significant Accounting Policies (continued)

### 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.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### 1. (i) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed in Note 21 at their nominal value and inclusive of the goods and services tax (GST) payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

## Note 1. Significant Accounting Policies (continued)

### 1. (j) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed in Note 22 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 2015 the Corporation had not received any advice it would be required to pay a dividend on the 2014-15 financial results. No dividend payment was required in respect to the 2013-14 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.

### 1. (m) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Corporation and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

## Note 2. New Accounting Standards and Interpretations issued that are not yet effective

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. As at 30 June 2015, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2015. The Corporation does not intend to adopt the standard earlier than the mandatory adoption date.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI). WPW does not hold AFS assets, hence impact assumed to be insignificant.
AASB 14 <i>Regulatory Deferral Accounts</i> <sup>#</sup> <sup>#</sup> This Standard or Amendment may not be relevant to Victorian not-for-profit entities when operative.	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 Jan 2016	The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017  (Exposure Draft 263 – potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.  A potential impact will be the upfront recognition of revenue for multiple reporting periods. Revenue that was deferred may need to be recognised immediately and as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 1056 <i>Superannuation Entities</i> <sup>#</sup>	AASB 1056 replaces AAS 25 <i>Financial Reporting by Superannuation Plans</i> . The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS. Some of the key changes in AASB 1056 include: <ul style="list-style-type: none"> <li>• the level of integration between AASB 1056 and other AASB standards</li> <li>• a revised definition of a superannuation entity</li> <li>• revised and consistent content for the financial statements</li> <li>• use of fair value rather than net market value for measuring assets and liabilities</li> <li>• revised member liability recognition and measurement requirements</li> <li>• revised disclosure principles</li> </ul>	1 July 2016	The assessment has indicated that there will be no impact on the entity, as the Accounting Standard only affects superannuation entities' own reporting.
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 &amp; AASB 138]</i>	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to: <ul style="list-style-type: none"> <li>• establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;</li> <li>• prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.</li> </ul>	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 &amp; 128]</i>	Amends AASB 127 <i>Separate Financial Statements</i> to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 Jan 2016	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.

## Note 2. New Accounting Standards and Interpretations issued that are not yet effective (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> [AASB 10 & AASB 128]	AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates</i> to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: <ul style="list-style-type: none"> <li>• a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and</li> <li>• a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</li> </ul>	1 Jan 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

Note: # This Standard or Amendment may not be relevant to Victorian not-for-profit entities when operative.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2014-15 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2014 5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2014 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
- AASB 2014 8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]
- AASB 2015 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015 3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

### 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- estimation of asset useful lives for assets reported at fair value;
- fair value of infrastructure, land and buildings;
- impairment of assets;
- unearned revenue;
- recognition of deferred tax assets and liabilities;
- accrued billings; and
- provisions.

### Change in Accounting Estimates

In 2015, based on ATO Interpretative Decision 2012/15, the Corporation has prepared the financial accounts on the basis that unread revenue is treated as assessable income for the purposes of tax effect accounting. In previous years, only billed revenue has been included

as assessable income for tax purposes. Management has agreed to adopt the principles of Interpretive Decision ATO ID 2012/15 and accordingly this is a change in accounting estimate.

The Corporation has accounted for the change in the current period, and the impact has resulted in a reduction in deferred tax asset of \$691k. A decrease in deferred tax liability of \$691k was recognised as the Corporation has significant carried forward tax losses.

### Note 4. Correction of Error

#### Developer Contribution

The Corporation has identified a material omission from 2012-13 and 2013-14 financial statements.

Gifted asset contributed by developers with a fair value of \$1,560k should have been reported as income at 30 June 2013, and a further \$192k reported at 30 June 2014. By recognising the additional gifted asset within these financial statements there is also an amendment to the 2012-13 and 2013-14 financial statements for the depreciation charge of \$49k in 2012-13 and \$36k in 2013-14 omitted from those accounts, and an additional net deferred tax liability of \$421k in 2012-13 and \$46k in 2013-14.

Details of the full treatment of net deferred tax and the contributed asset are disclosed at Note 28.

## Note 5. Revenue and Expense Disclosures

	2015 \$'000	2014 \$'000
<b>(a) Revenue</b>		
Sales Revenue		
Service Charges:		
Water	6,556	6,284
Waste	9,252	8,860
Other	87	66
Total Service Charges	15,895	15,210
Usage Charges:		
Water	3,255	3,089
Other	50	46
Tradewaste	49	57
Total Usage Charges	3,354	3,192
Government Rebate applied to customer accounts	(393)	–
Total Sales Revenue	18,856	18,402
Other Revenue:		
Developer Contributions:		
Headwork Charges paid by developers	401	506
Developer Contributed Assets– Water <sup>1</sup>	299	226
Developer Contributed Assets - Waste <sup>1</sup>	1,198	535
Developer Contributed Assets - Reuse	4	
Total Developer Contributions	1,902	1,267
Government Grants and Funding	45	61
Interest Earned – Deposits and Investments	24	31
Profit/(loss) on Disposal of Property Plant and Equipment	22	139
Recoverable Works	18	85
Miscellaneous	320	408
Total Other Revenue	2,331	1,991
<b>Total Revenue</b>	<b>21,187</b>	<b>20,393</b>

(1) Contributed Assets in 2014 restated due to prior period error adjustment. Refer to Notes 4 & 28

## Note 5. Revenue and Expense Disclosures (continued)

	2015 \$'000	2014 Restated \$'000
<b>(b) Expenses</b>		
Borrowing Costs	453	501
<i>Depreciation and Amortisation Expenses:</i>		
Buildings	66	67
Water Infrastructure Assets <sup>2</sup>	2,331	2,224
Wastewater Infrastructure Assets <sup>2</sup>	2,245	2,133
Infrastructure Gas	7	6
Plant and Equipment	622	625
Intangibles	508	421
Total	5,780	5,476
<i>Employee Costs:</i>		
Annual Leave Benefits	382	289
Long Service Leave Benefits	158	23
Superannuation Contributions	448	427
Superannuation Contributions – Defined Benefits	44	39
Other Employee Costs	4,954	5,126
Total	5,986	5,904
Repairs and Maintenance	833	753
Environmental Contribution	770	794
<i>Outsourced Services:</i>		
Consultants	485	335
Contractors	2,239	2,561
Testing and Sampling	258	290
Collection Fees	51	76
Total	3,033	3,262
<i>Other Expenses:</i>		
Computer Expenses	634	327
Electricity	550	713
Training and Travel	118	117
Bad and Doubtful Debts	31	13
Advertising & Promotions	33	49
Insurance	128	164
Licences & Registrations	71	73
Other Bank Charges	55	70
Subscriptions & Memberships	70	91
Vehicle Repairs & Maintenance	161	227
Miscellaneous Expenses	232	381
Total	2,083	2,225
<b>Total Expenses</b>	<b>18,938</b>	<b>18,915</b>

(2) Depreciation for infrastructure assets in 2014 restated due to prior period error adjustment. Refer to Notes 4 &amp; 28

## Note 6. Income Tax Equivalents

	2015 \$'000	2014 Restated <sup>1</sup> \$'000
<b>(a) Income tax recognised in the Comprehensive Operating Statement</b>		
Current tax		
In respect to the current year	–	–
	–	–
Deferred tax		
In respect to the current year	210	444
	210	444
<b>Total income tax expense recognised in the current year</b>	<b>210</b>	<b>444</b>

The income tax expense for the year can be reconciled to the accounting profit as follows:

Profit before tax from continuing operations	2,249	1,478
Income tax equivalents calculated at 30% (2014: 30%)	675	443
Non-deductible expenses	2	1
Adjustment for prior period <sup>1</sup>	(467)	–
<b>Income tax as reported in the Comprehensive Operating Statement</b>	<b>210</b>	<b>444</b>

The tax equivalent rate used in the reconciliations above is the national tax equivalent rate payable of 30 per cent 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 2015 are \$7,166,881 (2014: \$8,538,481), tax effect, 2015 \$2,150,064 (2014: \$2,561,544).

(1) Restatement of balances due to prior year error adjustment. Refer to Notes 4 & 28

## Note 6. Income Tax Equivalents (continued)

	2015 \$'000	2014 Restated <sup>1</sup> \$'000			
<b>(b) Net deferred tax balances</b>					
Net deferred tax liabilities are presented in the Balance Sheet as follows:	24,764	24,459			
Taxable and deductible differences arise from the following:					
2015	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Other \$'000	Closing Balance \$'000
<b>Deferred tax equivalent assets:</b>					
Provisions	1,049	260	–	–	1,768
Tax losses	2,562	(411)	–	–	1,692
Other	130	(63)	–	–	67
	3,741	(214)	–	–	3,527
<b>Deferred tax equivalent liabilities:</b>					
Receivables	(67)	67	–	–	–
Property, plant and equipment	(28,091)	(515)	(98)	467	(28,237)
Intangibles	(37)	(13)	–	–	(50)
Other	(5)	–	–	1	(4)
	(28,200)	(461)	(98)	468	(28,291)
<b>Net deferred tax equivalent (liabilities):</b>	(24,459)	(675)	(98)	468	(24,764)
2014 (Restated)	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Other \$'000	Closing Balance \$'000
<b>Deferred tax equivalent assets:<sup>1</sup></b>					
Provisions	983	66	–	–	1,049
Tax losses	2,465	97	–	–	2,562
Other	314	(184)	–	–	130
	3,762	(21)	–	–	3,741
<b>Deferred tax equivalent liabilities:</b>					
Receivables	(224)	157	–	–	(67)
Property, plant and equipment <sup>1</sup>	(27,540)	(551)	–	–	(28,091)
Intangibles	(9)	(28)	–	–	(37)
Other	(2)	(1)	–	(2)	(5)
	(27,775)	(423)	–	(2)	(28,200)
<b>Net deferred tax equivalent (liabilities):</b>	(24,013)	(444)	–	(2)	(24,459)

(1) Restatement of balances due to prior year error adjustment. Refer to Notes 4 & 28

## Note 7. Cash and Cash Equivalents

	2015 \$'000	2014 \$'000
Cash at bank and on hand	850	1,318
<b>Total</b>	<b>850</b>	<b>1,318</b>

## Note 8. Receivables

	2015 \$'000	2014 \$'000
<b>Current</b>		
<b>Contractual</b>		
Trade receivables	1,651	997
Unbilled water and sewerage income	471	1,135
Other receivables	648	236
Less allowance for impaired receivables	(216)	(216)
Total	2,554	2,152
<b>Statutory</b>		
GST recoverable	152	113
<b>Non-current</b>		
<b>Contractual</b>		
Trade receivables	123	145
Less allowance for impaired trade receivables	(57)	(57)
	66	88
<b>Total receivables</b>	<b>2,772</b>	<b>2,353</b>

An ageing analysis of receivables is provided in Note 20 (c) Credit Risk.

Movement in allowance for impaired trade receivables.

Opening balance	273	282
Increase (decrease) in allowance	–	(9)
Closing balance	<b>273</b>	<b>273</b>

Individual outstanding receivable accounts are assessed to determine impairment each year. The net change to the estimates for debts deemed as doubtful was marginal, and therefore no change to the provision for 2014-15.

**Note 9. Inventories (at cost)**

	2015 \$'000	2014 \$'000
<b>Current</b>		
Stores and consumables at cost	301	341
Chemicals	40	127
<b>Total</b>	<b>341</b>	<b>468</b>

The 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 is disclosed through the Comprehensive Operating Statement.

**Note 10. Biological Assets – Cattle**

	2015 \$'000	2014 \$'000
<b>Movements during the reporting period</b>		
Carrying amount at beginning of period	50	48
Increases due to purchases	–	54
Decreases due to sales	–	(43)
Increases (decreases) due to fair value adjustment	73	(9)
Carrying amount at end of period	<b>123</b>	<b>50</b>

	2015 Headcount	2014 Headcount
Livestock	88	88

Westernport Water recognises livestock as biological assets.

As at 30 June 2015 commitments for the acquisition of livestock \$Nil (2014: \$Nil).

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

Fair Value Hierarchy 2015	Carrying Amount \$'000	Fair Value Measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Livestock	123	0	123	0

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.

The fair value for livestock is based on an independent valuation, conducted annually to reflect the shorter term spot prices available in the market place, and is variable dependent upon the weight and condition of the animal.

## Note 11. Property, Infrastructure, Plant, and Equipment

	2015 \$'000	2014 Restated <sup>1</sup> \$'000
<b>(a) Classes of property, infrastructure, plant, and equipment</b>		
<b>Freehold Land</b>		
At Fair Value	9,642	9,642
	<b>9,642</b>	<b>9,642</b>
<b>Buildings</b>		
At Fair Value	2,524	2,460
Accumulated Depreciation	–	(199)
	<b>2,524</b>	<b>2,261</b>
<b>Water – Infrastructure Assets</b>		
At Fair Value	83,822	82,308
Accumulated Depreciation	(8,620)	(6,289)
	<b>75,202</b>	<b>76,019</b>
<b>Wastewater – Infrastructure Assets</b>		
At Fair Value	89,938	84,658
Accumulated Depreciation	(8,280)	(6,035)
	<b>81,658</b>	<b>78,623</b>
<b>Infrastructure Assets – Gas</b>		
At Fair Value	282	270
Accumulated Depreciation	(30)	(24)
	<b>252</b>	<b>246</b>
<b>Equipment and Motor Vehicles</b>		
At Fair Value	8,949	8,840
Accumulated Depreciation	(5,800)	(5,376)
	<b>3,149</b>	<b>3,464</b>
<b>Work In Progress</b>		
At Cost	4,474	5,034
<b>Total</b>	<b>176,901</b>	<b>175,289</b>

(1) Restatement of 2014 balances due to prior year error adjustment. Refer to Notes 4 & 28

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.

In line with guidelines issued by the Department of Treasury & Finance Financial Reporting Directive (FRD103F), an interim managerial fair value assessment resulted in an increment recognised for Buildings as at 30 June 2015.

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 11b. Property, Infrastructure, Plant, and Equipment (continued)

### Movements during the reporting period

Asset Group	\$'000	Opening WDV	Additions	Disposals	(Impair)/Reval	Reclass	Transfer	Depreciation	Closing WDV
Land		9,642	–	–	–	–	–		9,642
Buildings		2,261	–	–	329	–	–	(66)	2,524
Infrastructure – water		76,019	299	–	–	–	1,215	(2,331)	75,202
Infrastructure – wastewater		78,623	1,199	–	–	–	4,081	(2,245)	81,658
Infrastructure – gas		246	–	–	–	–	13	(7)	252
Equipment & motor vehicles		3,464	329	(22)	–	–	–	(622)	3,149
Under construction		5,034	5,162	–	–	(89)	(5,633)		4,474
<b>Net Book Value as at 30 June 2015</b>		<b>175,289</b>	<b>6,989</b>	<b>(22)</b>	<b>329</b>	<b>(89)</b>	<b>(324)</b>	<b>(5,271)</b>	<b>176,901</b>

Restated  
1 Jul 2013

Asset Group	\$'000	Opening WDV <sup>1</sup>	Additions	Disposals	(Impair)/Reval	Reclass	Transfer	Depreciation	Closing WDV
Land		9,462	180	–	–	–	–	–	9,642
Buildings		2,328	–	–	–	–	–	(67)	2,261
Infrastructure – water		65,030	226	(18)	–	(281)	13,286	(2,224)	76,019
Infrastructure – wastewater		79,911	535	–	–	281	29	(2,133)	78,623
Infrastructure – gas		252	–	–	–	–	–	(6)	246
Equipment & motor vehicles		3,336	793	(40)	–	–	–	(625)	3,464
Under construction		15,849	2,888	–	–	(122)	(13,581)	–	5,034
<b>Net Book Value as at 30 June 2014</b>		<b>176,168</b>	<b>4,622</b>	<b>(58)</b>	<b>–</b>	<b>(122)</b>	<b>(266)</b>	<b>(5,055)</b>	<b>175,289</b>

(1) Restatement of 2014 balances due to prior year error adjustment. Refer to Notes 4 & 28

### 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 physical 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 the Corporation's infrastructure 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 levels within the hierarchy.

### Non-specialised land and buildings

Non-specialised land and non-specialised buildings are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers Egan National Valuers (Vic) in June 2011 to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the 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 11b. Property, Infrastructure, Plant, and Equipment (continued)

### **Water, wastewater and gas infrastructure**

Water, wastewater and gas 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.

As depreciation adjustments are significant unobservable inputs in nature, infrastructure is classified as Level 3 in the fair value hierarchy.

For further details refer to Note 1(d)(v).

### **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.

Vehicles are classified as Level 2 in the fair value assessment hierarchy. For further details refer to Note 1(d)(v)

### **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.

Plant and equipment are classified as Level 2 in the fair value assessment hierarchy. For further details refer to Note 1(d)(v)

Plant, equipment and motor vehicles were classified as Level 3 fair value in 2013-14, but were transferred to Level 2 in 2014-15. Plant, equipment and motor vehicles fair value is observable from wear and tear. This class of assets has been classified as Level 2 as fair value indicators for impairment and obsolescence is more easily identifiable.

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

### **Fair value assessment**

The fair value of land, buildings and infrastructure reported at 30 June 2015 have been reviewed using relevant price indices as provided by the Valuer General of Victoria (VGV). The valuation movements calculated using these indices indicate a cumulative increase for buildings of more than 10% since the last formal valuation conducted on 30 June 2011. Under the requirements of FRD103F, the Corporation is required to recognise the net movement in the fair value assessment through the asset revaluation reserve. A net movement of \$329,000 has been recognised as at 30 June 2015. 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.

## Note 11b. Property, Infrastructure, Plant, and Equipment (continued)

Fair Value Hierarchy 2015	Carrying Amount \$'000	Fair Value Measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Land at fair value</b>				
Non-specialised land	582		582	
Specialised land	9,060			9,060
<b>Buildings at fair value</b>				
Non-specialised buildings	2,524		2,524	
Water infrastructure at fair value	75,202			75,202
Wastewater infrastructure at fair value	81,658			81,658
Infrastructure – gas	252			252
Equipment and motor vehicles	3,149		3,149	
<b>Total property plant and equipment</b>	<b>172,427</b>	<b>–</b>	<b>6,255</b>	<b>166,172</b>

Fair Value Hierarchy 2014 – Restated <sup>1</sup>	Carrying Amount \$'000	Fair Value Measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Land at fair value</b>				
Non-specialised land	582		582	
Specialised land	9,060			9,060
<b>Buildings at fair value</b>				
Non-specialised buildings	2,261		2,261	
Water infrastructure at fair value	76,019			76,019
Wastewater infrastructure at fair value	78,623			78,623
Infrastructure – gas	246			246
Equipment and motor vehicles <sup>2</sup>	3,464		3,464	
<b>Total property plant and equipment</b>	<b>170,255</b>	<b>–</b>	<b>6,307</b>	<b>163,948</b>

(1) Restatement of 2014 balances due to prior year error adjustment. Refer to Notes 4 & 28

(2) Equipment and motor vehicles were previously reported as Level 3 in 2013-14

## Note 11b. Property, Infrastructure, Plant, and Equipment (continued)

### Level 3 – Movement during the reporting period

2015	Land	Water Infrastructure	Wastewater Infrastructure	Gas Infrastructure	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance <sup>1</sup>	9,060	76,019	78,623	246	163,948
Purchases	–	1,514	5,280	13	6,807
Transfers in (out) of Level 3					
Gains or losses recognised in net result	–	–	–	–	–
Disposals	–	–	–	–	–
Depreciation	–	(2,331)	(2,245)	(7)	(4,583)
Impairment	–	–	–	–	–
<b>Subtotal</b>	–	–	–	–	–
Gains or losses recognised in other economic flows – other comprehensive income	–	–	–	–	–
Revaluation	–	–	–	–	–
<b>Subtotal</b>	–	–	–	–	–
<b>Closing Balance</b>	<b>9,060</b>	<b>75,202</b>	<b>81,658</b>	<b>252</b>	<b>166,172</b>

2014 – Restated <sup>1</sup>	Land	Water Infrastructure	Wastewater Infrastructure	Gas Infrastructure	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance – Restated	8,880	65,030	79,911	252	154,073
Purchases	180	13,512	564	–	14,256
Transfers in (out) of Level 3		(281)	281		
Gains or losses recognised in net result	–	–	–	–	–
Disposals	–	(18)	–	–	(18)
Depreciation	–	(2,224)	(2,133)	(6)	(4,363)
Impairment	–	–	–	–	–
<b>Subtotal</b>	–	–	–	–	–
Gains or losses recognised in other economic flows – other comprehensive income	–	–	–	–	–
Revaluation	–	–	–	–	–
<b>Subtotal</b>	–	–	–	–	–
<b>Closing Balance</b>	<b>9,060</b>	<b>76,019</b>	<b>78,623</b>	<b>246</b>	<b>163,948</b>

(1) Restatement of 2014 balances due to prior year error adjustment. Refer to Notes 4 & 28

## Note 11b. Property, Infrastructure, Plant, and Equipment (continued)

### Fair value unobservable inputs

Asset Type	Valuation technique	Significant unobservable inputs	Weighted average cost per unit 2014-15 <sup>1</sup>	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	25–70 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)	Plant 1 total value \$305,431 (\$1,175 to \$171,838) Plant 2 total value \$6,310,816 (\$152 to \$1,328,801)	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 km 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	2.5 –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.

(1) – there were no changes from the 2013-14 weighted average cost per unit for fair value assessment of unobservable inputs

## Note 12. Intangibles

	2015 \$'000	2014 \$'000
<b>Computer software</b>		
At cost	3,454	2,838
Accumulated amortisation	(2,155)	(1,650)
	1,299	1,188
<b>Licences</b>		
At cost	514	514
Less Accumulated Amortisation	(11)	(8)
	503	506
Total Intangibles	3,968	3,352
Less Accumulated Amortisation	(2,166)	(1,658)
Work in Progress	82	512
<b>Total</b>	<b>1,884</b>	<b>2,206</b>

### Intangibles – reconciliation

2014-15	\$'000	Opening WDV	Additions	Reclass	Transfer	Amortisation	Closing WDV
Software		1,188	–	–	616	(505)	1,299
Licences		506	–	–	–	(3)	503
Work in progress		512	97	89	(616)	–	82
<b>Net book value as at 30 June 2015</b>		<b>2,206</b>	<b>97</b>	<b>89</b>	<b>–</b>	<b>(508)</b>	<b>1,884</b>

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
<b>Net book value as at 30 June 2014</b>		<b>2,065</b>	<b>696</b>	<b>–</b>	<b>(134)</b>	<b>(421)</b>	<b>2,206</b>

### Note 13. Payables

	2015 \$'000	2014 \$'000
<b>Contractual</b>		
Trade Creditors	1,283	1,446
Accrued Expenses	316	285
Accrued Borrowing Expense	83	103
Security Deposits	134	161
Overpaid Rates and Charges	129	208
Other	51	59
	1,996	2,262
<b>Statutory</b>		
Taxes payable	49	137
	2,045	2,399

Payables maturity analysis disclosed in Note 20(d).

### Note 14. Other Current Liabilities

	2015 \$'000	2014 \$'000
Unearned income	778	–
	778	–

### Note 15. Borrowings

	2015 \$'000	2014 \$'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.		
<b>Borrowings:</b>		
Current	550	1,500
Non-current	9,440	10,440
<b>Total</b>	<b>9,990</b>	<b>11,940</b>

Borrowing maturity analysis disclosed in Note 20(d).

**Note 16. Provisions**

	2015 \$'000	2014 \$'000
<b>Current</b>		
<i>Provision for Employee Benefits</i>		
<i>Annual Leave</i>		
Unconditional and expected to settle within 12 months	201	215
Unconditional and expected to settle after 12 months	416	410
<i>Long Service Leave</i>		
Unconditional and expected to settle within 12 months	164	154
Unconditional and expected to settle after 12 months	447	380
	1,228	1,159
<i>Provision for On-costs</i>		
Unconditional and expected to be settled within 12 months	138	86
Unconditional and expected to be settled after 12 months	31	91
	169	177
<b>Total current provisions</b>	<b>1,397</b>	<b>1,336</b>
<b>Non-current</b>		
<i>Provision for Employee Benefits</i>		
Conditional long service leave, measured at present value	202	176
Provision for On-costs	31	31
<b>Total Non-current Provisions</b>	233	207
<b>Total Provisions</b>	<b>1,630</b>	<b>1,543</b>
<i>Provisions</i>		
Current Employee Benefits	1,228	1,159
Non-current Employee Benefits	202	176
Total Employee Benefits	1,430	1,335
<i>Current on-costs</i>	169	177
Non-current On-costs	31	31
Total On-costs	200	208
<b>Total Provisions</b>	<b>1,630</b>	<b>1,543</b>

## Note 16. Provisions (continued)

	2015 \$'000	2014 \$'000
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.44%	4.4%
Weighted average discount rate	3.03%	3.6%
<i>Weighted average settlement</i>	13 yrs	13 yrs
<i>Movement in Provision for On-costs</i>		
Opening balance	208	196
Additional provisions recognised	65	39
Reductions arising from payments	(55)	(22)
Reductions resulting from re-measurement	(5)	(1)
Unwind of discount and effect of changes in discount rate	(13)	(4)
<b>Closing Balance</b>	<b>200</b>	<b>208</b>

## Note 17. Contributions Capital

	2015 \$'000	2014 \$'000
Opening balance	51,323	51,323
<b>Closing Balance</b>	<b>51,323</b>	<b>51,323</b>

## Note 18. Reserves

	2015 \$'000	2014 \$'000
Asset Revaluation Reserve		
Opening Balance	31,865	31,865
Movement for year	231	–
<b>Closing Balance</b>	<b>32,096</b>	<b>31,865</b>

## Note 19. Accumulated Funds

	2015 \$'000	2014 \$'000
Opening Balance <sup>1</sup>	58,307	57,273
Profit after Income Tax Expense <sup>1</sup>	2,039	1,034
<b>Closing Balance</b>	<b>60,346</b>	<b>58,307</b>

(1) Restatement of 2014 balances due to prior year error adjustment. Refer to Notes 4 & 28

## Note 20. 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	2015 Carrying Amount \$'000	2014 Carrying Amount \$'000
<b>Financial assets</b>		
Cash and cash equivalents	850	1,318
Loans and Receivables – Contractual	2,620	2,240
Total Financial Assets	3,470	3,558
<b>Financial liabilities</b>		
Payables at amortised cost – Contractual	1,996	2,262
Borrowings at amortised cost	9,990	11,940
Total Financial Liabilities	11,986	14,202

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
<b>2015</b>				
<b>Financial assets</b>				
Cash and cash equivalents	16	–	–	16
Loans and Receivables	8	–	(31)	(23)
Total Financial Assets	24	–	(31)	(7)
<b>Financial liabilities</b>				
Payables at amortised cost	–	–	–	–
Borrowings at amortised cost	(453)	–	–	(453)
Total Financial Liabilities	(453)	–	–	(453)
<b>Net Income / (Expense) on Financial Instruments</b>	<b>(429)</b>	<b>–</b>	<b>(31)</b>	<b>(460)</b>

## Note 20. Financial Instruments (continued)

### (a) Significant Accounting Policies (continued)

Net holding gain / loss on financial instruments by category:

Financial Instrument	Interest Income and (Expense)	Fee Income and (Expense)	(Impairment Loss)	Total
2014	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Cash and cash equivalents	1	–	–	1
Loans and Receivables	30	–	(22)	8
<b>Total Financial Assets</b>	<b>31</b>	<b>–</b>	<b>(22)</b>	<b>9</b>
<b>Financial liabilities</b>				
Payables at amortised cost	–	–	–	–
Borrowings at amortised cost	(501)	–	–	(501)
<b>Total Financial Liabilities</b>	<b>(501)</b>	<b>–</b>	<b>–</b>	<b>(501)</b>
<b>Net Income / (Expense) on Financial Instruments</b>	<b>(470)</b>	<b>–</b>	<b>(22)</b>	<b>(492)</b>

### (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 Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest being monitored regularly, and managed in accordance with the Treasury Management Guidelines. 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.

2015	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
<b>Financial Assets</b>							
Cash at Bank	850	–	–	–	–	850	0.40%
Receivables	–	–	–	–	2,620	2,620	–
<b>Total</b>	<b>850</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,620</b>	<b>3,470</b>	<b>–</b>
<b>Financial Liabilities</b>							
Borrowings – TCV	550	1,500	5,940	2,000	–	9,990	3.40%
Payables	–	–	–	–	1,996	1,996	–
<b>Total</b>	<b>550</b>	<b>1,500</b>	<b>5,940</b>	<b>2,000</b>	<b>1,996</b>	<b>11,986</b>	<b>–</b>
<b>Net Financial (Liabilities) Assets</b>	<b>300</b>	<b>(1,500)</b>	<b>(5,940)</b>	<b>(2,000)</b>	<b>624</b>	<b>(8,516)</b>	<b>–</b>

## Note 20. Financial Instruments (continued)

### (b) Market risk (continued)

2014	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
<b>Financial Assets</b>							
Cash at Bank	1,318	–	–	–	–	1,318	0.40%
Receivables	–	–	–	–	2,240	2,240	–
<b>Total</b>	<b>1,318</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,240</b>	<b>3,558</b>	<b>–</b>
<b>Financial Liabilities</b>							
Borrowings – TCV	1,500	1,000	6,250	3,190	–	11,940	3.35%
Payables	–	–	–	–	2,125	2,125	–
<b>Total</b>	<b>1,500</b>	<b>1,000</b>	<b>6,250</b>	<b>3,190</b>	<b>2,125</b>	<b>14,065</b>	<b>–</b>
<b>Net Financial (Liabilities) Assets</b>	<b>(182)</b>	<b>(1,000)</b>	<b>(6,250)</b>	<b>(3,190)</b>	<b>115</b>	<b>(10,507)</b>	<b>–</b>

The table above highlights the Corporation's total exposure to variable interest rates at 30 June 2015 was a net asset of \$300,000 (2014: Net asset \$182,000).

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 end 2015. Management considers interest rates are unlikely to move by 1% and consider a 0.5% more probable. The table below shows the impact on the net result of a 0.5% increase and a 0.5% decrease in interest rates.

All borrowings are through TCV, except for the overdraft which was undrawn at 30 June 2015 and undrawn at 30 June 2014. The interest rate sensitivity is largely based upon forecasts provided by TCV.

Interest Rate Sensitivity	2015	2015	2014	2014
	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	9	(9)	13	(13)
Interest Bearing Liabilities -Variable	(6)	6	(15)	15
<b>Total</b>	<b>3</b>	<b>(3)</b>	<b>(2)</b>	<b>2</b>

### 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 20. 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 at bank and on hand, 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.

Allowance for impaired receivables 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 and Other Receivables	2015 \$'000	2014 \$'000
Not past due <sup>1</sup>	247	42
0 – 30 days	71	39
31 – 60 days	137	200
61 – 90 days	79	3
91 days and over <sup>2</sup>	967	585
<b>Total</b>	<b>1,501</b>	<b>869</b>

(1) New billing cycle with accounts raised in June

(2) Due to the transition from quarterly account issue to monthly issue of quarterly accounts, the Corporation determined to delay debt recovery over the transition period Oct 2014 to June 2015.

#### Age of impaired trade receivables

Impaired Trade Receivables	2015 \$'000	2014 \$'000
Not past due	–	–
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
91 days and over	273	273
<b>Total</b>	<b>273</b>	<b>273</b>

## Note 20. 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 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 and refinancing of financial liabilities as per the Treasurer of Victoria's borrowing limits. Financial liabilities table below is prepared on undiscounted cash flow basis at the reporting date.

2015	3 months or less \$'000	3 – 12 months \$'000	1 – 2 years \$'000	2 – 5 years \$'000	> 5 years \$'000
Borrowings – TCV	550	1,500	2,250	1,250	4,440
Payables	1,996	–	–	–	–
<b>Total</b>	<b>2,546</b>	<b>1,500</b>	<b>2,250</b>	<b>1,250</b>	<b>4,440</b>

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	–	–	–	–
<b>Total</b>	<b>3,762</b>	<b>1,000</b>	<b>1,500</b>	<b>4,750</b>	<b>3,190</b>

### (e) Net Fair Value

At 30 June 2015 the Corporation was not carrying any financial assets or liabilities which were tradeable in 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Financial assets</b>				
Cash at Bank	850	1,318	850	1,318
Receivables	2,620	2,240	2,620	2,240
<b>Total</b>	<b>3,470</b>	<b>3,558</b>	<b>3,470</b>	<b>3,558</b>
<b>Financial liabilities</b>				
Borrowings – TCV	9,990	11,940	10,335	12,083
Payables	1,996	2,262	1,996	2,262
<b>Total</b>	<b>11,986</b>	<b>14,202</b>	<b>12,331</b>	<b>14,345</b>

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

- Cash at bank and on hand – 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 2015. 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 21. Commitments for Expenditure

### (a) Commitments

	2015 \$'000	2014 \$'000
<b>Capital Expenditure Commitments</b>		
Buildings and infrastructure	543	2,028
Biological Assets	–	57
<b>Total capital expenditure commitments</b>	<b>543</b>	<b>2,085</b>
Lease payments expensed during the year <sup>1</sup>	11	9
IT managed services	353	424
Projects under contract	432	14
Environmental Contributions <sup>2</sup>	794	1,588
<b>Total operating and lease commitments</b>	<b>1,590</b>	<b>2,035</b>
<b>Total commitments (inclusive of GST)</b>	<b>2,133</b>	<b>4,120</b>

### (b) Commitments Payable

	2015 \$'000	2014 \$'000
<b>Capital Expenditure Commitments Payable</b>		
Payments within 1 year	543	2,085
Payments 1 – 5 years	–	–
Payments longer than 5 years	–	–
Total	543	2,085
<b>Operating and Lease Commitments Payable</b>		
Payments within 1 year	1,378	1,149
Payments 1 – 5 years	212	886
Payments longer than 5 years	–	–
Total	1,590	2,035
<b>Total commitments (inclusive of GST)</b>	<b>2,133</b>	<b>4,120</b>
Less GST recoverable from the Australian Tax Office	122	230
<b>Total commitments (exclusive of GST)</b>	<b>2,011</b>	<b>3,890</b>

(1) 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.

(2) The Corporation is committed to making Environmental Contributions as required by the Water Industry (Environmental Contributions) Act 2004, up until June 2016 refer Note 1 (c).

## Note 22. 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 (2014:\$0).

## Note 23. Superannuation

Westernport Water makes majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2015, this was 9.5% required under Superannuation Guarantee legislation (for 2013/14, this was 9.25%)).

### Defined Benefit

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 pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of [Employer name] in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

### 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 latest actuarial investigation was held as at 30 June 2014 and it was determined that the vested benefit index (VBI) of the defined benefit category of which Westernport Water is a contributing

employer was 103.4%. To determine the VBI, the fund Actuary used the following long-term assumptions:

- => Net investment returns 7.5% pa
- => Salary information 4.25% pa
- => Price inflation (CPI) 2.75% pa.

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

### Employer Contributions

#### Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2014, 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 2015, this rate was 9.5% of members' salaries. This rate will increase in line with any increase to the Superannuation Guarantee (SG) contribution rate.

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

#### Funding calls

If the defined benefit category is in an unsatisfactory financial position at actuarial investigation or the defined benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the defined benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Westernport Water) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers

based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

#### Latest actuarial investigation surplus amounts

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which Westernport Water is a contributing employer:

- => VBI surplus of \$77.1 million; and
- => Total service liability surplus of \$236 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2014.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Westernport Water was notified of the results of the actuarial investigation during January 2015.

## Note 23. Superannuation (continued)

### Superannuation contributions

Contributions by Westernport Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2015 are detailed below:

Scheme Name	Type of Scheme	Rate 2015	2015 \$'000	Rate 2014	2014 \$'000
Vision Super	Defined Benefits	9.50%	76	9.25%	39
Vision Super	Accumulation	9.50%	169	9.25%	244
Other	Accumulation	9.50%	359	9.25%	291

Total super contributions include additional salary sacrificed amounts reported as salary and wages in Other Employee Costs (Note 5b)

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2015 (2014: \$35,082)

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$78,000 (2015: \$40,686)

## Note 24. 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 2015.

### (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 2014 – 3 December 2014
• The Hon Lisa Neville MP	Minister for Environment, Climate Change and Water	4 December 2014 – to 30 June 2015
• Mr Trevor Nink	Chairman	1 July 2014 – 30 June 2015
• Mr Roland Lindell	Deputy Chairman	1 July 2014 – 30 June 2015
• Mr Murray Jackson	Managing Director	1 July 2014 – 30 June 2015
• Hon Geoff Coleman	Director	1 July 2014 – 30 June 2015
• Mr John Duscher	Director	1 July 2014 – 30 June 2015
• Ms Carol Pagnon	Director	1 July 2014 – 30 June 2015
• Ms Barbara Wagstaff	Director	1 July 2014 – 30 June 2015
• Mr Guy Wilson-Browne	Director	1 July 2014 – 30 June 2015

### (b) Remuneration of responsible persons

Remuneration paid to Ministers Walsh and Neville 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 Ministers, for payments which include termination payments, bonuses, superannuation contributions was: \$438,798 (2014: \$417,986)

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

Income bands (\$)	2015	2014
0 – 9,999	1	1
10,000 – 19,999	–	–
20,000 – 29,999	5	5
30,000 – 39,999	–	–
40,000 – 49,999	–	1
50,000 – 59,999	1	–
250,000 – 259,999	–	1
260,000 – 269,999	1	–
<b>TOTAL</b>	<b>8</b>	<b>8</b>

## Note 24. Responsible Persons and Executive Officer Disclosures (continued)

### (b) Remuneration of responsible persons (continued)

#### 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.

### (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	
			2015	2014	2015	2014
100,000	–	109,999	–	–	1	–
110,000	–	119,999	–	1	–	2
120,000	–	129,999	1	1	–	–
130,000	–	139,999	–	–	–	–
140,000	–	149,999	–	–	1	–
150,000	–	159,999	–	–	2	–
160,000	–	169,999	1	–	–	2
170,000	–	179,999	1	2	–	–
180,000	–	189,999	1	–	–	–
Total number of executive employees			4	4	4	4
Total annualised employee equivalent (AEE) <sup>1</sup>			4	4	4	4
<b>Total remuneration amount \$'000<sup>2</sup></b>			<b>652</b>	<b>592</b>	<b>564</b>	<b>557</b>

(1) Annualised employee equivalent is based on paid working hours of 38 hours per week over the 52 weeks for a reporting period.

(2) The significant variation of total remuneration from prior year is mainly due to a change in executive positions and responsibilities, and a maternity leave position.

### Other Personnel

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

## Note 25. Notes to the Statement of Cash Flow

### (a) Reconciliation of Net Profit After Income Tax to Net Cash Inflow From Operating Activities

	Notes	2015 \$'000	2014 Restated <sup>1</sup> \$'000
<b>Net Profit (Loss) after Income Tax Equivalents</b>	<b>27</b>	<b>2,039</b>	<b>1,034</b>
<b>Add (Less) Non-Cash Items:</b>			
Depreciation and Amortisation Expense	5 (b)	5,780	5,476
Loss (Profit) on Sale of Non-current Assets	5 (a)	(22)	(139)
Contributed Assets	5 (a), 27	(1,501)	(761)
Inventory Adjustments		(55)	61
Receivables Impairment Expense	8	–	(9)
Bad Debt Write Off	5(b)	31	22
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Receivables	9	(419)	(260)
(Increase) Decrease in Inventory	9	127	24
(Increase) Decrease in Other Receivables	10	(73)	(2)
(Increase) Decrease in Prepayments		51	(29)
Increase (Decrease) in Payables	13	(387)	(1,455)
Increase (Decrease) in Employee Benefits	16	87	48
Increase (Decrease) in Deferred Tax Liabilities		305	443
Increase (Decrease) in Other liabilities (unearned revenue)	14	778	–
<b>Net Cash Inflows from Operating Activities</b>		<b>6,741</b>	<b>4,453</b>

### (b) Reconciliation of Cash and Cash Equivalents

	Notes	2015 \$'000	2014 \$'000
Cash at Bank and on Hand	7	850	1,318
Cash as per Statement of Cash Flows		850	1,318

## Note 26. Remuneration of Auditors

	2015 \$'000	2014 \$'000
<b>Audit services – Victorian Auditor-General's Office (VAGO)</b>		
Annual external audit fee	29	28
Additional audit fees (2013-14 audit)	4	–
Non-VAGO audit and assurance services		
Internal audit	65	62
Audit of regulatory returns (OH&S, tax, ESC, gas)	63	70
<b>Total non-VAGO audit and assurance services</b>	<b>128</b>	<b>132</b>
<b>Total Remuneration of Auditors</b>	<b>161</b>	<b>160</b>

## Note 27. Subsequent Events

On 8 April 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, announced a review of all 135 Victorian water corporation board director positions. Expressions of interest were invited during April and May 2015 with new boards to be in place by 1 October 2015. Water corporations remain governed by a properly constituted board of directors and will do so following 1 October 2015 when any new appointments are due to commence.

Peter Quigley was appointed to the position of Managing Director (MD) effective on 1 September 2015. The new MD has certified the performance and financial statements of Westernport Water for 2014-15.

## Note 28. Prior Period Error – Tax Effect Accounting and Contributed Assets

### (a) Omission of Contributed Asset

While preparing the 2014-15 financial statements it was identified that developer contributed assets for a number of estates completed in prior years had not been taken up in the financial records of the Corporation.

Audits of security deposits held for development works identified assets were recorded in our asset management system, however the financial transactions were not recognised. The asset management system and financial systems are not integrated, but has been highlighted for inclusion in the system development plans for 2015-16 to improve the timeliness and accuracy of recording asset information for gifted assets.

Total revenue, depreciation and carrying value of property, plant and equipment were understated by approximately:

	2013 \$'000	2014 \$'000	Total \$'000	Tax Impact \$'000
Developer contributed assets	1,453	192	1,645	493
less Depreciation	49	36	85	26
	1,404	156	1,560	467

These comparatives in the financial statements have been corrected as set out in 28(b) below.

**Note 28. Prior Period Error – Tax Effect Accounting and Contributed Assets (continued)****(b) Restatement of Financial Statements**

Corrections to the Balance Sheet as at 1 July 2013 are in the table below.

Impacts on liabilities and equity	1 July 2013 as reported	Contributed Asset Correction	Tax Effect Accounting Adjustment	1 July 2013 Restated
	\$'000	\$'000	\$'000	\$'000
Property, Plant & Equipment	174,642	1,404	–	176,046
Net Deferred Tax Liability	23,592	–	421	24,013
Accumulated funds	56,290	1,404	(421)	57,273

Corrections to the financial statements for 2014 are in the table below.

Comprehensive Operating Statement Extract	2014 Actual	Contributed Asset Correction	Tax Effect Accounting Adjustment	2014 Restated
	\$ 000	\$'000	\$'000	\$ 000
Revenue	20,201	192	–	20,393
Expenses	18,879	36	–	18,915
Net Profit Before Tax	1,322	156	–	1,478
Income Tax Expense	398	–	46	444
<b>Net Profit After Tax</b>	<b>924</b>	<b>156</b>	<b>(46)</b>	<b>1,034</b>

Balance Sheet Extract	2014 Actual Reported	Contributed Asset	Tax Effect Accounting Adjustment	2014 Restated
	\$ 000	\$'000	\$'000	\$'000
Current Assets	4,253	–	–	4,253
Non-current Assets				
– Property, Plant, Equipment & Infrastructure	173,729	1,560	–	175,289
– Intangibles	2,206	–	–	2,206
Total Non-current Assets	176,023	–	–	177,583
<b>Total Assets</b>	<b>180,276</b>	<b>1,560</b>	<b>–</b>	<b>181,836</b>
Current Liabilities	5,235	–	–	5,235
Non-current Liabilities				
– Net deferred tax	23,990	–	467	24,457 <sup>1</sup>
Total Non-current Liabilities	34,639	–	–	35,106
<b>Net Assets</b>	<b>140,402</b>	<b>1,560</b>	<b>(467)</b>	<b>141,495</b>
Equity				
– Accumulated funds	57,214	1,093	–	58,307
<b>Total Equity</b>	<b>140,402</b>	<b>1,093</b>	<b>–</b>	<b>141,495</b>

(1) \$2k rounding error to Note 6

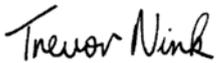
# Westernport Region Water Corporation Statutory Certification

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, present fairly the financial transactions during the year ended 30 June 2015 and the financial position of the Corporation as at 30 June 2015.

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

We authorise the attached financial statements for issue on 30 September 2015.



**Trevor Nink**  
Chairperson  
Westernport Water



**Peter Quigley**  
Managing Director  
Westernport Water<sup>1</sup>



**Kylie White**  
GM Business Services  
Chief Finance & Accounting Officer  
Westernport Water

Dated this 30th day of September 2015.

(1) The information in this Annual Report was prepared under the direction of Managing Director Murray Jackson and was signed off by Peter Quigley who was appointed as Managing Director of Westernport Water on 1 September 2015.

# VAGO

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

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

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2015 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 2015 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*.

MELBOURNE  
30 September 2015

  
Dr Peter Frost  
*Acting 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. Lisa Neville MP, Minister for Environment,  
 Climate Change and Water

### Bankers

Westpac Bank Wonthaggi VIC 3995

### Auditors

Auditor-General, Victoria By Audit  
 service provider UHY Haines Norton (Vic) P/L

### Insurers

Marsh & McLennan Companies

### Solicitors

Russell Kennedy & Associates

### Industry Associations

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

### Design

Jayne Melville  
 Salt Marketing

## 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
DELWP	Department of Environment, Land, Water and Planning
DPCD	Department of Planning and Community Development
DTF	Department of Treasury and Finance
EIP	Environmental Improvement Plan
EMLO	Emergency Management Liaison Officer
EMS	Emergency Management System
EOFY	End of Financial Year
EMP	Environmental Management Plan
EPA	Environment Protection Authority
ESC	Essential Services Commission
EWOV	Energy and Water Ombudsman Victoria
FOI	Freedom of Information
FRD	Financial Reporting Direction

Terms	Meaning
GGE	Greenhouse Gas Emissions
GIS	Geospatial Information System
HACCP	Hazard and Critical Control Point
IPP	Industry Placement Program
IBWPP	Ian Bartlett Water Purification Plant
ISSN	International Standard Serial Number
KRWWTP	King Road Waste Water Treatment Plant
MRD	Ministerial Reporting Direction
MSDS	Material Safety Data Sheet
OHS	Occupational Health and Safety
PMT	Project Management Team
SCADA	Supervisory Control and Data Acquisition
SD	Standing Direction
SoO	Statement of Obligations
SPS	Sewer Pump Station
WaterMAP	Water Management Action Plan
WSAA	Water Services Association of Australia

Units	Meaning
CO <sub>2</sub> -e	carbon dioxide equivalent
KL	kilolitre = one thousand litres
mg	milligram = one thousand grams
ML	megalitre = one million litres
t	metric tonne
µg	micrograms = one thousand milligrams

# 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
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<b>FRDs affecting the Report of Operations</b>		
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FRD 12A	Disclosure of major contracts	
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FRD 22F	Standard disclosures in Report of Operations (April 15)	4
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