



WESTERNPORT WATER
ANNUAL REPORT 2003



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Services Provided

The Authority's function is to provide water and wastewater services to properties located within its district. Water is sourced from the Candowie Reservoir in the Bass Hills near Glen Forbes and distributed to communities through a network of supply mains. Source water is treated at the Ian Bartlett Water Purification Plant which uses advanced filtration techniques to enhance water quality.

Wastewater services are provided to approximately 95% of properties that are connected to the reticulated water supply.

The Authority has two major wastewater treatment plants. The Cowes Wastewater Treatment Plant serves the population of Phillip Island and the township of San Remo and the King Road Wastewater Treatment Plant located near Coronet Bay, serves the various townships located on the east coast of Western Port.

In addition the Authority provides the following services:

- A liquid waste disposal facility installed at the Cowes Wastewater Treatment Plant
- The sale of treated wastewater for recreational, horticultural and pastoral activities
- The removal of trade waste.

Customer Profile

Within our district we have 15,929 properties that have water available to them, this is made up as follows:

Houses & Flats	12,243
Vacant lots	2,857
Commercial customers	354
Farms	379
Other	96

The population served ranges from 15,000 people during winter to more than 50,000 people during peak holiday periods.

Significant Changes in Financial Position

There are no significant changes relating to the financial position that warrant further explanation or comment other than as referred to in the accompanying notes to the Financial Statements.

Results at a Glance

	2002/03	2001/02	2000/01	1999/00	1998/99
	\$ million	\$ million	\$ million	\$ million	\$ million
Financial Performance					
Revenue	12.6	10.6	10.0	9.4	8.8
Expenses	8.3	7.5	6.2	6.1	6.2
Borrowing Costs	0.4	0.5	0.7	1.0	1.1
Net Profit	3.9	2.6	3.1	2.3	1.5
Financial Position					
Total Assets	99.0	96.1	87.8	88.2	89.7
Total Liabilities	6.0	6.6	9.4	12.4	15.6
Total Equity	93.0	89.5	78.4	78.8	74.1

VISION

That Westernport Water is the preferred multi-utility service provider in the South West Gippsland Region.

MISSION

Through being “Customer Focused” and “Asset Driven”, Westernport Water will provide quality water, wastewater and other utility services as required to the South West Gippsland Region.

Through the provision of these essential services Westernport Water aims to enhance the social, environmental and competitive position of the Region.

REPORT FROM THE CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Dear Minister,

We have much pleasure in presenting the Annual Report for the 2002/2003 financial year.

The 2002/2003 operating result of \$3.95M is significantly above the 2001/2002 result of \$2.6M.

As outlined in last years report the Board adopted and commenced an organisation development plan that restructured the management team and resourced strategies to improve organisational capability and stakeholder engagement. The plan is showing results. The management team is focused and the organisation resourced in preparation for the changing regulatory environment. Authority customers and stakeholders have been engaged on significant issues and the results have been successfully used by the Board in its policy development and strategic planning.

The 2002/2003 financial year was the second driest on record. The Authority successfully managed its water resources and wishes to express its thanks to South Gippsland Water for their continued cooperation that enables us to share the Region's scarce water resources.

The Authority has focused on ensuring that water is valued. The drought provided the Authority with an opportunity to significantly progress recycled water use and stormwater mining. The Authority has several projects under negotiation that add value to the Region's water resources.

The Authority's region continues to grow at rates approaching 5%. The issue of supply security to cater for the Region's growth was considered during the year. Demand management and two augmentation options that have similar economic costs are actively being considered. The augmentation options have different water qualities and the Authority is undertaking a community consultation program to determine the preferred water quality. The results will assist the Board to make the decision on the preferred source for the augmentation of the Region's water supply.

Your requirement for focus on quality services to be delivered efficiently by the Authority are reported to you in accordance with the Water Services Agreement. We are pleased to advise that the Authority continues to deliver upon that Agreement with continued improvements in environmental and social performance.

Sustainability

The Region's local Governments all agree that the number one infrastructure priority is reticulated natural gas. To assist in its provision the Authority has undertaken preliminary technical and economic analysis demonstrating that the service is feasible at prices approximately the same as that paid by Canberra residents. Potentially the Region's residents can save significant amounts on their current energy bills.

This work has led to a new vision where the Authority looks to fill gaps in utility service provision itself.

There is a growing world wide trend to multi-utility service provision and there are a number of public sector examples within Australia. The Authority's Vision for its 2003/2004 Corporate Plan is to become a multi-utility service provider in the Region.

The Authority has adopted an Energy Policy for consultation purposes called "Close to Zero". The Policy aims to reduce the Authority's net energy purchases from the grid in the medium term to zero by investing in technologies to better manage our energy demand and use the Region's abundant natural resources to produce renewable energy. This has the potential to reduce greenhouse gas emissions by 5000 tonnes per annum. This policy is clearly aligned with your Government's commitment to increase the amount of energy generated from renewable sources to 10% by 2010 and the Water For The Future statement to co-ordinate water and energy demand management initiatives.

Social Initiatives

The Board have approved a scholarship aimed at raising the profile of the water industry and retaining skills in regional Victoria. The scholarship has a total value to students undertaking a four year degree in excess of \$60,000 and includes paid vacation practice during the period of study, \$1,000 per annum for books and employment for one year at the completion of the degree. The scholarship is open to students whose principal place of residence is within our Region.

Customer focussed.
Asset Driven.

This year the Board, in consultation with its customers, implemented a new Policy for responsibility of the "Mains to Meter" service pipes. The new Policy has the dual effect of ensuring that water is not wasted because of poor service pipe maintenance and that the cost inequities are removed.

The Authority with the help of the Victorian Farmers Federation's distribution infrastructure donated and distributed in excess of 400 round bales of hay to drought and bushfire affected Victorian farmers. The bales were harvested from the Authority's King Road reuse water project.

The delay in completing the new office and depot complex due to the default of the Principal Contractor has been extremely disruptive to the Authority's service improvement plans and the full effect of improvements in efficiency expected from a single point of operation will not be realised until the 2004/2005 financial year.

Engagement of Customers

The Authority consulted with its customers on the issues of level of service, mains to meter and water quality during the year. It also commenced a forum with property developers to enhance the quality of infrastructure investment decision making.

Better Teams Program

The major platform for improved operational efficiency for the Authority is what we call "Better Teams". The first three work teams (approximately half the organisation) have completed their Better Teams training program. As a result each team has developed three Process Improvement Plans (PIPs) and presented them to their peers and the Board. These PIPs, when implemented in 2003/2004, will deliver \$50,000 worth of recurrent savings or increased service levels to customers.

Disciplined Capital Spend

The prioritisation of the capital spend is crucial to improving the level of service delivered by the Authority's assets. The Authority is undertaking rigorous analysis of asset investment on a whole of life basis to ensure asset investment decisions provide maximum benefit to our customers.

Governance

The Board and Management Team have continued to ensure that the system and practices of the Authority are managed to minimise risks from poor decision making. Major reviews of delegations, purchasing policies and procedures and contract management were commenced throughout the year.

Education of Board and Management Team members on issues of Governance continued throughout the year.

We would like to thank the Board, Management and Employees for their continued hard work and loyalty as we progress the Authority as a sustainable, multi-faceted, customer focused and asset driven business. Thanks are directed to our consultants and to government officials who also have worked tirelessly to assist with our journey to date.

Pamela Cameron
Chairperson

Michael (Mike) Paine
Chief Executive Officer



GOVERNANCE STRUCTURE

The Hon Sherryl Garbutt, Minister for Environment and Conservation appointed seven people to the Board of Westernport Region Water Authority for varying terms effective 1 July 2001. The Authority received five new Directors and retained two existing Directors. Minister Garbutt re-appointed Member Cameron as Chairperson and Member Paterson for 3 years effective 1 July 2002.

Directors' Meetings are scheduled for each month with special and committee meetings convened as required. The number of Directors' meetings, committee meetings, and attendance during 2002/2003 are detailed in the table below.

Corporate Governance

The Board is responsible for the corporate governance of the Authority and derives its powers and functions from the Water Act 1989.

Water Services Agreement

The Water Services Agreement was signed between The Minister for Environment and Conservation and Westernport Water outlining the water related services to be provided in the Region serviced by Westernport Water.

The Board

Key functions of the Board include:

- Setting strategic direction and policy framework by adopting, implementing and resourcing a Corporate Plan
- Establishing measurable goals and objectives
- Ensuring operational, environmental and financial risk management systems are in place
- Ensuring compliance with legislative and regulatory obligations
- Establishing and setting service levels and monitoring achievement
- Evaluating Board and executives' performance to ensure integrity of corporate governance practice and ethical conduct

Performance Monitoring

The Board has maintained rigorous performance reporting in respect to key aspects of the Authority's operations. The Board receive monthly performance data in respect to water and wastewater quality, regulatory compliance and operational and capital budgetary performance.

Board Committees

Remuneration Committee

The Remuneration Committee provides oversight and recommendations to the Board on the performance and remuneration of executives, development of the organisation and employees and development of workplace policies, procedures and management systems.

Throughout the year the Remuneration Committee oversaw the implementation of the Organisational Development plan including the recruitment and appointment of the new Management Team.

The Remuneration committee also oversaw the

- Application of the Government Sector Executive Remuneration Policy
- Development of the Human Resources Policy Manual
- Reappointment of the Chief Executive Officer

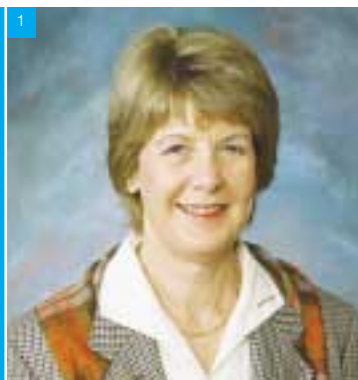
Audit Committee

The Audit Committee is a sub committee of the Board with responsibilities to review and recommend to the Board the acceptance of the Auditor General's report with or without Comment, monitor the Internal Auditors' function to set risk management strategies for the organisation and monitor the level of corporate compliance.

During the year the Audit Committee oversaw the appointment of Haines Norton as the Authority's Internal Auditor. The Committee also undertook a complete review of the operational and business risks facing the Authority in order to develop a forward 3 year Internal Audit Plan.

Directors attendance at Board and Committee meetings

	Board		Audit		Remuneration	
	No. of Meetings	Attended	No. of Meetings	Attended	No. of Meetings	Attended
Pam Cameron (Chairperson)	15	15	-	-	5	5
Anthea Dacy	15	15	-	-	-	-
Dr Eric Ealey	15	14	5	3	-	-
Clyde Paterson	15	14	5	5	-	-
Ian Purbrick	15	14	5	4	-	-
Sue Walpole (Deputy Chairperson)	15	13	-	-	5	5
Philip Westwood	15	15	-	-	5	5



1. Mrs Pamela Cameron

(Chairperson)

Pamela Cameron was initially appointed to the Board in June 1998. She was elected Deputy Chairperson for 2000-2001 and appointed Chairperson on 30 June 2001. Pamela is a Physiotherapist and Team Leader at the Bass Coast Community Health Service. She is a partner in operating a family farm on Phillip Island and a part owner of the Phillip Island Motor Racing Circuit. For many years Pamela has held senior committee/director positions. She is President of the Phillip Island Aquatic Centre Fund Inc., a Life Governor of Newhaven College and a Member of the Institute of Water Administration and Australian Institute of Company Directors.

2. Ms Susan Walpole

(Deputy Chairperson)

Ms Susan Walpole, currently employed as the CEO of the Legal Practice Board holds a Bachelor of Jurisprudence (specialising in Industrial Relations), Bachelor of Laws, and a Graduate Diploma Media Management. Ms Walpole possesses extensive experience in superannuation, industrial relations and human resource management. Previous employment includes Manager Industry Fund and Business Development, Superpartners, Federal Sex Discrimination Commissioner and Federal Head Human Resources, ABC TV.

3. Mr Clyde Paterson

Mr Paterson is a qualified accountant with over 30 years experience in the water industry with special skills in finance, business management, auditing, budget control, capital works and construction and management of water and sewerage assets. He is also a Fellow of the Institute of Water Administration. Mr Paterson has sheep and cattle farming interests in South Gippsland and is an active member of the Arawata Landcare Group. He is also involved in community groups and service organisations in South Gippsland and is currently the Acting Secretary/Manager of a 34 bed Aged Care facility in Korumburra.

4. Dr Eric (Tim) Ealey

Dr Ealey holds a Ph.D. in Desert Ecology, Master of Science in Antarctic Oceanography. Dr Ealey has extensive experience in science and environmental management. Previous employment includes Foundation Director of the Graduate School of Environmental Science at Monash University, Senior Lecturer in Zoology at Monash University and Research Officer with the CSIRO Division of Wildlife. Dr Ealey was a member of the Port Phillip and Westport Catchment Management Authority. He is currently a member of the Westport Catchment Committee, Westport Seagrass Management Team, Coronet Bay Ratepayers Association, Coronet Bay Foreshore Management Committee and Coronet Bay Progress Association.

5. Ms Anthea Dacy

A self-employed business consultant specialising in trade and agribusiness investment with China, Ms Dacy has a Bachelor of Arts (Asian Studies), Grad. Dip. Business Studies, and is currently completing a Diploma of Company Directorship (AICD). She is also studying towards Masters of Marketing (Agribusiness). A farmer (beef breeding and boer goats) in West Gippsland, she is actively involved in revegetation programmes through Landcare, Melbourne Water and Greening Australia.

6. Mr Ian Purbrick

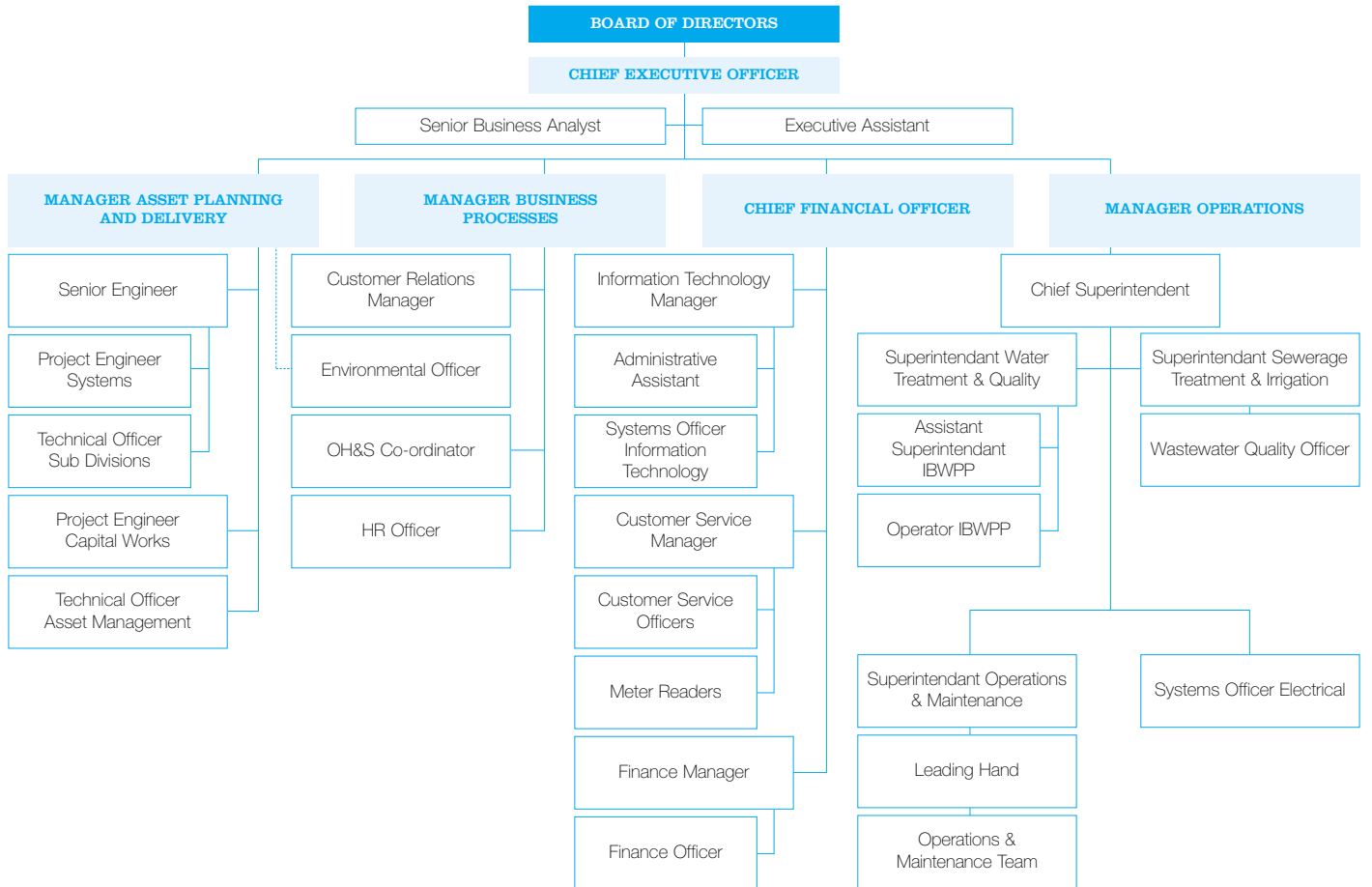
Mr Ian Purbrick has a Bachelor of Laws, holds a current Legal Practising Certificate and is a member of the Law Institute of Victoria. Mr Purbrick was Head Solicitor for the Commonwealth Banking Group in Victoria and Tasmania. He is a qualified Mediator and a Compliance Committee Member under the Managed Investments Act. Mr Purbrick is a farmer (beef breeding) in the South Gippsland area where he is a member of the Anderson Inlet Landcare Group, Fish Creek Prograze and Fish Creek Beef Cheque Groups.

7. Mr Philip Westwood

Mr Philip Westwood has a Diploma in Journalism. He is a primary producer and a self employed Director of Blue Mountain Creek Pty Ltd consulting in environmental auditing, public relations and corporate planning. Mr Westwood is a member of the Port Phillip and Westport Catchment Management Authority, Friends of Bass Valley Bush Inc, Bushland Research Council, Free Range Farmers Association Inc, Western Port Seagrass Partnership, Cardinia Environment Coalition and a keen supporter of the Mornington Peninsula and Western Port Biosphere Project.



Organisational Structure



Management Team - Roles & Responsibilities



Mike Paine
Chief Executive Officer

- Corporate governance
- Corporate planning
- Corporate support
- Essential Services Commission
- Government liaison
- Water Industry liaison
- Regional Development



Jeff Sowiak
Chief Financial Officer

- Accounts management
- Billing
- External audit
- Finance
- Treasury and Tax
- Insurance
- Information Technology
- Meter reading
- Payroll
- Purchasing & stores
- Reception
- Records management



Steven Porter
Manager Asset
Planning & Delivery

- Asset creation
- Asset management
- Asset planning
- Design
- Developer liaison
- Headworks policy
- Plumbing Industry Commission



Andrew Kneebone
Manager Business
Processes

- Annual Report
- Customer Relations
- Human resource management
- Environmental management system
- Internal audit
- Occupational health & safety
- Organisational development
- Public affairs
- Quality systems
- Regulation compliance
- External Reporting
- Industrial Relations



James Young
Manager Operations

- Effluent disposal operations & maintenance
- Emergency management
- Sewage operation & management
- Sewage treatment operations & maintenance
- Water conservation
- Water operation and maintenance
- Water quality
- Water treatment operations & maintenance
- Property management



PERFORMANCE INDICATORS 2002/2003

Objectives

SOCIAL	STRATEGIES 2002 / 2003	OUTCOMES 2002 / 2003	ACHIEVEMENTS	
Business is conducted in a manner which balances the need for economy with the need to recognise that the Authority is a major business in the Region and should lead and assist in the Region's social well being.	Continue to seek feedback from the Customer Consultative Panel on issues that affect customers.	The Customer Consultative Panel has continued to provide assistance in improving the levels of the Authority's services.	The Customer Consultative Panel has continued to meet on a monthly basis and has provided assistance with Main to Meter Policy, Information Privacy, Customer Charter, Corporate Image and Marketing review and Water Quality Community consultation.	✓
	Provide effective and efficient services to enable local businesses to expand to assist the Region to provide high rates of employment.	There has been proactive involvement in development of the Region and where necessary expansion of the Authority's services has demonstrably improved the Region's capabilities and competitiveness.	Continued growth rates in development above 4%. Extensive assistance provided to the proposed San Remo Golf Course project.	✓
	Provide a work environment in which employees are able to participate in charitable fund raising events.	There has been participation in charitable fundraising activities.	Members of staff have conducted fund raising activities for a number of charitable causes including Jeans for Genes, Red Nose, Cystic Fibrosis and Bandanna Day.	✓
	Provide opportunities to assist local community groups in accordance with Board Policy.	There has been demonstrated assistance by the Authority to local community groups.	Sponsorship of Cowes Golf Club Pro-Am provided the opportunity to show case our water recycling partnership with the Club to other Victorian Golf Clubs. Sponsorship of Warley Bush Nursing Hospital through supply of safety vests for their annual fundraising event - The "Murray to Moynes Bike Ride".	✓
Communicate effectively and provide support for customers.	Gauge the expectations of customers on issues such as service levels, price and the environment.	A Community Engagement Strategy Plan has been developed and adopted by the Board. A clear understanding of the Authority's customers' expectations on issues such as service levels, price and the environment has been gauged through the implementation of the strategy.	Community Engagement Strategy development continues into 2003/04. Community consultation has been completed in the key areas of Mains to Meter Policy change and water quality.	%
	Continue to market and promote the Authority.	The outcomes of the Corporate Image and Marketing workshop are implemented.	Deferred pending move to new office complex and Ministerial decision on Multi Utility proposal.	%
	Monitor and maintain sound relations with the media.	Media relations and outcomes are positive for the Authority.	Achieved and ongoing.	✓
	Work towards a "no surprise" relationship with the media.	Clear lines of communication are operational between the Authority and media. To monitor this we will establish a baseline of articles in the local media on which to benchmark future performance.	Achieved and ongoing.	✓
	Assess the satisfaction of customers by conducting an independent customer survey.	Satisfaction survey completed and reported to the Board.	Customer satisfaction survey complete and reported to the Board.	✓
	Update the demographic profile of customers to maintain effective communication.	A review of the demographics of the Authority's customers has been completed. The Authority has a clear understanding of its customers.	Deferred: Information available from Australian Bureau of Statistics.	X
Business is conducted in a manner which balances the need for economy with the need to maintain our environment by applying ecologically sustainable development principles. To do this we shall observe the principles of sustainable development.	Participate in regional environmental improvement projects.	Participated in the Phillip Island wildlife corridor project.	Staff and community have combined to complete two plantings associated with the wildlife corridor project.	✓
	Implement a resourced Environmental Management System to ensure impacts are managed to meet business obligations.	Implementation of the Environmental Management System is complete.	Environmental Management Systems is 60% complete. Draft policy developed. Draft Aspects and Impacts Register and associated risk assessments are complete.	%
	Maximise energy efficiency as part of a program of ensuring operations meet "appropriate best practice" requirements.	Energy efficiencies have been documented and reported to the community.	Energy Usage audits have been completed. Maintenance inspections and Energy Management Plan are currently being developed.	%

LEGEND

Achieved ✓

Partial Achievement %

Not Achieved X

Objectives

ENVIRONMENTAL	STRATEGIES 2002 / 2003	OUTCOMES 2002 / 2003	ACHIEVEMENTS	
<p>Business is conducted in a manner which balances the need for economy with the need to maintain our environment by applying ecologically sustainable development principles. To do this we shall observe the principles of sustainable development.</p> <p>(continued)</p>	Minimise the production of waste and pollution produced by operations and develop projects and programs which maximise sustainable recycling opportunities.	Demonstrated waste and pollution reductions have been documented and reported to the community.	78% of the Authority's fleet is converted to LPG fuel. 70% of fuel consumed is LPG. These percentages will increase in 2003/2004 as more of the fleet is converted to LPG.	✓
	Advocate the sustainable use of the region's natural resources and ensure that activities have no adverse impacts.	New infrastructure has been designed and constructed in accordance with "Environmental Best Value" principles.	New office and depot complex has been developed consistent with these principles. The Close to Zero Policy further supports and aims to operationalise the concept.	✓
	Continue to create awareness among our customers and the wider community of the advantages of ecologically sustainable development technology and the direct and indirect improvements it will have on operations.	Demonstrated increases in sustainable re-cycling have been documented and reported to the community.	Detailed reports submitted to Department of Sustainability and Environment. Direct liaisons with re-use customers including Bass Coast Shire Council completed. Advertising notice boards positioned at key locations.	✓
	Work closely with environmental groups, customers, catchment management partners, industry partners and suppliers to achieve environmental and natural resource objectives.	The Authority has participated in or undertaken projects which improve the environment and natural resources.	Landcare operational plan implemented including tree plantings in Phillip Island Wildlife Corridor. Biodiversity Asset Register partially developed.	✓
	Ensure there is continued improvement in water conservation in the Region, and we will further develop and implement the water conservation strategy "Every Little Drop".	National Water Week activities undertaken, documented and reported to the community. Water Conservation strategy is complete and implemented.	National Water Week activities completed including school performances and poster competition. Drought initiated reviews and consideration of Water Conservation By-Law.	✓
ECONOMIC	Maintain a debt level that will meet the Authority's financing requirements, comply with the Department of Treasury and Finance guidelines and meet financial performance measures.	Debt profile is working towards achievement of Department Treasury & Finance requirements and total debt at 30 June 2003 is not to exceed \$3.1 million plus borrowings for 2002/2003 capital works.	Achieved Target. Authority's debt level compliant with DTF guidelines. Total debt as at 30 June was \$4.7m including the balance of new loans for capital works of \$3m raised during the year.	✓
<p>To be financially prudent and commercially focused.</p>	Continue to critically evaluate capital works projects to ensure they provide service level increases at optimal operating costs by undertaking rigorous assessments of each project.	Rigorous capital management processes are undertaken and the capital works program is completed on time and within budget.	Commenced developing detailed project sheets in conjunction with NPV analysis model and standardised proforma's. Mid year review of capital program was initiated.	✓
	Continue to evaluate the financial position of the Authority by updating the 10-year financial plan for operational and capital requirements and ensuring adequate cashflow.	The 10-year financial plan is updated for operational and capital requirements and adopted by the Board.	Plan prepared and updated.	✓
	Continue to assist scheme debtors to manage their repayments and to reduce tariff debt levels in accordance with the Board's Credit Management and Hardship Policies.	Past due scheme debt is reduced by 20% and the new tariff and scheme collection policy is implemented and performance targets achieved.	Partially achieved. Past due scheme debt reduced by 15%.	✓
	Manage the Authority's surplus cash to maximise investment earnings within prudential guidelines, whilst ensuring liabilities are settled when due.	Interest revenue complies with the Authority's guidelines for investment.	Achieved.	✓
	Ensure new internal recurrent initiatives are at least cost neutral (reduction in expenditure).	Business case analysis is undertaken on all new initiatives.	Achieved.	✓
	Ensure that purchasing practices for the acquisition of goods and services are competitive and provide "appropriate best value" for customers.	The revised Purchasing Policy and Contracts Manual is implemented and performance targets achieved.	Purchasing Policy and Contracts Manual review process commenced. Policy needs to be reviewed in line with Financial Management Compliance Framework. Completion expected in 2003/2004.	%
	Comply with the provisions of the National Tax Equivalent Regime by engaging consultants as required to assist in the transition.	The Authority has complied with the National Tax Equivalent Regime provisions.	Tax Equivalent Regime processes implemented.	✓

LEGEND

Achieved ✓

Partial Achievement %

Not Achieved ✗

PERFORMANCE INDICATORS 2002/2003

Objectives

ECONOMIC	STRATEGIES 2002 / 2003	OUTCOMES 2002 / 2003	ACHIEVEMENTS	
Efficient and effective provision of water supply services that meet the customer charter and the required standards	Continue to ensure water supply service performance meets the requirements of the Water Service Agreement by actively monitoring, reviewing and reporting the service levels attained.	The requirements of the Water Service Agreement have been achieved.	Water Services Agreement reporting requirements met. All capital works, with the exception of Candowie Reservoir sediment/trap wetlands and the upgrade of Island storage distribution basin, have been achieved.	%
	Investigate options for the distribution system to continue to improve water quality and supply security.	The Board has adopted a distribution system improvement plan for water quality and the security of water supply for the region.	This work in 2002/2003 centred on the automation of the powdered activated carbon plant and a better system to ensure a uniform water column in Candowie Reservoir.	%
	Carry out ongoing risk management assessment of assets and operations.	A review of the risk assessment of major assets is reported to the Board by 30 June 2003.	Risk assessments completed on major storages and water treatment plant.	✓
	Ensure reticulated water supply is available to all sewerer properties.	Water supply is available to all sewerer properties by 30 June 2003.	Process of identifying properties with sewer connected but not water is nearing completion and is expected to be finalised in 2003/2004.	%
	Implement a new Mains To Meter Policy by actively engaging and informing customers of the changes.	The new "Mains To Meter" Policy is implemented.	Revised Main to Meter Policy adopted. Implemented effective 1 July 2003.	✓
	Minimise unaccounted water by actively pursuing water conservation measures.	Unaccounted water improvements are quantified and reported.	Mains inspection for major leaks undertaken in summer months. Investigations proceeding into using micro-hydro systems to reduce pressure in system.	✓
Efficient and effective provision of sewerage services that meet the customer charter and the required standards.	Continue to ensure the sewerage service performance meets the requirements of the Water Service Agreement by actively monitoring, reviewing and reporting the service levels attained.	The requirements of the Water Service Agreement have been achieved.	Achieved. All capital works projects are complete.	✓
	Develop strategic plans for the future expansion of sewerage services.	A strategic plan of the regional sewerage extensions for the growth centres of Coves and San Remo is complete.	Deferred to 2003/2004.	X
	Carry out ongoing risk management assessment of assets and operations.	A review of the risk assessment of major assets is reported to the Board by 30 June 2003.	Operational risk assessments complete on sewerage treatment plants.	✓
	Identify properties where sewerage is available, that are not connected to the system and develop a strategy to encourage connection.	A sewerage connection strategy is developed and adopted by the Board.	Strategy is being developed in conjunction with the Bass Coast Shire Council.	✓
	Develop a sewer and pumping station odour control strategy for the Region.	Develop a sewer and pumping station odour control strategy for the Region.	Consultant engaged to undertake review and identify issues and recommend remedial actions. Extensive monitoring program initiated.	%
	Undertake economically viable effluent and biosolids reuse opportunities by completing the existing Coasts and Clean Seas projects and developing new schemes as opportunities arise.	The Coasts and Clean Seas re-use projects are complete.	Coasts and Clean Seas projects, Cowes Wastewater Treatment Plant filtration project and Newhaven Sewer mining project complete.	✓
Maintain an equitable pricing policy consistent with Government guidelines.	Perform ongoing detailed analysis of revenue sources that may be at risk from Government and business policy changes by presenting timely analysis to the Board and Government.	Ongoing liaison, monitoring and analysis of Government policy and business changes are to be undertaken.	The Board and Management Team have worked with the State Government on the Essential Services Commission and Green Paper issues as well as promoting the "Valuing of Victoria's Waters" program.	✓
	Review the fixed and variable charges to ensure the appropriate levels of funds are raised from each to ensure sustainability and promote water and wastewater efficiency and value.	Fixed and variable price components are initially reviewed and adjusted as necessary for a detailed analysis in 2003/04 financial year.	The Authority is continuing to shift its water tariff mix from fixed to variable.	✓
	Continue to implement and update the Developer Contribution Policy.	The Developer Contribution Policy is successfully implemented.	A NPV model has been developed and will be implemented in 2003/2004.	✓
	Ensure there are no internal cross subsidies by metering all Authority operations and applying internal charges.	All Authority operations and facilities are metered by 30 June 2003.	All Authority installations are metered and billed.	✓

LEGEND

Achieved ✓

Partial Achievement %

Not Achieved X

Objectives

ECONOMIC	STRATEGIES 2002 / 2003	OUTCOMES 2002 / 2003	ACHIEVEMENTS	
Provide bulk water supply that meets the Customer Charter and the required standards.	Continue to develop the "Review of augmentation needs for the water supply system, June 2002 Report" on security of the bulk water supply by resourcing the appropriate engineering studies.	Recommendations are made to the Board on the most appropriate actions to be taken to ensure there is sufficient quantity and reliability of water supply for the future needs of the Region.	2 options being examined. Decision anticipated early 2003/2004.	✓
	Continue to improve water quality within Candowie Reservoir by developing catchment, algae, fish, weeds and sediment management plans.	Management plans for the catchment, algae, fish, weeds and sediment are completed by 30 June 2003.	Continued focus on improving water quality from the catchment and algae management within the Reservoir.	✓
	Undertake improvements to the lan Bartlett Water Purification Plant sludge management system to meet the Authority's requirements and EPA standards by constructing new sludge lagoons and wetland.	Completion of the sludge management upgrades at the lan Bartlett Water Purification Plant by June 2003.	Project deferred due to consideration of decision to connect to Melbourne Water system. Environment Protection Authority advised.	X
Organisation Development - Continued development of the Authority as an innovative, efficient, professional and ethical organisation.	Continue the implementation of the Organisation Development Project by implementing and resourcing the new organisation structure.	The new organisational structure is implemented by 31 December 2002.	New organisational structure implemented by January 2003. Vacancies progressively filled throughout 2003	✓
	Continue to develop Human Resource Management Policies to achieve a corporate culture that supports employees and provides opportunities for development and security by ensuring that adequate internal and external resources are applied to the program.	A comprehensive suite of Human Resource Policies is adopted by the Board.	Human Resources Policy Manual adopted by the Board in April 2003	✓
	Ensure that the Authority and its employees can play their respective roles in ensuring "appropriate best value" service delivery, by continuing to develop quality occupational health & safety, environmental and business systems.	Initial level Safety Map accreditation, Environmental Management System and other quality systems have been implemented by 30 June 2003.	SafetyMap accreditation deferred due to reorganisation and appointment of OH&S Coordinator. Environment Management System in development. Draft Policy and Aspects and Impacts register complete as at June 2003	%
	Continue the proactive implementation of the Enterprise Agreement including the completion of the Better Teams Program.	The Better Teams Program is completed by 30 June 2003.	Phase one of Better Teams Program complete.	✓
	Continue to improve the organisation performance in high priority areas such as reservoir and treatment plant management, water purification, catchment management, effluent discharge, information technology and communications, by pursuing commercially focused innovation and continuous improvement of work practices and procedures.	Identified workplace improvements, which meet business goals, are implemented.	Process Improvement Plans developed for 3 teams as part of Better Teams Project. These PIPs will deliver \$50,000 worth of savings and service improvements to customers on an ongoing basis.	✓
	Complete the organisation's relocation and integration process by ensuring a seamless transition into the new office and depot complex.	The relocation and integration of the organisation into the new office/depot complex is completed by 30 June 2003.	Relocation to new office complex was deferred due to default of principal contractor. Anticipated depot complete August 2003. Anticipated office completion December 2003.	X
	Complete the Authority's second Enterprise Agreement by ensuring it is commenced in time to be certified by 30 June 2003	Productivity gains continue to be linked to wage increases under future Enterprise Agreements and the Authority's second Enterprise Agreement is certified.	Negotiations continue for the Authority's second Enterprise Agreement. Completion expected late 2003.	✓
	Collaborate with those organisations that will assist us or which we can assist in the development of the Region.	Support the strategic role Westport Water plays in economic, environmental and social development of the Region, the Authority will actively develop co-operative working relationships with relevant organisations.	Working relationships are fostered as required with organisations that can add value to the Authority's strategic role.	Memorandum of Understanding negotiated with Phillip Island Landcare.
			Developer and Plumber industry forums conducted through out the year.	

LEGEND

Achieved ✓

Partial Achievement %

Not Achieved X

PERFORMANCE INDICATORS 2002/2003

Objectives

ECONOMIC	STRATEGIES 2002 / 2003	OUTCOMES 2002 / 2003	ACHIEVEMENTS	
Collaborate with those organisations that will assist us or which we can assist in the development of the Region. (continued)	Continue proactive co-operation and co-ordination with other Water Authorities and Local Authorities in the areas of: - Purchasing of goods and services	Demonstrated resource sharing initiatives have been undertaken.	Memorandum of understanding negotiated with Phillip Island Landcare.	✓
	- Resource sharing		Westernport Water continues to share resources from South Gippsland's Lance Creek Reservoir. Westernport Water continues to access South Gippsland Water's Wonthaggi wastewater treatment plant for treatment of sewage from the townships of Dalyston and Kilcunda.	✓
	- Planning		Westernport Water continues to work closely with Bass Coast Shire Council and is participating in the Bass Coast Strategic Coastal Planning Framework.	✓
	- Employee training		Westernport Water has co sponsored a frontline management program with local shires. Ongoing cooperation with neighbouring Water Authorities with regard to OH&S training.	✓
	- Forums to facilitate communication with potential developers.		Commenced a Developers Forum.	✓
	Adopt a leadership role or participate in regional structures and forums.		Participation in local forums has occurred.	Westernport Water has joined the Bass Coast Shire Council's Economic Development Board and participated in the development of Bass Coast Strategic Coastal Planning Framework. Authority personnel have participated in establishment of industry based OH&S network.
The Board will lead the Authority by maintaining a high level of clear and effective governance practices. The Board recognises that it is requesting significant reform from its employees and that it needs to provide leadership and policy direction to ensure that the required reforms are achieved. Accordingly, it will undertake the following strategies:	Facilitate the timely review and approval of critical issues the Board will continue to operate special purpose committees.	Special purpose committees have achieved the timely review and approval of critical issues.	Remuneration and Audit Committee's have continued to operate effectively through out 2002/2003.	✓
	The Audit Committee will continue to review the Internal Auditor's recommendation for changes to corporate processes to ensure continual improvement in the Authority's practices and procedures.	The Board has responded to and prioritised the recommendations of the Internal Auditor.	All Internal Audit reports received have been actioned. Haines Norton appointed as Internal Auditors in February 2003. Updated Business Risk Assessment completed and three year rolling audit plan agreed.	✓
	The Audit Committee and Board will continue to work with and respond to the recommendations of the Auditor-General.	The Auditor General's advice is considered and acted upon by the Board.	All Auditor-General's comments have been actioned.	✓
	The Board will continue to provide strategic leadership and commitment to support ongoing organisation development for the Authority and employees.	The Board has given direction, leadership and support to the organisation and its employees.	The Board's Corporate Plan for 2003/2004 - 2008/2009 has been approved by the Minister.	✓
	The Board will continue to have two standing committees, the Audit and the Remuneration Committees.	The Audit and the Remuneration committees have met as required.	Audit Committee met five times. Remuneration Committee met five times.	✓
	The Board will provide the necessary delegations to the Chief Executive Officer as required.	The Board has considered and provided appropriate delegations to the Chief Executive Officer.	Delegations of authority have been reviewed twice throughout 2002/2003 and updated to account for the new organisational structure.	✓
	The Board will continue to work within its Code Of Conduct.	The Board has measured and reported annually on its Code Of Conduct performance indicators.	The Board undertook a self assessment and reported the results to the Minister.	✓
	The Board will continue to gain skills and provide leadership and liaison within the community, the water industry and Government as required.	The Board has attended training and conferences and has participated in the Region's economic, social and environmental development.	Members of the Board have attended the VicWater Annual Conference, IWA, AWA and AICD seminars.	✓

LEGEND

Achieved ✓

Partial Achievement %

Not Achieved ✗

Objectives

ECONOMIC	STRATEGIES 2002 / 2003	OUTCOMES 2002 / 2003	ACHIEVEMENTS	
Ensure information technology and communication systems are continuously developed and are operating effectively to meet the requirements of employees and the organisation.	Continue the development of the Customer Relations Management System to maximize its use and ensure maximum value from the investment.	Reporting outputs of Customer Relations Management System are linked to the Authority's performance objectives.	Customer Relations Performance objectives developed.	✓
	Complete development of Records Management System to maximize its use and ensure maximum value from the investment.	Records Management System is linked to Customer Relations Management System and other databases and is used by employees.	Basic link achieved.	✓
	Complete the Intranet to automate the delivery of policies, procedures, operational and technical information throughout the organisation.	Intranet is implemented and is used by employees.	Deferred pending relocation to new office complex	X
	Continue development of the Authority's website to facilitate communication and expand e-commerce use for customers.	Website is expanded and regularly updated and there is a growth trend in the use of e-commerce facilities.	Web page undergoing continual improvement. Major redevelopment deferred pending office relocation.	%
	Implementation of an integrated communication system that will support employees and enhance services to customers.	The Authority's communication systems provide demonstrable support and improvements to service delivery.	Achieved.	✓
	Develop a Disaster Recovery Plan for information technology (IT) and communications to ensure data security.	Disaster Recovery Plan for IT has been developed and adopted.	Backup procedures in place. Recovery Plan to be established once new administration building complete and IT system relocated.	✓
	Continuously evaluate security for IT systems to protect the digital assets of the Authority.	Secure and robust IT security systems are in place.	Firewalls installed and procedures in place. Need to review security once relocated to new administration building.	✓
	Maximise productivity benefits and continue implementation of Strategic IT Management Plan.	The 2002/2003 financial year components of the strategic IT Management Plan are completed.	Not able to complete due to delay in relocation to new administration building.	%
	Involve employees in selection of IT and communication systems to enhance ownership and use of IT systems.	Demonstrated involvement of employees in selection of IT and communication systems.	Ongoing implementation.	✓
	Provide appropriate training and opportunities for employees in the use of IT systems and technology.	Demonstrated training in the use of IT systems and technology.	Ongoing implementation.	✓
Development of an effective asset management systems	Improve the water distribution system computer model to better assess the supply systems capabilities and limitations.	The computer modeling work has given the Authority a better understanding of the supply system's capabilities and limitations.	Brief calling for consultant services to update water model advertised.	X
	Create a "Whole of Life" asset management culture by enhancing the asset management capabilities of the Authority.	"Whole of life" decisions are consistently considered when creating and maintaining assets.	Consolidation of asset data and plans has commenced. Asset Management System is being developed.	%
	Implement Asset Management Strategic Plan by providing a resourced Asset Management directorate.	The Asset Management Strategic Plan is implemented.	Strategic Asset Management Plan developed and working group formed to coordinate selections and implementation of Asset Management System.	%
	Complete a review of land title, location and ownership of property and buildings to ensure there is a complete understanding of the Authority's property assets.	The review of land title, location and ownership of the Authority's property and buildings has been completed.	Commenced.	%

LEGEND

Achieved ✓

Partial Achievement %

Not Achieved X

ADDITIONAL ACHIEVEMENTS

Innovation

Adding Value To The Region

The Region's highest infrastructure priority is a competitive source of clean, instantaneous energy.

The Authority has continued the work it commenced last financial year and completed a technical and economic analysis that demonstrates that a service is feasible at prices that are paid by residents of Canberra for reticulated natural gas. At these prices residents in the Region would enjoy a significant saving on their current energy bills.

The Authority undertook an analysis to determine the level of synergies with its existing business systems. The synergies are significant and would enable the Authority to continue to restrain its price.

The Authority's consultants undertook a web based analysis of trends in utility industries throughout the world. The results show that there is a world wide trend to multi-utility service provision because of the synergies that exist in providing the services. The trend is also occurring in the private sector in Australia, particularly in the energy sector.

The Authority has worked closely with Government Departments, Regulators and local Councils to develop a Business Plan to commence LPG neighbourhood services in new subdivisions and to further develop the reticulated natural gas Business Plan in 2003/2004.

Close to Zero

The success of the sustainability initiatives that have been incorporated into the Authority's new office and depot complex led to the Board considering and adopting a Policy for consultation purposes called "Close to Zero". The aim of this Policy is to reduce, in the medium term, the Authority's net electrical energy purchases from the grid to zero. This is achieved by investing in technologies that use the Region's abundant natural resources and the potential energy in Westport Water's own systems to produce electricity.

The Authority's current electrical consumption produces 5000 tonnes of greenhouse gases. The cost of electricity is \$350,000. The Authority and its consultants are currently developing an investment assessment model that will establish the whole of life triple bottom line costs. Investments are intended to be made only where the benefits exceed costs across all bottom lines.

Cleaner Fuels

The Authority's cleaner fuel vehicle conversion program continues to deliver triple bottom line results. Seventy percent of all fuel purchased is LPG and by the end of next financial year 90% of the fleet will be converted to cleaner fuel. The recurrent cost savings to the Authority are in excess of \$15,000 per annum. The Authority now produces 6 tonnes less CO₂ as a result of this initiative.

Office and Depot Complex

The Authority's new administration and depot complex was due to be completed this financial year. Unfortunately the principal contractor defaulted and the contract was determined in late January.

The depot portion of the project was recommenced in June and all subcontractors with work remaining on the project were engaged. The administration portion of the project is due to commence in August 2003 and is expected to be completed by December 2003.

The completion and relocation to one site will create significant capital and operations efficiencies for the Authority. The full extent of the co-location synergies will be reflected in the 2004/2005 financial year.

The Authority has invested in sustainable systems that use the Region's natural resources to reduce the quantity of electricity consumed and greenhouse gas produced. The initiatives include

- Photo voltaic cells for power generation back to the grid.
- Solar hot water services.
- Water from the roofs of the buildings will be collected in a rainwater tank which will provide water for all the toilets and washdown water for vehicles.
- The security lighting system will be solar and wind powered.
- The building design allows for extensive use of natural light through windows and skylights. The natural lighting will be complemented by an intelligent lighting system that changes with the natural light throughout the day.
- Automated natural ventilation system to reduce the need for summer cooling and winter heating.
- The east and south side of the building will be planted with native grasses collected from the site prior to earthworks commencing. The revegetated, grassed area will require minimal maintenance and no watering during summer.

The initiatives have payback periods between three and ten years on an average whole of life-cycle cost approach.



Recycled Water Initiatives

During the 2002/2003 financial year the Authority commissioned two centre pivot irrigators at the King Road Wastewater Treatment and Reclaimed Water Reuse facility. These irrigators will be utilised to operate a commercial farm on the Authority's property.

The Authority constructed a state of the art sewer mining facility located at Newhaven. The function of the sewer mining and treatment facility is to provide high quality reclaimed water to the Authority's new depot and office complex as well as developments in the San Remo area. The Authority continued to provide reclaimed water to the Cowes Golf Club and is continuing to invest in reclaimed water projects.

The Authority was able to increase the percentage of reuse water to 17% in 2002/2003.

The Authority aims to increase the percentage of treated effluent reuse to 20% in the next financial year. By achieving this target the Authority would be considered an industry leader in terms of its reuse practices.

National Water Week

National Water Week focused on local issues by promoting partnerships and work happening within the Candowie Reservoir catchment. A tour showcased the work of the Candowie/Lance Creek Catchment Management Group - a partnership between the farmers in the two local catchments, Westport Water and South Gippsland Water. The tour participants were able to see first hand the revegetation works to date.

School activities are a regular feature of National Water Week. This year Westport Water joined with Gippsland Water and South Gippsland Water to bring Vox Bandicoot's performance of "The Last Shower" to the region. The theme of the show is water conservation. 400 students from the six local primary schools attended the two performances held at Newhaven Primary School.

Biodiversity and the Environment

The Authority has been working in partnership with a number of environmental groups including Phillip Island Landcare, Candowie/Lance Creek Catchment Management Group and West Gippsland Catchment Management Authority to manage, maintain and improve Westport Water's catchment. This has been achieved through tree plantings, fencing of creeks and pest plant removal. Westport Water has developed a Memorandum of Understanding with Phillip Island Landcare, which recognises the strategic nature of the relationship in the achievement of common environmental goals of the two organisations.

To compliment this work Phillip Island Landcare has continued the preparation and implementation of the Biodiversity Asset Register for each Westport Water location. The register will include listings of rare or threatened species and specific practices and procedures for undertaking works. They also have been engaged to provide training for Authority employees for each of the practices.

The Authority has advanced plans for its King Road Wastewater Treatment Plant to be part of a wildlife corridor for the area. This is similar to the wildlife corridor nearing completion at the Cowes Wastewater Treatment Plant.

Organisation Development Project

The Authority has undergone substantial change in the past year, mainly due to the recognition that the industry is changing and continual improvement and development is required. The Board approved and implemented an Organisation Development Plan which included a revised management structure. This structure placed a particular emphasis on Business Processes and Asset Management as separate disciplines and is aimed at preparing the organisation for the challenges of the future, in particular the advent of the Essential Services Commission.



ADDITIONAL ACHIEVEMENTS

Capital Projects 2002/2003

During 2002/2003 the following major projects were undertaken;

Cowes WWTP Upgrade	\$1,000,000
King Road WWTP Upgrade	\$495,000
Tenby Point Pump Station and Sewerage Reticulation	\$890,000
Cowes Filters and Reuse	\$500,000
Woolamai Sewer Mining Package Plant	\$500,000
Office and Depot Complex	\$2,200,000

The Authority is well positioned to accommodate the rapid growth in the Region while meeting stringent EPA guidelines. The wastewater treatment processes installed are aimed at delivering Class A reuse. This high quality treated effluent will mostly be targeted at potable water substitution opportunities.

A twenty year Master Plan was developed for the Cowes Wastewater Treatment Plant and will be progressively implemented.

Debt and Investment

The Authority had outstanding loans of \$4.7M at 30 June 2003 which is down \$0.5M on the previous year and represents a debt to equity ratio of 5%.

Drinking Water Quality

Improvement in drinking water quality continues to be a focus for the Authority. During the 2002/2003 financial year work began on a Drinking Water Quality Management System that aims to use worlds best practice to identify risks, prevent water quality incidents, mitigate and control risks and to continuously monitor the water treatment and reticulation system.

The aim for the coming year is to have this system independently audited to ensure compliance with the new Safe Drinking Water Quality Act 2003.

In future the water quality benchmark will be the Australian Drinking Water Quality Guidelines - 1996 rather than the World Health Organisation Guidelines on Drinking Water Quality (1984).

Regional Sewerage Schemes

The Regional sewerage schemes program in the Water Services Agreement were completed with the commissioning of the Tenby Point scheme during 2002/2003. No schemes are planned for 2003/2004.

Water Conservation

The Authority reviewed its Drought Management Plan, in particular its water restriction trigger levels, and procedures for the implementation of restrictions, including work flows and appropriate delegations.

The Authority utilised its alternative supply from South Gippsland Water's Lance Creek Reservoir. A formal water supply agreement between South Gippsland and Westernport Water is enacted whenever water is required and available from South Gippsland Water's Lance Creek storage.

The Authority's water conservation display was a feature of the National Water Week and the World Environment Day Expo. This is a three day event featuring activities for both school children and the general public.

The Authority has been advertising water conservation messages throughout the year. This has included the water smart gardens and homes rebate as well as general water conservation information.



SERVICE DELIVERY PERFORMANCE INDICATORS



LONG TERM PROFITABILITY	OWNERS' INVESTMENT	LONG TERM FINANCIAL VIABILITY	LIQUIDITY AND DEBT SERVICING
<p>1.4% Business Plan Target</p> <p>0.9% Actual Result</p> <p>-36% Unfavourable Variation</p>	<p>0% Business Plan Target</p> <p>0.6% Actual Result</p> <p>N/A Favourable Variation</p>	<p>9.5% Business Plan Target</p> <p>5% Actual Result</p> <p>-47% Favourable Variation</p>	<p>251.8% Business Plan Target</p> <p>246.9% Actual Result</p> <p>-2% Favourable Variation</p>
<p>Comment</p> <p>The target did not take account of asset revaluation of \$8M effective 30 June 2003. Earnings before tax down due to unanticipated expenditure on unfunded superannuation, costs/loss of income/delays associated with default by the principal contractor for new office and depot building</p>	<p>Comment</p> <p>Target assumed tax expense would be brought to account. This did not occur as there was insufficient certainty that tax loses would be recouped in future years. Also the Target omitted an estimate of the effect of asset revaluation</p>	<p>Comment</p> <p>Anticipated loans were not drawdown due to better than anticipated capital contributions. Also the target omitted an estimate of the effect of asset revaluation.</p>	<p>Comment</p> <p>Financial expenses were less than expected because anticipated loans were not drawdown due to better than anticipated contributions for capital works.</p>

SERVICE DELIVERY PERFORMANCE INDICATORS



Operating Efficiency



Operating Efficiency

Operating Efficiency

WATER SUPPLY BULK

\$268
Business Plan Target

\$375
Actual Result

40%
Unfavourable Variation

Comment
Higher manufacturing, pumping and treatment costs due to dry weather and pumping from alternative supply and a review of administration and overhead distributions resulted in a higher proportion of administration and overhead costs redistributed from reticulation

WATER SUPPLY RETICULATION

\$1,308
Business Plan Target

\$1,286
Actual Result

-2%
Favourable Variation

Comment
Target for water transported and proportion of administration and overhead costs redistributed to treatment and bulk water supply

WATER SUPPLY TREATMENT

\$268
Business Plan Target

\$375
Actual Result

40%
Unfavourable Variation

Comment
Target for water transported overstated and additional costs incurred in chemical treatment and pumping from alternative supply

WASTEWATER RETICULATION

\$1,447
Business Plan Target

\$1,450
Actual Result

0%
Variation

SERVICE DELIVERY PERFORMANCE INDICATORS



Operating Efficiency

WASTEWATER TREATMENT	RELIABILITY OF SUPPLY - URBAN SUPPLIES		BACTERIOLOGICAL QUALITY OF POTABLE WATER SUPPLIED
	Properties Interrupted Ratio	Interruption Time (hours)	
<p>\$699 Business Plan Target</p>	<p>24.1% Business Plan Target</p>	<p>1.5 Business Plan Target</p>	<p>100% Business Plan Target</p>
<p>\$836 Actual Result</p>	<p>29% Actual Result</p>	<p>.94 Actual Result</p>	<p>96.5% Actual Result</p>
<p>20% Unfavourable Variation</p>	<p>4.9% Unfavourable Variation</p>	<p>-63% Favourable Variation</p>	<p>-3.5% Variation</p>
<p>Comment Target for ML transported overstated</p>	<p>Comment Dry summer resulted in abnormal number of mains bursts</p>	<p>Comment Achieved better than target.</p>	<p>Comment No e.coli failures were recorded. All failures were coliform related.</p>

SERVICE DELIVERY PERFORMANCE INDICATORS



Physio-Chemical Quality of Water Supplied

RELIABILITY OF WASTEWATER COLLECTION SERVICES (BY TOWN OR SEWERAGE SYSTEM)			TURBIDITY
Cowes	King Road	Dalyston/Kileunda	
<p>6.1 Business Plan Target</p> <p>15 Actual Result</p> <p>8.9% Unfavourable Variation</p>	<p>3.6 Business Plan Target</p> <p>3 Actual Result</p>	<p>0 Business Plan Target</p> <p>0 Actual Result</p>	<p>100% Business Plan Target</p> <p>100% Actual Result</p>
<p>Comment Blockages caused by high level of tree root invasion due to dryer than expected soil conditions</p>	<p>Comment Target met</p>	<p>Comment Target met</p>	<p>Comment Target met</p>

SERVICE DELIVERY PERFORMANCE INDICATORS



Physio-Chemical Quality of Water Supplied



Physio-Chemical Quality of Water Supplied



Quality of Wastewater Disposal

COLOUR		pH		AGGREGATE ANNUAL PERFORMANCE OF A TREATMENT OR DISPOSAL FACILITY	
				Cowes	King Road
100% Business Plan Target	100% Business Plan Target	100% Business Plan Target	100% Business Plan Target	100% Business Plan Target	100% Business Plan Target
100% Actual Result	95% Actual Result	100% Actual Result	88.1% Actual Result	100% Actual Result	88.1% Actual Result
	-5% Unfavourable Variation		-11.9% Unfavourable Variation		-11.9% Unfavourable Variation
Comment Target met	Comment 1 failure throughout 2002/2003	Comment Target met.	Comment pH above licence was recorded in reclaimed water storage and pond due to algal activity		

SERVICE DELIVERY PERFORMANCE INDICATORS



Waste Management for Wastewater

SHORT TERM/PERSISTENT COMPLIANCE WITH EPA LICENCE	
Cowes	King Road
<p>100% Business Plan Target</p> <p>100% Actual Result</p>	<p>100% Business Plan Target</p> <p>83% Actual Result</p> <p>-17% Unfavourable Variation</p>
<p>Comment Target met.</p>	<p>Comment pH above licence was recorded in reclaimed water storage pond due to algal activity</p>

WASTEWATER EFFLUENT REUSED	
Cowes	King Road
<p>7% Business Plan Target</p> <p>7% Actual Result</p> <p>0% Variation</p>	<p>100% Business Plan Target</p> <p>90% Actual Result</p> <p>-10% Unfavourable Variation</p>
<p>Comment Target met.</p>	<p>Comment Irrigators commissioned mid way through season</p>

SERVICE DELIVERY PERFORMANCE INDICATORS



Waste Management for Wastewater



Water Services Agreement



WASTEWATER SLUDGE REUSED/RECYCLED		RESTORATION OF WATER SUPPLY	CONTAINMENT OF SEWER SPILLAGES
Cowes	King Road		
105% Business Plan Target	0% Business Plan Target	99.4% Business Plan Target	100% Business Plan Target
0% Actual Result	0% Actual Result	88% Actual Result	100% Actual Result
-105% Unfavourable Variation	0% Variation	-11.4% Unfavourable Variation	
<p>Comment</p> <p>Sludge being digested for reuse in 2003/2004</p>	<p>Comment</p> <p>Sludge being digested for reuse in 2003/2004</p>	<p>Comment</p> <p>1 major main burst impacting 500 customers. 5.5 hour repair time.</p>	<p>Comment</p> <p>Target met</p>

SERVICE DELIVERY PERFORMANCE INDICATORS



WATER QUALITY COMPLAINTS	WATER SUPPLY RELIABILITY COMPLAINTS	SEWERAGE SERVICE QUALITY AND RELIABILITY COMPLAINTS	AFFORDABILITY COMPLAINTS	OTHER COMPLAINTS
<p>0.2 Business Plan Target</p> <p>0.4 Actual Result</p> <p>50% Unfavourable Variation</p>	<p>0 Business Plan Target</p> <p>0.3 Actual Result</p> <p>N/A Variation</p>	<p>0.1 Business Plan Target</p> <p>0.3 Actual Result</p> <p>300% Unfavourable Variation</p>	<p>0.3 Business Plan Target</p> <p>3.6 Actual Result</p> <p>1200% Unfavourable Variation</p>	<p>0.8 Business Plan Target</p> <p>2.5 Actual Result</p> <p>313% Unfavourable Variation</p>
<p>Comment</p> <p>6 only Total complaints received</p>	<p>Comment</p> <p>4 only Total complaints received</p>	<p>Comment</p> <p>5 only Total complaints received</p>	<p>Comment</p> <p>58 only Total complaints received Ombudsman notice included on two accounts.</p>	<p>Comment</p> <p>39 only Total complaints received</p>

Water Quality Compliance

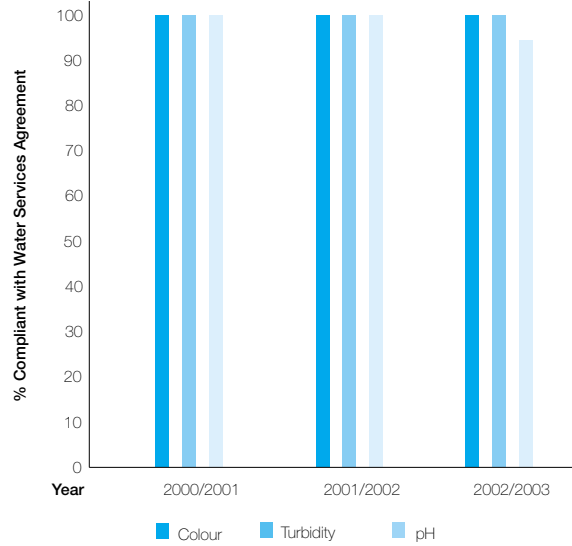
Compliance with WHO Guidelines

The Authority achieved 100% compliance with the World Health Organisation Guidelines for Drinking Water Quality (1984) with 96.5 of samples achieving zero total coliforms and zero E-coli. All of the Authority's non compliant sampling indicated a result of 1 coliform organism per mL. All non complying sample sites were retested. All retests complied with WHO 1984. The Water Quality Management System that the Authority has begun implementing will endeavour to eliminate these non complying samples.

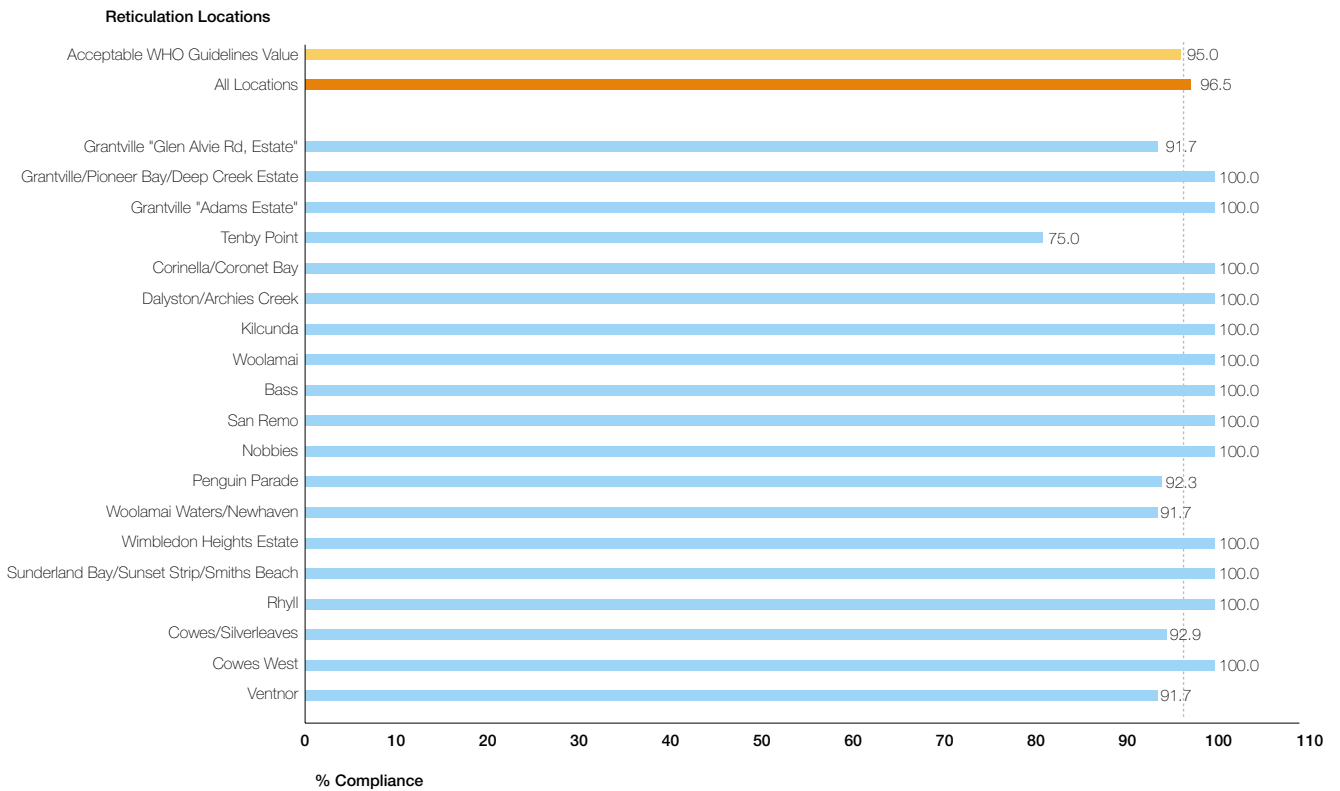
The Department of Human Services has advised that the presence of a single total coliform bacteria in well managed water supply systems does not mean that the quality of water supplied is harmful to health as many species of coliform bacteria occur naturally in the environment.

Critical control points are being established for those supply districts that did not achieve 100% compliance with the WHO Drinking Water Quality Guidelines (1984). Critical control points will enable the Authority to identify potential problems within the system and contingency measures can be implemented to avoid any future non compliance.

Aesthetic Water Quality Compliance



Potable Water Supply - Microbiological Compliance - 1/7/2002 to 30/6/2003



THE YEAR AHEAD

In preparing for the 2003/2004 year the Authority developed a comprehensive Corporate Plan addressing the requirements of Stakeholders, Regulators and Customers. The Plan outlines the Strategic Priority Areas, Objectives and Strategies that the organisation intends to pursue over the coming 3 to 5 year planning horizon.

The Strategic Priority Areas identified are Customer Service, Physical Assets, Governance, People and Systems and Regional Development provide a focus for this Plan.

Customer Service

Customer Engagement

The Authority intends to build upon its initiative for customer engagement in 2003/2004. Specifically it will develop a Customer Engagement Protocol so that the Authority can better understand the customer's requirements for products and services standards. This protocol is the fundamental component in developing and maintaining the desired reputation for customer service excellence. The Customer Engagement Protocol is aimed at learning from our customers and community in general how best to communicate and engage with them on key matters concerning the range of products and services and the associated levels of service.

Physical Assets

Westernport Water is a manager of community-based assets. The future success of the organisation depends on the quality of the decisions made in relation to the maintenance and investment in these assets. The development of an effective asset management and maintenance system and platform is critical to Westernport Water's success particularly as future revenue is dependent on the quality of decisions made today.

Asset Management

The Asset Management Strategic Plan will continue to be implemented during 2003/2004. Data consolidation is underway in preparation for the purchase and implementation of an Asset Management System. Recording and reporting systems will be standardised and there will be a focus on knowledge management through improved data sharing and accessibility.

Effluent Re-Use

The summer of 2003 should see the full operation of the new Cowes Advanced Filtration Plant, the Newhaven Sewer Mining and Treatment facility as well as the Authority's state of the art irrigation system at the King Road Wastewater Treatment and Reclaimed Water reuse facility.

These reuse projects should see the Authority achieve 20% reuse of all sewage collected.

The Authority aims to further enhance reuse by creating partnerships with developers and farmers.

Capital Works

A \$7,750,000 capital works program is planned for 2003/2004. The major projects include:

- Improved mixing of stored water at Candowie Reservoir
- Investigation of options to supplement current water supplies
- Upgrading the Cowes Wastewater Treatment Plant
- Upgrading the King Road Wastewater Treatment Plant
- Upgrades to pumps, switchboards and odour control at sewage pump stations
- Completion of office and depot complex at Newhaven.
- Gas - installation of local neighbourhood reticulated LPG schemes in new subdivisions.

Governance

The Board and Management Team of Westernport Water is committed to strong, clear and accountable governance of the organisation. The objective is to maintain and continue to refine systems that demonstrate this commitment and assist in the proper management of the organisation.

Essential Services Commission

The lead up to the price determination process under the Essential Services Commission will be part of the focus of the Authority in 2003/2004. The Authority's Corporate Plan has resourced this process.

People and Systems

The focus for 2003/2004 is the development of both people and systems so that the vision for the Authority can be realised. It is through the combination of these two factors that success can be achieved. The organisation will focus on Customer Service and Asset Management as the key development priorities.

Enterprise Agreement

Negotiations for the Authority's second Enterprise Agreement commenced in February 2003 and continue. The Agreement is expected to build on the goals of the current Enterprise Agreement which are delivery of the Corporate Plan, including a focus on Customer Service and Asset Management.

Regional Development

Westernport Water as a major corporate citizen in the Region has considered the issue of reticulated natural gas and is of the opinion that the Authority can offer substantial synergies to enhance the viability of the provision of reticulated natural gas. The Board considers that the provision of an affordable and clean alternative source of energy will boost the Region's competitive position and attract needed investment.

The Authority has undertaken a significant amount of preliminary work on this project. It has wide support in the community, business forums and the Region's local authorities.



STATUTORY INFORMATION

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Bulk Entitlement

The Authority's bulk entitlement from Candowie Reservoir is 2,911ML with 2,165 ML used from 1 July 2002 to 30 June 2003. The rate of extraction from Candowie Reservoir may not exceed 50ML per day with 16.4 ML being the maximum volume taken from the Reservoir in any one day in this period.

Water Quality

The Authority complied with the sampling procedures determined by the Department of Human Services for the 2002/2003 financial year. The Authority achieved full compliance with the World Health Organisation Guidelines for Drinking Water Quality (1984) (98% of samples have zero e-coli or coliforms). This result was achieved through the high standard operation of the IBWPP and the implementation of full powdered activated carbon (PAC) treatment.

The Authority through its involvement with the community based Lance Creek/Candowie Catchment Management Group was able to facilitate catchment improvements that had a beneficial impact on water quality.

Water Consumption

Water District	Actual Annual Consumption (ML) and Number of Assessments (No.)						Five Year Average Annual Demand	Actual Annual Consumption/Average Annual Demand	
	Retail Urban - Residential		Retail Urban-Non Residential		Unaccounted Water	Production Loss			Total Annual Consumption
	ML	No.	ML	No.			ML	ML	
Westport Region	1315	11740	677	835	139	34	2165	2059	105

Equal Employment Opportunity (Merit and Equity Principles)

Westport Water has an established Equal Employment Opportunity Policy.

It is illegal under Victorian Equal Opportunity legislation for any employee, or potential employee, to be discriminated against on such grounds as sex, race, disability, age, religion, pregnancy, potential pregnancy, marital status, HIV/Aids or homosexuality.

The Authority, through its Equal Employment Opportunity Program, will ensure all current and future staff are given an equal chance when they apply for employment, promotion or training. The Authority will monitor its performance to ensure its personnel, recruitment and training procedures remain non-discriminatory. All staff will be selected on their merits.

Discrimination because of an attribute of a relative or associate is also unlawful.

In order to promote a culture of tolerance and the acceptance of diversity within the Authority, ongoing Equal Employment Opportunity information will be communicated to staff via work-site visits and induction programs, thereby maintaining and communicating to all staff Equal Employment Opportunity principles and practices that assist in creating a discrimination free workplace and encourages and embraces the highest standards of professionalism.

Drought Response

Westport Water was not required to invoke its Drought Response Plan during the reporting period.

Multicultural Statement

Westport Water is aware of the State Government's policies on Multicultural, Women, Youth and Indigenous affairs. The requirements for delivery of culturally appropriate communication is to be addressed through the development of the Authority's Customer Engagement Strategy. This Strategy will include cultural mapping of our customer base to facilitate and better understand their communication needs.

In relation to all areas Westport Water operates in an EEO environment and policies and procedures are in place to support this.

Specifically in terms of Youth, Westport Water has developed and is implementing a Scholarship to support and retain local youth in the area.

Occupational Health and Safety

Westport Water has further strengthened its commitment to Occupational Health and Safety through the appointment of a full time OH&S Coordinator. This, combined with the increased focus on the development of business management systems is anticipated to ensure



STATUTORY INFORMATION (continued)

that Westport Water continues to be a safe place to work. A complete review of policies and procedures has been commenced. In addition a full risk audit of operational sites has been commenced to ensure compliance with all associated regulations.

In addition to work place safety, Westport Water has also implemented some health-based initiatives in 2002/2003. These have included immunisations and industrial counselling.

Westport Water's Occupational Health and Safety Policies reflect the responsibility of the Board, management and employees to work co-operatively to minimise the incident of injury and illness within the workplace.

The Occupational Health and Safety Committee holds a minimum of 4 meetings per year and comprises 5 employee representatives, 2 management representatives and the Authority's Safety Officer. The Committee considers safety issues and reviews current operating procedures to ensure timely modification to maintain safety.

Lost time injuries numbered 3 resulting in 94 days lost time.

Workforce Data

Westport Water's organisational restructure is now complete and the number of equivalent full time staff members at 30 June 2003 is outlined below:

Directorate	2003	Male	Female
Corporate Governance	3	2	1
Business Processes	4	3	1
Corporate Services	12	5	7
Assets Planning & Delivery	6	6	0
Operations	17	17	0
Total	42	33	9

The comparative figures for the 2001/2002 under the old organisational structure are below:

Area	2002
Governance	3
Corporate Services	9
Technical	6
Operations & Maintenance	17
Information Technology	4

Compliance with the Building Act 1993

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

Authority Information

Information required in accordance with Section 9.1.3(iv) of the Financial Management Act is available to the Minister, Members of Parliament and the public on request.

National Competition Policy

Westport Water has developed and will continue to develop policies to ensure compliance with the Victorian Government requirements for the National Competition Policy.

Freedom of Information

No Freedom of Information requests were received by Westport Water during the 2002/2003 financial year. Members of the public wishing to obtain

access to Authority documents are required to make their request in writing and pay a \$20.00 fee. The FOI Officer is the Senior Business Analyst.

Whistleblowers Protection Act

The Whistleblowers Protection Act 2001 came into effect on 1 January 2002. The Act is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters.

Section 104 of the Act requires that public bodies provide the following statistical information.

- A copy of Westport Water's Whistleblowers Policy is included with this Report

The number and type of disclosures made to the public body since the commencement of the Act (in January 2002).	Nil
The number and type of disclosures referred to the Ombudsman (to determine whether they are public interest disclosures).	
The number and type of disclosures referred to the public body by the Ombudsman.	Nil
The number and type of disclosures referred by the public body to the Ombudsman to investigate.	Nil
The number and type of investigations or disclosures taken over by the Ombudsman from the public body.	Nil
The number of requests made by complainants to have their disclosure investigated by the Ombudsman due to their dissatisfaction with the way the public body is investigating the matter. (The circumstances are set out in section 74 of the Act).	Nil
The number and types of disclosures that the public body declined to investigate.	Nil
The number and type of disclosed matters that were substantiated on investigation and the action taken on completion of the investigation.	Nil
Any recommendations made by the Ombudsman that relate to the public body.	Nil

Disclosures of improper conduct by the Authority or its employees may be made to the following:

Stephen Chambers, Protected Disclosure Coordinator
 Westport Region Water Authority
 PO Box 40, Cowes, Victoria 3922.
 Telephone: (03) 5952 8111
 Facsimile: (03) 5952 3115
 Email: schambers@westportwater.com.au

or

The Ombudsman Victoria
 Level 22, 459 Collins Street, Melbourne Vic 3000.
 Telephone: (03) 9613 6222
 Toll free: 1800 806 314

Overseas Travel

No overseas travel was undertaken by employees or Directors of Westport Water during 2002/2003.

Consultancies

Consultancies in excess of \$100,000

Consultant	Project	Expenditure to 30 June 2003	Total Commitment	Total Outstanding Commitment
GHD Pty Ltd	Newhaven Office & Depot Complex (& various other projects)	\$192,663	\$237,632	\$44,969

Consultancies under \$100,000

Number of Consultants	Expenditure to 30 June 2003	Total Commitment	Total Outstanding Commitment
Total of nine consultants	\$168,084	\$168,084	\$0

Summary of Charges

Charges

Water Supply	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
Base Service charge	\$175.50	\$175.50	\$171.00	\$171.00	\$171.00
Peak charge per kilolitre	\$1.05	\$1.03	\$1.00	\$1.00	\$1.00
Off peak charge per kilolitre	\$0.62	\$0.61	\$0.60	\$0.60	\$0.60
Headworks charge	\$2,750.00	\$2,750.00	\$2,500.00	\$2,250.00	\$2,000.00
Wastewater Disposal					
Base service charge - house	\$315.00	\$315.00	\$306.00	\$306.00	\$306.00
Base service charge - land	\$180.00	\$180.00	\$201.00	\$201.00	\$202.00
Cistern charge (per cistern for more than two)	\$114.00	\$114.00	\$111.00	\$111.00	\$113.00
Outfall charge	\$2,250.00	\$2,250.00	\$1,900.00	\$1,750.00	\$1,500.00

Community Service Obligations

	2002/2003	2001/2002
Pensioner Concessions	233,500.80	235,762.09
Rebates Not for profit	21,677.51	19,942.00
Utility Relief Grants	7,589.17	N/A
Total	262,767.48	255,704.09



STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2003

		2003	2002
	Notes	\$'000	\$'000
Revenue from ordinary activities	1(b)		
Revenue from operating activities			
Service charges	1(b) 2(a)	6,736	6,501
Volumetric charges (water)	1(b)	1,878	1,494
Government contributions	1(b) 2(a)	4	33
Developer contributions	1(b) 2(a)	3,422	1,168
Total operating revenue		12,040	9,196
Revenue from non-operating activities			
Interest	1(b)	151	220
Proceeds from sale of assets	1(b) 2(b)	110	604
Other revenue	1(b)	296	297
Total non-operating revenue		557	1,121
Expenses from ordinary activities			
Depreciation	1(e) 2(b)	2,593	2,442
Employee benefits	2(c)	2,516	2,086
Repairs and maintenance expense	1(d)	453	453
Written-down value of assets sold	2(b)	122	425
Suppliers	2 (c)	2,598	1,819
Total expenses from ordinary activities		8,282	7,225
Borrowing costs	1(c) 2(b)	360	510
Surplus from ordinary activities before tax		3,955	2,582
Income tax expense	1(o)	-	-
Net result for reporting period	13(b)	3,955	2,582
Movements in equity			
Net increase in asset revaluation reserve	13(a)	-	9,149
Total movements directly recognised as equity		-	9,149
Total changes in equity other than those resulting from transactions with the Victorian State Government as owner		3,955	11,731

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2003

		2003	2002
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash assets	1(f), 3	1,308	1,572
Receivables	1(g), 4	1,442	969
Inventories	1(h), 5	240	234
Other assets	6	751	609
Total current assets		3,741	3,384
Non-current assets			
Receivables	1(g),4	311	349
Property, plant and equipment	1(d),7,8	95,050	92,397
Total non-current assets		95,361	92,746
TOTAL ASSETS		99,102	96,130
LIABILITIES			
Current liabilities			
Payables	1(i), 9	899	993
Interest bearing liabilities	10	553	3,384
Employee benefits	1(j),11	277	302
Total current liabilities		1,729	4,679
Non-current liabilities			
Interest bearing liabilities	10	4,131	1,784
Employee benefits	1(j), 11	121	99
Total non-current liabilities		4,252	1,883
TOTAL LIABILITIES		5,981	6,562
NET ASSETS		93,121	89,568
Equity			
Contributed capital	1(b), 12	51,323	50,988
Asset revaluation reserve	13(a)	36,888	36,888
Accumulated surplus	13(b)	4,910	1,692
EQUITY		93,121	89,568

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 30 June 2003

		2003	2002
	Notes	\$'000	\$'000
Cash Flows from Operating Activities			
Receipts			
Rates, tariffs fees and charges		8,431	7,871
Interest		168	253
Net goods & services tax		-	464
Other revenues		181	392
Cash flows from Government		-	-
Other		4	33
		8,784	9,013
Payments			
Employees		(2,500)	(1,862)
Suppliers		(2,979)	(2,929)
Borrowing costs		(401)	(546)
Net cash from operating activities	14(b)	2,904	3,676
Cash Flows from Investing Activities			
Income received for capital purposes		2,406	2,013
(Payments for property, plant & equipment)		(4,798)	(4,081)
Proceeds from sale of non-current assets		110	604
Net cash (used in) investing activities		(2,282)	(1,464)
Cash Flows from Financing Activities			
Capital contributed		335	340
Proceeds from borrowings		3,000	-
Repayment of borrowings		(3,484)	(3,154)
Dividends paid		(737)	(1,001)
Net cash (used in) financing activities		(886)	(3,815)
Net movement in cash			
Cash at beginning of financial year		1,572	3,175
Cash at end of financial year	14(a)	1,308	1,572

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL REPORT

for the year ended 30 June 2003

Note 1 Significant accounting policies

(a) Basis of accounting

General

This financial report of Westport Region Water Authority (The Authority) is a general purpose financial report that consists of a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash Flows and Notes accompanying these statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Financial Management Act 1994 and applicable Ministerial Directions.

This financial report has been prepared on an accrual and going concern basis.

The financial report has also been prepared under the historical cost convention except where specifically stated in note 1(d).

Accounting policies

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

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 Authority's operational cycle.

Rounding

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

(b) Revenue recognition

Water and sewerage charges

Water and sewerage charges are recognised as revenue when levied or determined. Water volume charges are recognised as revenue when the water is provided. Meter readings are undertaken every 4 months during the reporting period.

Services acquired for no cost

The value of services received free of charge are recognised as revenue when received.

Developer contributions

Fees paid by developers to connect new developments to the Authority's existing water supply and sewerage systems are recognised as revenue when the contributions are received.

Assets received from developers

When infrastructure assets are provided to the Authority free of charge, the fair value of those assets is recognised as revenue when the assets are controlled.

Government contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established whichever is the sooner, and disclosed in the Statement of Financial Performance as Government 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 – Contributed Capital.

Sale of assets

The profit or loss on sale of an asset is determined when control has passed to the buyer. In accounting for the sale of non-current assets, gross proceeds from the sales are included as other revenue and the written down value of the assets sold is disclosed as an operating expense.

Interest and rentals

Interest and rentals are recognised as revenue when earned or the service provided.

(c) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(d) Recognition and measurement of assets

Acquisition

The purchase method of accounting is used for all asset acquisitions, being the fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition.

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

Assets acquired at no cost by the Authority are recognised at fair value at the date of acquisition.

Property, plant and equipment represent non-current assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles used by the Authority in its operations. Items with a cost or value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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.

Operating leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by the Authority.

Recoverable amount

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of the asset exceeds the recoverable amount, the asset is written down to the lower amount.

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. Expected net cash flows are discounted to their present value in determining the recoverable amount of major asset groups using a discount rate of 6.7%.

Revaluation

All non-current assets, other than receivables, investments and plant and machinery, vehicles and office furniture and equipment are stated at their deprival value. A revaluation for these purposes was carried out as at 30 June 2002.

The revaluations were carried out by the following independent valuers:

Infrastructure assets:

Meritec Pty Ltd and Maunsell Australia Pty Ltd

Land and buildings:

Urbis

NOTES TO THE FINANCIAL REPORT for the year ended 30 June 2003

Note 1 Significant accounting policies (continued)

The adopted method for establishing a depriv value was to derive an engineering estimate of the replacement cost assuming the current service potential and using modern engineering equivalent assets.

The replacement cost for the infrastructure assets has been depreciated on a straight-line basis to establish accumulated depreciation and the written down value of the assets.

Depriv value in relation to an asset means the lowest cost at which the gross service potential of that asset would currently be obtained in the normal course of operations.

Equipment and motor vehicles are measured at cost.

The Authority undertakes formal revaluations (either by experienced Authority officers or independent experts) of its non-current assets every five years.

(e) Depreciation of non-current assets

Property, plant and equipment

Property, infrastructure, plant and equipment assets having limited useful lives are systematically depreciated over their useful lives to the Authority in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on an annual basis.

Where assets have separate identifiable components that have distinct useful lives and/or residual values a separate depreciation rate is determined for each component.

Straight line depreciation is charged based on the residual useful life as determined each year.

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

<i>Land & Buildings</i>	Periods
Buildings	40 years
<i>Infrastructure</i>	
Water	
- Storage	50 years
- Distribution network	50 years
- Treatment plants	50 years
Wastewater	
- Pump Stations	25 years
- Storage	50 years
- Distribution network	50 years
- Treatment plants	20 years
<i>Other assets</i>	
Equipment	5-10 years
Machinery	5-10 years
Furniture & computers	2.5-13 years

(f) Cash assets

For the purposes of the Statement of Cash Flows, cash assets include cash on hand and highly liquid investments with short periods to maturity that are readily convertible to cash on hand at the Authority's option and are subject to insignificant risk of changes in values.

(g) Receivables

Trade debtors are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for doubtful debts. A provision is made for doubtful debts based on a review of all outstanding receivables at balance date. Bad debts are written off in the period in which they are recognised.

(h) 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 valued at the lower of cost and net realisable value using the weighted average cost method of assigning costs.

(i) Payables

Liabilities are recognised for amounts payable in the future for goods and services received, whether or not billed to the Authority.

(j) Employee benefits

Wages and salaries and sick leave

Liabilities for wages and salaries are measured at the amount unpaid at reporting date. Entitlements include on-costs and are calculated using employees' remuneration rates as at balance date. Non-vesting sick leave is not expected to exceed current and future sick leave entitlements and accordingly no liability has been recognised.

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date, having regard to current rates of pay and on-costs. Annual leave entitlements are provided for at their nominal value.

Long service leave

Long service leave entitlements payable are assessed at balance date having regard to current employee remuneration rates, employment related on-costs and other factors including accumulated years of employment, future remuneration levels, and experience of employee departure per year of service. Long service leave expected to be paid in the next twelve months is recorded as a current liability in the Statement of Financial Position at its nominal value. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these entitlements and recorded as a non-current liability. Commonwealth Bond Rates are used for discounting future cash flows.

Performance payments

Performance payments for the Authority'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.

NOTES TO THE FINANCIAL REPORT

for the year ended 30 June 2003

Note 1 Significant accounting policies (continued)

(j) Employee benefits (continued)

Superannuation

The purpose of a superannuation scheme is to accumulate assets to meet members' benefits as they accrue. The Authority contributes in respect of its employees to a number of superannuation schemes. The amounts of these contributions are determined by each scheme's Actuary in accordance with statutory requirements.

The statutory contributions made to those employees who are members of the superannuation schemes are recognised in the financial statements of the Authority. Unfunded liabilities are defined as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation plans' assets at that date.

(k) Superannuation - unfunded liability

For the purpose of these financial statements, the amounts of unfunded liabilities taken up in the accounts are the amounts as at the balance date officially notified by the relevant Superannuation Board.

An Actuary, acting on behalf of the trustees of the Local Authorities Superannuation Board, determined a funding shortfall in the Local Authorities Superannuation Fund Defined Benefit Plan of \$127M as at 31 December 2002. The Authority's share of the shortfall was \$118,866. The Authority elected to make immediate payment of this amount, together with the required superannuation contributions tax of \$20,980.

(l) Segment information

Segment information is reported on the basis of business segments, as the Authority's risks and returns are affected predominantly by differences in the products and services provided through those segments.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties.

Segment revenues, expenses and results include transfers between segments. These transfers are priced on an 'arms-length' basis and are eliminated on consolidation.

(m) Reporting lines of business

The financial report includes a note reporting the two main lines of business of the Authority, a wholesale headworks bulk water business and a retail water distribution business in accordance with the requirements of a Ministerial Direction under Section 51 of the Financial Management Act 1994.

(n) Changes in accounting policy

Employee benefits

For the reporting period ended 30 June 2003, as in prior years, the Authority measured employee benefits on remuneration rates expected to apply when the obligation is settled (ie: taking into account future increases in remuneration rates). There has been no material effect as a result of a change in accounting policy as per the requirements of the revised Australian Accounting Standard AASB1028.

Provisions, contingent liabilities and contingent assets

The Authority changed its accounting policy in the reporting period relating to provisions, contingent liabilities and contingent assets in order to comply with AASB1044. There has been no material effect from this change in policy.

(o) Taxation

For the financial year 2001/2002 the Authority was subject to the rules applicable under the State Equivalent Tax Regime (STER) administered by the Victorian Department of Treasury and Finance.

The Authority became subject to the National Tax Equivalent Regime (NTER) from 1 July 2002. The NTER is administered by the Australian Taxation Office (ATO).

The Authority recorded tax losses for the reporting period of \$1,169,873 (total carried forward losses from prior year(s) \$2,334,000).

There has been no impact in the reporting period in assets/liabilities or operating surplus due to the uncertainty of the Authority deriving future assessable income of a nature and sufficient amount to enable amounts to be carried forward as a benefit as there is not virtual certainty of realisation.

No amounts have been recorded in the annual statements. The Authority has adopted the liability method of tax effective accounting in accordance with the requirements of AAS3. It is unlikely that the Authority will generate sufficient operating profits, however in the event that it does, the Directors estimate that the potential future income tax benefit as at 30 June 2003 in respect of tax losses not brought to account is \$350,962.

(p) Dividend policy

The Authority is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the Public Authorities (Dividend) Act 1983, based on a prescribed percentage of the previous years' adjusted net profit.

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. The dividend paid, as determined by the Treasurer, for the year ended 30 June 2003 was \$737,000 (30 June 2002 - \$1,001,000).

(q) Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows arising from operating activities are disclosed in the Statement of Cash Flows on a gross basis – ie inclusive of GST. The GST component of cashflows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cashflows.

NOTES TO THE FINANCIAL REPORT
for the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
Note 2 Statement of financial performance - disclosures		
(a) Revenue		
<i>Service charges</i>		
Sewerage charges	3,992	3,809
Trade waste charges	58	73
Water service charges	2,686	2,619
	6,736	6,501
<i>Government contributions</i>		
Operating	4	33
<i>Developer contributions</i>		
Fees paid by developers	3,147	1,448
Discounts given on owner contributions	(88)	(280)
Assets received from developers	363	-
	3,422	1,168
(b) Net gains and expenses		
The surplus from ordinary activities include the following specific net gains		
<i>Net (loss) gain on disposal</i>		
Property, plant and equipment	(12)	179
<i>Expenses</i>		
<i>Depreciation</i>		
Buildings	8	9
Water infrastructure	778	773
Wastewater infrastructure	1,486	1,392
Plant, equipment and motor vehicles	321	268
Total depreciation	2,593	2,442
Bad and doubtful debts	29	20
Borrowing cost expense	360	510
Rental expense - operating lease	55	5
Superannuation contributions	234	176
<i>Auditors' remuneration</i>		
Auditor-General for audit of financial statements	22	21
Internal audit - other auditors	16	8
Other services - other auditors	5	-
	43	29

NOTES TO THE FINANCIAL REPORT
for the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
Note 2 Statement of financial performance - disclosures (continued)		
(c) Individually significant items		
Unfunded superannuation liability as declared	140	-
Preliminary expenditure - Business diversification	95	-
Contractor debts written-off - cost incurred in assuming debt of sub-contractors following default of principal contractor in construction of new office and depot complex	295	-
Note 3 Cash assets		
Cash on hand and at bank	84	96
Deposits at call	1,224	1,476
	1,308	1,572
Note 4 Receivables		
<i>Current</i>		
Trade debtors	1,341	982
Less: provision for doubtful debts	(130)	(130)
Other debtors	231	117
	1,442	969
<i>Non-current</i>		
Debtors	311	349
	311	349
Note 5 Inventories		
Spares and consumables	240	234
Other	-	-
	240	234
Note 6 Other assets		
<i>Current</i>		
Accrued revenue	751	609
<i>Non-current</i>		
	-	-

NOTES TO THE FINANCIAL REPORT
for the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
Note 7 Property, plant and equipment		
Classes of property, plant and equipment		
<i>Land</i>		
at valuation	3,165	3,165
at cost	70	7
	3,235	3,172
<i>Buildings</i>		
at valuation	330	330
less: accumulated depreciation	(16)	(8)
	314	322
<i>Water infrastructure</i>		
at valuation	34,797	34,797
less: accumulated depreciation	(1,543)	(773)
at cost	288	-
less: accumulated depreciation	(7)	-
	33,535	34,024
<i>Wastewater infrastructure</i>		
at valuation	52,570	52,570
less: accumulated depreciation	(2,830)	(1,392)
at cost	2,640	-
less: accumulated depreciation	(48)	-
	52,332	51,178
<i>Equipment and motor vehicles</i>		
at cost	2,262	1,782
less: accumulated depreciation	(1,067)	(646)
	1,195	1,136
Works under construction	4,439	2,565
	4,439	2,565
Total	95,050	92,397

NOTES TO THE FINANCIAL REPORT
for the year ended 30 June 2003

Note 8 Property, plant and equipment

Movements during the reporting period	Opening WDV	Additions	Disposals	Depreciation	Closing WDV
<i>Land</i>					
at valuation	3,165	-	-	-	3,165
at cost	7	63	-	-	70
	3,172	63	-	-	3,235
<i>Buildings</i>					
	322	-	-	(8)	314
	322	-	-	(8)	314
<i>Water infrastructure</i>					
at valuation	34,024	-	-	(770)	33,254
at cost	-	288	-	(7)	281
	34,024	288	-	(777)	33,535
<i>Wastewater infrastructure</i>					
at valuation	51,178	-	-	(1,438)	49,740
at cost	-	2,640	-	(48)	2,592
	51,178	2,640	-	(1,476)	52,332
<i>Equipment and motor vehicles</i>					
at cost	1,136	501	(121)	(321)	1,195
	1,136	501	(121)	(321)	1,195
<i>Works under construction</i>					
	2,565	4,829	(2,955)	-	4,439
	2,565	4,829	(2,955)	-	4,439
Total property, plant and equipment	92,397	8,321	(3,076)	(2,582)	95,050

NOTES TO THE FINANCIAL REPORT
for the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
Note 9 Payables		
Trade Creditors	585	404
Other creditors	314	589
	899	993
Note 10 Interest bearing liabilities		
<i>Current</i>		
Bank loan	-	3,085
Other loans	553	299
	553	3,384
<i>Non-current</i>		
Other loans	4,131	1,784
	4,131	1,784
Note 11 Employee benefits		
<i>Current</i>		
- Annual leave	199	214
- Long service leave	18	42
- Other	60	46
	277	302
<i>Non-current</i>		
- Long service leave	121	99
	121	99
Number of employees at reporting date	47	39
As explained in note 1(k) the amounts for long service leave that are expected to be settled more than 12 months from the reporting date are measured at their present values. The following assumptions were adopted in measuring present values:		
Weighted average rates of increase in annual employee entitlement to settlement of liabilities	4.75%	6.90%
Weighted average discount rates	2.26%	3.75%
Weighted average terms to settlement of the liability	5.3 years	5 years

NOTES TO THE FINANCIAL REPORT
for the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
Note 12 Contributed capital		
Balance at beginning of reporting period	50,987	15,680
Transfer from accumulated surplus	-	34,968
Capital contributions	336	340
Balance at end of reporting period	51,323	50,988
Note 13 Reserves and accumulated surplus		
(a) Asset revaluation reserve		
Opening balance	36,888	27,850
Revaluation increment on non-current assets	-	9,149
Transfer of revaluation component of assets sold	-	(111)
Closing balance	36,888	36,888
(b) Accumulated surplus		
Opening balance	1,692	34,968
Transfer to contributed capital	-	(34,968)
Transfer of revaluation component assets sold	-	111
Profit from ordinary activities	3,955	2,582
Dividend expense	(737)	(1,001)
Accumulated surplus at the end of the reporting period	4,910	1,692
Note 14 Cash flow disclosures		
(a) Cash at the end of the year, as shown in the Statement of Cash Flows, reconciled to the related items as follows:		
Cash at bank and on hand	84	96
Deposits at call	1,224	1,476
	1,308	1,572
(b) Reconciliation of net cash provided by operating activities to operating surplus		
Operating result	3,955	2,582
Depreciation	2,593	2,442
Developer contributions for capital purposes	(3,422)	(1,168)
Bad debts written off	29	20
Net profit on sale of non-current assets	12	(179)
Change in operating assets and liabilities		
Decrease (increase) in receivables	(100)	(115)
Decrease (increase) in inventories	(6)	(20)
Decrease (increase) in other operating assets	(142)	-
Decrease (increase) in payables	1	(27)
Decrease (increase) in provisions	(16)	141
Net cash from (used in) operating activities	2,904	3,676

NOTES TO THE FINANCIAL REPORT
for the year ended 30 June 2003

Note 15 Financial instruments

(a) Accounting policy, terms and conditions

Recognised financial instruments	Accounting policy	Terms and conditions
Financial assets		
Cash assets	Cash on hand and at bank and money market call account are valued at face value. Interest is recognised as it accrues.	On call deposits returned a floating interest rate of 4.7% (4.7% in 2002). The interest rate at balance date was 4.7% (4.7% in 2002).
Trade debtors	Current debtors are carried at the nominal amounts due less any provision for doubtful debts. A doubtful debt provision is made for any amounts which are considered unlikely to be collected.	Credit is allowed for a 28 day term for tariff debtors and a 30 day term for sundry debtors. Interest is charged on overdue accounts at a rate of 9%. Property owners required to meet the cost of works may pay by installments over 10 years at an interest rate of 9% on outstanding balances. Property owners required to meet the cost of works in eligible new town sewerage schemes may pay by installments over 20 years.
Non-current debtors	Non-current debtors are carried at the nominal amounts due less any provision for doubtful debts. A doubtful debt provision is made for any amounts which are considered unlikely to be collectable.	Property owners required to meet the cost of works may pay by installments over 10 years at an interest rate of 9% on outstanding balances. Property owners required to meet the cost of works in eligible new town sewerage schemes may pay by installments over 20 years.
Financial liabilities		
Payables	Liabilities are recognised for amounts to be paid in the future for goods and services provided to the Authority as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing liabilities	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	The credit foncier loans are repayable in installments over 10 year terms. Interest rates range from 4.9357% to 5.9709%.
	Finance leases are accounted for at their principle amount with the lease payments discounted to present value using the interest rates implicit in the leases.	As at balance date the Authority had no finance leases.

NOTES TO THE FINANCIAL REPORT
for the year ended 30 June 2003

Note 15 Financial instruments (continued)

(b) Interest rate risk

The exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities both recognised and unrecognised at balance date are as follows:

Financial instruments	Floating interest rate		Fixed interest rate maturing in:						Non interest bearing		Total carrying amount per Statement of Financial Position		Weighted average interest rates	
	2003 \$'000	2002 \$'000	One year or less		One to five years		Over 5 years		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
			2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000						
<i>Financial assets</i>														
Cash assets	1,308	1,572	-	-	-	-	-	-	-	-	1,308	1,572	4.70%	4.30%
Receivables	-	-	156	200	48	94	-	-	1,549	1,024	1,753	1,318	9.00%	9.00%
Other assets	-	-	-	-	-	-	-	-	751	609	751	609	-	-
Total financial assets	1,308	1,572	156	200	48	94	-	-	2,300	1,633	3,812	3,499	-	-
<i>Financial liabilities</i>														
Payables	-	-	-	-	-	-	-	-	899	993	899	993	-	-
Interest-bearing liabilities	-	-	553	3,384	2,869	1,385	1,262	399	-	-	4,684	5,168	5.70%	6.80%
Total financial liabilities	-	-	553	3,384	2,869	1,385	1,262	399	899	993	5,583	6,161	-	-

(c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

Financial instruments	Total carrying amount per Statement of Financial Position		Aggregate net fair value	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial assets				
Cash assets	1,308	1,572	1,308	1,572
Receivables	1,753	1,318	1,662	1,221
Other assets	751	609	751	609
Total financial assets	3,812	3,499	3,721	3,402
Financial liabilities				
Payables	899	993	899	993
Interest-bearing liabilities	4,684	5,168	4,433	5,408
Total financial liabilities	5,583	6,161	5,332	6,401

(d) Credit risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Statement of Financial Position.

NOTES TO THE FINANCIAL REPORT
for the year ended 30 June 2003

Note 16 Segment Information

Primary reporting – business segments	Water		Wastewater		Inter-segment elimination		Consolidated	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Sales to external customers	4,536	4,114	4,050	3,883	-	-	8,586	7,997
Inter-segment sales	-	-	-	-	28	-	28	-
Total sales revenue	4,536	4,114	4,050	3,883	28	-	8,614	7,997
Other revenue	1,821	1,271	2,162	1,049	-	-	3,983	2,320
Total segment revenue	6,357	5,385	6,212	4,932	28	-	12,597	10,317
Unallocated revenue less unallocated expenses	-	-	-	-	-	-	-	-
Surplus	2,363	1,880	1,564	702	28	-	3,955	2,582
Segment assets	39,440	38,810	59,662	57,321	-	-	99,102	96,131
Unallocated assets	-	-	-	-	-	-	-	-
Total assets	39,440	38,810	59,662	57,321	-	-	99,102	96,131
Segment liabilities	2,990	3,282	2,991	3,281	-	-	5,981	6,563
Unallocated liabilities	-	-	-	-	-	-	-	-
Total Liabilities	2,990	3,282	2,991	3,281	-	-	5,981	6,563
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	1,994	1,906	3,079	2,859	-	-	5,073	4,765
Depreciation expense	942	911	1,651	1,530	-	-	2,593	2,441
Other non-cash expenses	-	-	-	-	-	-	-	-
Inventory write-down	2	-	1	-	-	-	3	-
Profit on sale of freehold land	-	93	-	92	-	-	-	185

Note 17 Commitments

	2003 \$'000	2002 \$'000
Capital commitments		
At 30 June the Authority had the following capital commitments:		
Outstanding capital commitments are likely to be exercised as follows:		
within one year	861	3,321
Operating commitments		
Lease commitments		
(a) Leased to the Authority		
The Authority leases land and buildings. The leases are operating leases and payments are charged as an expense in the year to which they apply. The following lease commitments apply:		
Not later than 1 year	20	4
Later than 1 year and not later than 5 years	-	4

NOTES TO THE FINANCIAL REPORT

for the year ended 30 June 2003

Note 17 Commitments (continued)

	2003	2002
	\$'000	\$'000
(b) Leased by the Authority		
The Authority leases land, which is not currently required for its operations, for farming purposes. The leases are operating leases and revenue is recognised in the year to which it applies. The value of the leased land is \$317,000. Expected future receipts are:		
Not later than 1 year	5	38
Later than 1 year and not later than 5 years	-	-

Other significant operating commitments

The Authority had no other significant operating commitments as at reporting date

	2003	2002
	\$'000	\$'000
Note 18 Contingent liabilities and contingent assets		
<i>Contingent assets</i>		
The Authority is currently processing the calling in of two bank guarantees. These transactions have resulted from a default on a contract agreement	136	-

Contingent liabilities

The Authority does not have any contingent liabilities as at reporting date

Note 19 Superannuation

Local Authorities Superannuation

The Authority makes employee superannuation contributions in respect of some employees to Local Authorities Superannuation. The Fund has two categories of membership, each of which is funded differently:

(a) Local Authorities LASPLAN scheme receives employer contributions on a monthly basis. Employer contributions are based on a fixed percentage of employee gross earnings in accordance with the superannuation guarantee legislation. No former liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets.

(b) Local Authority Defined Benefits Scheme receives both employer and employee contributions on a quarterly basis. Employer contributions are based on a fixed percentage of employee gross earnings as determined by the Fund's Trustees on the advice of the Actuary. On the basis of the results of the most recent full actuarial investigation conducted by Mr Grant Harslett FIA, FIAA as at 31 December 2002, the Trustee has determined that the Authority should make contributions as per previous year.

Further, the Actuary has determined a funding shortfall in the Local Authority Defined Benefits Scheme of \$127M at 31 December 2002. The Authority elected to pay its liability in full during the 2002/2003 financial year. The funding or actual shortfall is the amount by which the current value of assets plus expected future contributions is less than the value of expected future benefits and expenses, the Local Authority Defined Benefits Scheme is operated as a mutual plan.

Miscellaneous Schemes

The Authority also made payments to various superannuation schemes, which included a number of self managed funds, during the reporting period. Employer contributions to these schemes are based on a fixed percentage of employee gross earnings in accordance with superannuation guarantee legislation. Contribution details are shown in the following table:

		2003	2002
Name of Scheme	Contribution rate	\$'000	\$'000
Miscellaneous Schemes	9.00%	71	65
Local Authorities Superannuation	9.00%	125	74
Local Authorities LASPLAN	9.25%	38	37
Unfunded Liability payment		140	-
Total contributions to all funds		374	176

NOTES TO THE FINANCIAL REPORT

for the year ended 30 June 2003

Note 20 Responsible persons related disclosures

(a) Responsible Persons

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

- The Hon Sherryl Garbutt MLA, Minister for Environment & Conservation (from 1 July 2002 to 4 December 2002)
- The Hon John Thwaites MP, Minister for Water (from 4 December 2002 to 30 June 2003)
- Pamela Cameron (Chairperson)
- Clyde Paterson (Director)
- Anthea Dacy (Director)
- Eric (Tim) Ealey (Director)
- Ian Purbrick (Director)
- Susan Walpole (Deputy Chair)
- Philip Westwood (Director)
- Michael (Mike) Paine (Chief Executive Officer)

Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet.

Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

	2003	2002
	\$'000	\$'000
Remuneration received, or due and receivable from the Authority in connection with the management of the Authority (includes termination payments and bonuses paid at the end of contracts and superannuation).	266	248

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

Income Band	Number	Number
\$10,000 - 19,999	6	6
\$20,000 - 29,999	-	1
\$30,000 - 39,999	1	-
\$130,000 - 139,999	1	1

Loans

There were no loans in existence by the Authority to responsible persons or related parties at the date of this report. There were no other transactions between the Authority and responsible persons and their related parties during the financial year.

(b) Executive officers' remuneration

There are no executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000.

Note 21 Financing facilities

Credit standby arrangements

The Authority had temporary financial accommodation approval for the amount of \$250,000 for the reporting period.

STATEMENT OF FINANCIAL PERFORMANCE DISAGGREGATION
for the year ended 30 June 2003

In accordance with Directions issued by the Minister for Water under the Financial Management Act 1994, the Authority is providing as part of its financial statements separate details of the revenue, expenses, assets and liabilities and results of its wholesale and retail operations. Information is shown by way of a note included in these financial statements.

	Wholesale		Retail		Statement of financial performance	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from ordinary activities						
Service charges	-	-	6,736	6,501	6,736	6,501
Volumetric charges	896	676	982	818	1,878	818
Government contributions	-	-	4	33	4	33
Developer contributions	-	-	3,422	1,168	3,422	1,168
Revenue from outside ordinary activities						
Interest	-	-	151	220	151	220
Proceeds from sale of assets	-	-	110	604	110	604
Other revenue	4	2	292	295	296	297
Total revenue	900	678	11,697	9,639	12,597	9,641
Expenses of ordinary activities						
Depreciation	186	187	2,407	2,255	2,593	2,442
Employee expenses	113	106	2,403	1,980	2,516	2,086
Repairs and maintenance expenses	29	58	424	395	453	453
Write-down amount of asset sold	-	-	122	425	122	425
Suppliers	536	281	2,062	1,538	2,598	1,143
Total expenses	864	632	7,418	6,593	8,282	6,549
Borrowing costs	36	46	324	464	360	510
Profit (loss) from ordinary activities before tax	-	-	3,955	2,582	3,955	2,582
Income Tax expense (revenue)	-	-	-	-	-	-
Net result for the reporting period	-	-	3,955	2,582	3,955	2,582
Total changes in equity other than those resulting from transactions with the Victorian State Government as owner	-	-	3,955	2,582	3,955	2,582

STATEMENT OF FINANCIAL POSITION DISAGGREGATED
for the year ended 30 June 2003

	Wholesale		Retail		Total	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<i>Assets</i>						
Cash assets	-	-	1,308	1,572	1,308	1,572
Property, plant and equipment	8,255	8,336	86,750	84,054	95,005	92,390
Other assets	-	-	2,789	2,168	2,789	2,168
Total assets	8,205	8,336	90,847	87,794	99,102	96,130
<i>Liabilities</i>						
Payables	-	-	899	993	899	993
Interest bearing liabilities	-	-	4,684	5,168	4,684	5,168
Employee benefits	-	-	398	401	398	401
Total liabilities	-	-	5,981	6,562	5,981	6,562
NET ASSETS	8,205	8,336	84,866	81,232	93,121	89,568

STATEMENT OF CASH FLOWS DISAGGREGATED
for year ended 30 June 2003

	Wholesale		Retail		Total	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Net cash from operating activities	-	-	2,745	3,676	2,745	3,676
Cash flow used in investment activities	(222)	(161)	(1,901)	(1,303)	(2,123)	(1,464)
Cash flow used in financing activities	-	-	(886)	(3,815)	(886)	(3,815)

COMPLIANCE CERTIFICATE

Compliance Certificate**WESTERNPORT REGION WATER AUTHORITY****CERTIFICATION TO THE FINANCIAL REPORT**

We hereby certify that the financial report of the Westernport Region Water Authority, comprising an operating statement, statement of financial position, statement of cash flows and notes to the financial report, has been prepared in accordance with the Financial Management Act 1994, applicable Australian Accounting Standards and other mandatory professional requirements.

In our opinion, the financial report presents fairly the financial transactions for the year and the financial position of the Authority as at 30th June, 2003.

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

Signed in accordance with a resolution of the Board dated 17th September, 2003.



Pamela Cameron

Chairperson

Michael Paine

Accountable Officer

Signed at Cowes on 17th September, 2003.

AUDITOR GENERAL'S CERTIFICATE



AUDITOR GENERAL
VICTORIA

AUDITOR-GENERAL'S REPORT

To the Members of the Parliament of Victoria, the responsible Ministers and the Members of the Board of the Westernport Region Water Authority

Audit Scope

The accompanying financial report of the Westernport Region Water Authority for the financial year ended 30 June 2003, comprising the statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements, has been audited. The Members of the Board are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, responsible Ministers and Members of the Board as required by the *Audit Act 1994*.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, and its financial performance and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of the Westernport Region Water Authority as at 30 June 2003 and its financial performance and cash flows for the year then ended.

MELBOURNE
25 September 2003



J.W. CAMERON
Auditor-General

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