

# Westernport Water

ANNUAL REPORT 2004



## 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. Source water is treated at the Ian Bartlett Water Purification Plant, which uses advanced filtration techniques to enhance water quality, and distributed to communities through a network of supply mains. Wastewater services are provided to approximately 90% of properties that are connected to the water supply service.

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. The King Road Wastewater Treatment Plant located near Coronet Bay serves the various townships located on the east coast of Western Port. Wastewater from the townships of Kilcunda and Dalyson is treated under agreement by South Gippsland Water at their Wonthaggi Treatment Plant.

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 greasy waste.

*By Order, under section 98(2)(a) of the Water Act 1989, published in the Victorian Government Gazette No S102 on 22 December 1994 the then Minister for Natural Resources, the Hon. Geoff Coleman constituted the Westernport Region Water Authority. Westernport Region Water Authority (trading as Westernport Water) is responsible to the Victorian Government through the Minister for Water, the Hon. John Thwaites.*





## CUSTOMER PROFILE

Within our district we have 14,997 properties that have water available to them, this is made up as follows:

Houses & Flats	11,430
Vacant lots	2,650
Commercial customers	289
Farms	445
Other	183

The population served ranges from 12,000 people during winter to more than 55,000 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.



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## **VISION**

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

## **MISSION**

Through being “Customer Driven” and “Asset Focused”, 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.

## RESULTS AT A GLANCE

	2003/2004 \$ million	2002/2003 \$ million	2001/2002 \$ million	2000/2001 \$ million	1999/2000 \$ million
<b>Financial Performance</b>					
Revenue	18.1	12.6	10.6	10.0	9.4
Expenses	9.2	8.3	7.5	6.2	6.1
Borrowing Costs	0.3	0.4	0.5	0.7	1.0
Net Profit	8.6	3.9	2.6	3.1	2.3
<b>Financial Position</b>					
Total Assets	108	99.0	96.1	87.8	88.2
Total Liabilities	6.7	6.0	6.6	9.4	12.4
Total Equity	101.3	93.0	89.5	78.4	78.8

# Chairperson and Chief Executive Officer Report

Dear Minister,

We have much pleasure in presenting the Annual Report for the 2003/2004 financial year.

The operating result for 2003/2004 is a profit of \$8.6M. This is significantly above the projected result of \$3.15M due to the Authority's decision to assume responsibility for mains to meter assets. These assets are valued at \$6.81M.

The underlying operating result was \$1.66M. The lower underlying result is due to a decrease in developers contributions and an increase in expenditure on electricity, sewer rehabilitation, water quality, reporting systems and staff development.

The major highlights for Westernport Water during the 2004 financial year were completion of the Administration and Operations complex at Newhaven, early 2004 winter rains restoring the water levels at Candowie Reservoir, commencement of the re-use leadership program, approval for the commencement of a pilot gas project, acceptance by Regional Development Victoria as a tenderer for the Government's \$70M Natural Gas Extension Program and the submission of a tender for the program.

The Organisation Development Plan continued with a comprehensive Employee Opinion Survey, Communication Plan development and training in process improvement.

Customers and stakeholders have been engaged on significant issues that confront the Authority. The results have been incorporated by the Board in its policy development and strategic planning outcomes.

This year Westernport Water redesigned and undertook a significant Customer Satisfaction Survey. The results showed 93% of customers were either satisfied or very satisfied with the services they received. The survey results showed that the two most important customer issues faced by the Authority are the price of services and water quality.

Due to the continuation of dry weather at the start of the 2004 financial year the Authority introduced restrictions. The Authority successfully managed its water resources throughout the year with restrictions being lifted in late October. Our thanks go to South Gippsland Water for their continued cooperation in sharing 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 replaced 20ML of potable water use at its Cowes Wastewater Treatment Plant and uses rainwater caught and stored on site to flush toilets at its Administration and Operations facility. The Authority completed the first year of its leadership program aimed at maximising the value of re-cycled water. This program is aimed at showing that the true cost of water is not a limiting factor to rural or urban business.

The Authority's region continues to grow at rates approaching 3%. The issue of water supply security to cater for the region's growth was considered during the year. Demand management and two augmentation options with similar economic costs are being actively considered. To define the differences between the augmentation options the Authority has undertaken more detailed project costing and will consult with the community to assist in determining the preferred option early in the new financial year.

The augmentation options also have differing water qualities. The Authority has determined from a community consultation that customers prefer better tasting water but are more concerned with a secure water supply.

Your requirement for Westernport Water to focus on the efficient delivery of quality services is 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 ongoing improvements in environmental and social performance.

Pamela Cameron  
Chairperson



Michael (Mike) Paine  
Chief Executive Officer



### SUSTAINABILITY

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 long 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 5,000 tonnes per annum. This Policy is clearly aligned with your Government’s commitment to increase to 10% by 2010 the amount of energy generated from renewable sources and the requirements of the White Paper “Securing Our Water Future” for businesses to coordinate water and energy demand management initiatives.

The Authority’s new Administration and Operations complex has many ecologically sustainable design initiatives. These include the use of solar and wind resources, natural ventilation systems, smart glass technology and the use of rainwater to minimise our environmental footprint.

### SOCIAL INITIATIVES

The Authority’s new Mains to Meter Policy that assumed responsibility and ownership for the “Mains to Meter” service pipes has proved to be extremely successful with customers and has enabled improved leakage management. The Authority estimates that it has saved at least 5ML from this initiative.

### PROCESS IMPROVEMENT PROGRAM

The major platform for improved operational efficiency for the Authority is a program called “Better Teams”. This year the program was elevated to define all key business processes and develop a rolling priority list of eight to ten improvement projects. The 2005-2008 Water Plan developed for the Essential Services Commission is based on this work and will continue to deliver “*Customer Driven and Asset Focused*” process improvements.

### DISCIPLINED CAPITAL SPEND

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

The Authority also relies on external contributions to fund its capital works. These funds may not be received and hence the planned capital works are not undertaken. Allowing for works subject to external funding the Authority completed 85% of its capital program during 2003/2004. This is an 23% increase over the 2002/2003 program.

### GOVERNANCE

The Board and Management Team have continued to ensure that the systems and practices of the Authority are managed to minimise risks. Major reviews of delegations, purchasing policies and procedures and contract management were undertaken throughout the year. Education of the Board and Management Team members on leading edge governance practice 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, multifaceted, “*Customer Driven and Asset Focused*” business. Thanks are directed to our consultants and to government officials who also have worked tirelessly to assist with our journey to date.

# Governance Structure

The former Minister for Environment and Conservation The Hon. Sherryl Garbutt appointed seven people to the Board of Westernport Region Water Authority for varying terms effective 1 July 2001. The Authority received five new Board Members and retained two existing Members.

Minister Garbutt re-appointed Member Cameron as Chairperson and Member Paterson for 3 years effective 1 July 2002. The five new Members are eligible for re appointment from 1 July 2004.

Meetings are scheduled for each month with special and committee meetings convened as required. The number of Board meetings, committee meetings, and the Members' attendance during 2003/2004 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 Service 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
- Establishing and setting service levels and monitoring achievement
- Ensuring operational, environmental and financial risk management systems are in place
- Ensuring compliance with legislative and regulatory obligations
- Evaluating Board and Executive Officers' performance to ensure integrity of corporate governance practice and ethical conduct

## Performance Monitoring

The Authority has maintained rigorous performance reporting in respect to key aspects of its operations. The Board reviews monthly performance data in respect of 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 negotiation of the Enterprise Agreement, the review and update of the Organisational Development Plan and the revision of the Human Resources Policy Manual.

The Remuneration Committee members for 2003/2004 were Pamela Cameron (Chairperson), Susan Walpole and Philip Westwood.

## 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 Audit function, to recommend risk management strategies and monitor the level of corporate compliance. During the year the Audit Committee oversaw the implementation of the Internal Audit Plan and has received reports in relations to:

- Purchasing and Delegation of Authority
- Revenue
- Financial Reporting
- Adequacy of Board Reporting
- Corporate Credit Card compliance
- Financial Management Compliance Framework

The Audit Committee members for 2003/2004 were Clyde Paterson (Chairperson), Ian Purbrick and Dr Eric (Tim) Ealey.

## Directors attendance at Board and Committee meetings

	Board Meetings		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Pamela Cameron (Chairperson)	14	14	-	-	2	2
Anthea Dacy	14	12	-	-	-	-
Dr Eric Ealey	14	14	6	5	-	-
Clyde Paterson	14	13	6	6	-	-
Ian Purbrick	14	13	6	5	-	-
Susan Walpole	14	12	-	-	2	1
Philip Westwood (Deputy Chairperson)	14	14	1	1	2	2



# Board of Directors

Pamela Cameron  
Chairperson

Ms Susan Walpole

Mr Clyde Paterson

Dr Eric (Tim) Ealey



## 1. Mrs Pamela Cameron

### (Chairperson)

Mrs Pamela Cameron was appointed Chairperson on 30 June 2001. Mrs Cameron is a Manager and Physiotherapist at Bass Coast Community Health Service Inc. She is a partner operating a family farm on Phillip Island and part owner of the Phillip Island Motor Racing Circuit. For many years Pamela has held several senior committee and director positions, providing local and regional knowledge and expertise. She is currently President of the Phillip Island Aquatic Centre Fund Inc., a Life Governor of Newhaven College, a Member of the Institute of Water Administration, the Australian Institute of Company Directors and an inaugural member of Phillip Island Landcare.

## 2. Ms Susan Walpole

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. Ms Walpole is also a member of the Nurses Board of Victoria.

## 3. Mr Clyde Paterson

Mr Clyde 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 has held the position as community representative and Chairman of the Audit Committee of the South Gippsland Shire Council for the past six years.

Mr Paterson is also involved in community groups and voluntary service organisations in South Gippsland and is currently part-time Secretary/Manager of a 42 bed Aged Care Facility at 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 Westernport Catchment Management Authority. He is currently a member of the Westernport Catchment Committee, Westernport Seagrass Management Team, Coronet Bay Ratepayers Association, Coronet Bay Foreshore Management Committee and Coronet Bay Progress Association.

Ms Anthea Dacy  
Mr Ian Purbrick  
Mr Philip Westwood



#### 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 (Deputy Chairperson)

Mr Philip Westwood is an Environmental Auditor. He is a primary producer and a self-employed Director of Blue Mountain Creek Pty Ltd consulting in environmental management and public relations. He has a Diploma in Journalism and is a member of the Port Phillip and Westernport Catchment Management Authority, Bushland Research Council, Free Range Farmers Association Inc, Western Port Seagrass Partnership, Cardinia Environment Coalition and an alternate director of the Mornington Peninsula and Western Port Biosphere Project.

# Management Team

## ROLES & RESPONSIBILITIES



### Mike Paine

#### Chief Executive Officer

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

### Jeff Sowiak

#### Chief Financial Officer

- Accounts management
- Customer Service
- Billing
- External audit
- Finance
- Treasury and tax
- Insurance
- Information technology
- 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
- Trade waste
- Environment Protection Authority

### Andrew Kneebone

#### Manager Business Processes

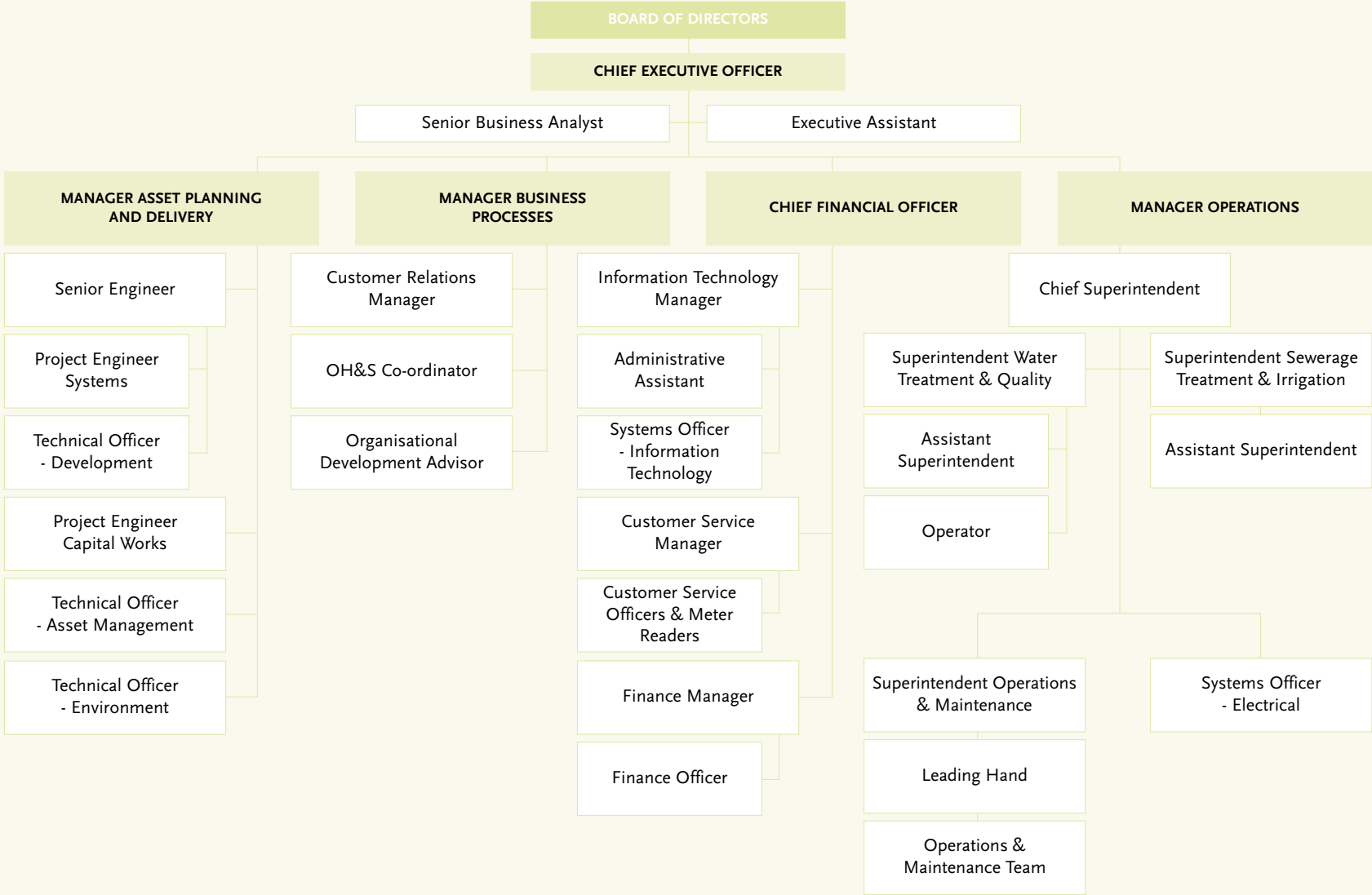
- Corporate Reporting
- Customer relations
- Human resource management
- Internal audit
- Occupational health and safety
- Organisation development
- Public affairs
- Quality systems
- Regulation compliance
- Industrial Relations
- New business opportunities

### James Young

#### Manager Operations

- Effluent disposal operations and maintenance
- Emergency management
- Sewage treatment operations and maintenance
- Water conservation
- Water operations and maintenance
- Water quality
- Water treatment operations and maintenance
- Environmental management system
- Property management

# Organisational Structure





# Report of Operations

Westernport Water developed and implemented a Strategic and Corporate Plan for 2003/2004 based on triple bottom line and sustainability principles.

The Strategic Plan focused on the strategic priority areas of Customer Service, Physical Assets, Governance and the Environment, People and Systems and Regional Development.

A key consideration in developing the Corporate Plan for 2003/2004 was ensuring key government policies were advanced through the Plan's deployment.

Following is a report on the Authority's 2003/2004 achievements in implementing its Strategic and Corporate Plan.

## CUSTOMER SERVICE AND SOCIAL SUSTAINABILITY

### Customer Service

A key achievement in 2003/2004 has been the drafting and implementation of Westernport Water's Customer Engagement Strategy. Implementation involved extensive investigation into customer expectations of water quality and a comprehensive Customer Satisfaction Survey. This Strategy has been refined throughout 2003/2004 and has been supplemented with a Corporate Communication Plan. The Engagement Strategy outlines Westernport Water's approach in

- providing information and educational services to the community,
- gathering information from customers, and
- advocating positions to the community to gather feedback.

The purpose of the Customer Engagement Strategy is to better understand customers' needs and expectations so that products and services can be better matched to meet these over time.

Westernport Water undertook a comprehensive Customer Satisfaction Survey in March 2004. The results of the survey demonstrate that:

- 93% of customers were satisfied with the service. They gave a satisfaction rating of 5 or more out of 10.
- 23% were very satisfied and they rated the service 9 or 10 out of 10.

The relative strengths for Westernport Water are:

- Wastewater services (99% of customers are satisfied or very satisfied).
- The supply of water (96% of customers are satisfied or very satisfied).

The greatest opportunities for improvement for the Authority are:

- The perceived price/value for service.
- Responsiveness to issues affecting customers and the community.

The aspects of service that have the greatest impact on customer satisfaction are:

- Responsiveness to issues affecting customers and the community.
- The way the Authority looks after the environment.
- The price/value.
- Water quality.

### Customer Reference/Advisory Committees

Westernport Water is committed to building partnerships with its customer base and the community. It is keen to incorporate community expertise and advice into its service planning and decision making process. To this end, Westernport Water has appointed an advisory Customer Consultative Panel (CCP). The Panel members represent the interests of all water users. They provide a community voice.

During the year, the Panel met 9 times. Two Panel members retired following a total of ten years service to the Authority. These Panel members were replaced following an Expression of Interest process. The current members of the CCP are George Mortimer – Chairman, Neil Beddoe, Phil Dixon, Gwen McRae, Roy Turner, Terry Heffernan (appointed March 2004) and Joan Christie (appointed March 2004). Anne Westwood and John Mumford retired at the end of their term in October 2003.

This year the Panel assisted the Authority with:

- the Water Quality Community Consultation Focus Groups
- the development of the Customer Engagement Strategy
- the development of a scholarship to support tertiary study for local students
- development of the Authority's Environment Policy
- the development of the Customer Satisfaction Survey tool.

The Panel also reviewed their own processes and performance:

- conducted a self-evaluation to improve effectiveness
- visited Western Water's Customer Consultative Committee to see how they operate
- updated its Code of Conduct
- developed a communication protocol for the raising of customer related issues.

#### Community Education

The Authority continued its community education program throughout the year with the following activities:

- National Water Week involving local schools and representatives of a number of community groups.
- World Environment Day Expo (2 days) involving more than 500 students from local schools.
- Weekly "Use Water Wisely" advertisements in two local papers promoting water conservation ideas and the changing reservoir levels from December 2003 until the end of May 2004.
- Regular press releases promoting water conservation ideas, particularly during the introduction of water restrictions (24 July 2003 - 25 September 2003).

- Promotion of the savewater.com.au website and regular updating of the Authority's page on the site.
- Visits to schools and community groups to talk about the Authority and water conservation.
- Conducted community bus tours of the Authority's assets.
- Preparation of information sheets.
- Updating of the reservoir level on signage and the Authority's website.
- Account Newsletter with a particular focus on using water wisely.

#### Community Service Obligations

	2003/2004	2002/2003	2001/2002
	\$	\$	\$
Pensioner Concessions	261,642	233,500	235,762
Rebates Not for profit	22,686	21,677	19,942
Utility Relief Grants	6,211	7,589	N/A
<b>Total</b>	<b>290,539</b>	<b>262,766</b>	<b>255,704</b>





## PHYSICAL ASSETS

Westernport Water continued to pursue its long-term objective to implement whole of life asset management as a sustainable philosophy behind the engineering and operational support of the Authority's provision of service to customers. The following are key achievements against the Strategic Plan objectives.

### Security of Supply

The Authority continued to investigate and clarify available options to ensure the long-term security of water supply to the region. A Functional Design was completed for a connection to the Melbourne Water system and additional work was completed on the alternative option of raising the embankment at Candowie Reservoir.

### Asset Management

The actions identified in the Authority's Strategic Asset Management Plan continued to be progressed. Extensive work was completed on updating the Authority's water and sewer plans as well as consolidating and extending available asset information. The completion of system wide water and sewer hydraulic models provides a valuable design and analysis tool to assist the Authority in managing the region's rapid growth and delivering operational improvements.



Strategic sewer extension plans were completed for the key growth areas of the region allowing the Authority to better predict future infrastructure needs.

A preliminary assessment of the structural condition of the Authority's sewer infrastructure was completed and will form the basis for future condition monitoring programs.

#### Automation

Westernport Water has set a strategic operational philosophy that will ensure the Authority's assets are operated at maximum efficiency with minimal risk. To maximise operational efficiency of our assets an automation project has been established. The fundamentals of this project were completed during 2003/2004 with work commencing on the upgrade of the computerised operation of the Cowes Wastewater Treatment Plant and initial audits of our telemetry system.

Future works will include upgrade of the automation of the Water Treatment Plant, completion of works at the Cowes Wastewater Treatment Plant and a scaled replacement of the Authority's aging telemetry system.

#### Water Quality Management

The Authority developed a Water Quality Management System that will ensure the implementation of the Safe Drinking Water Act 2003. The Department of Human Services (DHS) has been involved in the rationalisation of the water quality sampling zones. From July 2004 water quality sampling will occur weekly as opposed to monthly.

The Authority developed a sampling program that meets the requirements of DHS and will ensure ongoing compliance with Australian Drinking Water Guidelines.

A Water Quality Improvement Program was developed and the first stages were implemented in April 2004 with air scouring of water mains in Coronet Bay, Corinella, and Grantville. The air scouring program will move to other mainland towns and some of Phillip Island during 2004/2005.

#### Farm Management Plan

The Authority engaged a consultant to develop a long-term Farm Management Plan for the Authority's land holdings. The intent of this Plan is to further develop the King Road property as a model reuse farm. 100% of wastewater received at the King Road facility is reused on the property. The Authority wishes to demonstrate to farmers that reclaimed water has the potential to increase farm profitability and is a worthwhile long-term investment.

#### Capital Works

During 2003/2004 the following major projects were undertaken:

De-stratification unit at Candowie Reservoir . . . . .	\$120,000
Powder Activated Carbon Plant at Candowie Reservoir . . . . .	\$155,000
Rising Main Odour Control Works . . . . .	\$90,000
Cowes Wastewater Treatment Plant Inlet Screen . . . . .	\$560,000
Pump Replacement Program . . . . .	\$100,000
Completion of Administration and Operations Complex . . . . .	\$1,968,000

The Authority focused on addressing known customer concerns regarding the taste and odour of its water, blue – green algae outbreaks and odour from the San Remo sewer rising main. Projects are progressively shifting to process improvements and automation with a view to reducing operational costs and facilitating the Authority's "Close to Zero" Policy.

Development of a twenty year Master Plan for the King Road Wastewater Treatment Plant was initiated during the year.

## ENVIRONMENTAL SUSTAINABILITY

Westernport Water continued its proactive environmental activities throughout 2003/2004 and incorporated actions that advanced a number of key government strategies namely

- Water for the Future
- Regional Catchment Strategy
- Victorian Biodiversity Strategy
- Victorian River Health Strategy
- Victorian Greenhouse Strategy

Westernport Water entered into a landmark Memorandum of Understanding (MOU) with Phillip Island Landcare aimed at increasing the level of alignment between the two organisations. It is this partnership approach that underscores the Authority's environmental program. A key initiative that grew from the MOU was the development of a local Urban Landcare Award.

### Regional Catchment Strategy

Westernport Water, in partnership with South Gippsland Water, Landcare and landholders within the Candowie Reservoir Catchment has developed a Community Catchment Management Group. The objectives of the group are to deliver water quality improvements by completing strategic land management improvements.

These improvements are jointly funded by Westernport Water and the landholders. Typical improvements include, tree plantations, fencing off creek beds, allocation of buffer zones on properties to prevent topsoil and fertilizer runoff.

### Victorian Biodiversity Strategy

Westernport Water engaged Phillip Island Landcare to develop a Biodiversity Asset Register which was completed in June 2004.

Several sites owned and managed by Westernport Water were found to contain significant plant and animal species and are therefore of important habitat value. The ongoing care and maintenance of these sites is of utmost importance to the Authority in order to preserve these species and provide opportunities for their potential spread to other suitable sites.

Westernport Water has a proactive flora and fauna management strategy and is proud to maintain and improve the district's biodiversity, in particular remnant vegetation. This will be achieved through the implementation of the Authority's Weed and Pest Management Plans, combined with significant revegetation programs.

### Victorian River Health Strategy

The Authority through its partnerships with Landcare and landowners has been able to achieve significant improvements to rivers within our catchment.

Westernport Water installed an automated water flow and quality monitoring station on Tennent Creek. This station will be utilised to measure water volumes and monitor ongoing improvements in water quality that result from revegetation and changed land management practices.

### Victorian Greenhouse Strategy

The Authority has adopted an energy policy aimed at reducing the Authority's net energy demand from the electricity grid to close to zero. An Energy Management Plan has been prepared and the Authority is investigating possible sources of renewable energy as it seeks to minimise its environmental footprint.

The Authority completed the work required in accordance with the State Environment Protection Policy (Air Quality Management) and associated Protocol for Environmental Management – Greenhouse Gas Emissions and Energy Efficiency in Industry. A Level 2 Energy Audit has been completed for key energy consuming facilities. A number of actions have been identified which will be implemented during 2004/2005.

The Authority has completed its new Administration and Operations complex that incorporates sustainability as a key design criteria. Many energy efficient initiatives have been installed including smart lighting, heating and cooling systems. A solar array was installed and is feeding power back into the electricity grid. A small wind turbine and solar tracking panel are being used to provide power for external lighting.

### Reuse: Class A

The Authority made ground breaking progress in achieving a sample of treated effluent from the Cowes Wastewater Treatment Plant that met the Environment Protection Authority's stringent Class A criteria. Further work is being undertaken to ensure continued production of Class A treated effluent.

## GOVERNANCE

The Board and Management at Westernport Water are committed to the highest levels of corporate governance.

In support of this objective the following actions were completed in 2003/2004:

- implementation of a revised Internal Audit Plan
- review and update of the Audit Committee Charter
- review and report on the Board's performance.
- review of Contract Management System
- operational risk assessments for environmental and occupational health and safety purposes.

The Board adopted revised Occupational Health and Safety and Environmental policies throughout the year.

The Audit Committee is also overseeing the implementation of the Financial Management Compliance Framework.

### Administration and Operations Complex

The Authority moved to its new Administration and Operations complex in March. The facility has been widely recognised for its functionality and received a Certificate of Commendation in the National Electrical Contractor's Awards of Excellence. The building was officially opened by the Authority's Chairperson on 18 June 2004.

The building boasts the following ecologically sustainable design initiatives:

- Photo voltaic cells for power generation back into the grid.
- Solar hot water services.
- Water from the roofs of the buildings is collected in a rainwater tank. From here a small solar and wind powered 12 volt DC pump delivers water to a header tank that provides water for all toilets. This rainwater is also used for washdown water for vehicles.
- The security lighting system is solar and wind powered.
- The building design allows for extensive use of natural light through windows and skylights. The natural lighting is complemented by an intelligent lighting system that changes with the level of natural light throughout the day.
- Automated natural ventilation systems for summer cooling and winter heating.

The Authority has experienced the benefits from the joint facility synergies and service delivery for customers has improved due to improved communication between departments.





## PEOPLE & SYSTEMS

### Organisation Development

The Authority completed the 2nd phase of its Better Teams program throughout the year with workgroups identifying and implementing a series of process improvement plans aimed at improving productivity within the organisation.

The negotiation of Westernport Water's second Enterprise Agreement was successfully concluded during 2003/2004. The Agreement was certified in February 2004. The Enterprise Agreement is the cornerstone of the Organisation Development Plan. The Enterprise Agreement commits the employees and managers to working together to develop a comprehensive set of Corporate and Departmental Key Performance Indicators. The Organisation Development Plan integrates and builds on new and existing initiatives including, Better Teams, employee opinion survey, process mapping and continuous improvement program, all of which have been implemented in 2003/2004

### Staff Development

Westernport Water has continued to invest in training and development of staff in a range of areas. One program of particular note is the Certificate 2 and 3 in Water Industry Operations. This program was developed in cooperation with other Gippsland Water Authorities to generate economies of scale and flexibility in training delivery. Operations and Maintenance personnel are now actively working towards a nationally accredited qualification through the development of individual training plans and work based training delivery mechanisms. This is proving to be high quality and cost effective training and development.

### Health and Safety

The continued improvement of the Occupational Health and Safety Management Systems has also been a highlight of the year, with formalisation of the system and completion of risk assessments. Emphasis has been placed on refresher training to ensure employees' skills in managing hazardous situations are up to date. In addition to the focus on employee safety, Westernport Water has tendered for the provision of a proactive employee health monitoring program. This tender is to be let early in 2004/2005 in cooperation with a neighbouring Water Authority.

### Tertiary Scholarship

The Board advertised a tertiary scholarship in October 2003, aimed at attracting local youth to a professional career within the water industry. Unfortunately there were no applications that met the established criteria. This led to a review of the eligibility criteria in May 2004 and the scholarship has been readvertised.

### Information Management Strategy

A review of the current and future strategic information technology requirements of the organisation was undertaken throughout the financial year and a draft Information Management Strategy has been developed. This Strategy outlines the information system and management requirements of the organisation over the next 5 years, including the integration required to achieve the level of system performance and reporting desired.

## REGIONAL DEVELOPMENT

### Gas

During the year the Authority obtained approval from the Minister for Water to undertake a pilot gas project to deliver reticulated LPG or LNG to 500 homes in new subdivisions in the towns of Cowes, San Remo and Coronet Bay/Corinella. The Authority has been progressing the work necessary to:

- obtain a Gas Safety Case from the Office of Gas Safety
- redesign its billing processes to comply with the Gas Customer Code, and
- establish designs for standard constructions and subdivisions in the region.

Negotiations are advanced with developers in San Remo and Cowes.

In addition to this the Authority has called tenders for the supply of bulk LPG. The prices submitted by tenderers are within the commercial input range considered to make the project viable. Contracts are to be signed early in the new financial year.

The Authority also participated in the Government's \$70M Natural Gas Extension Program. The results of the tender process for subsidies should be known early in the new financial year.

### Regional Partnerships

The Authority continued to provide grants and funding to several environmentally focused community groups. The Lance Creek and Candowie Catchment Management Group received funding to provide education to farmers to improve land management practices, as well as funding considerable revegetation works within the catchment. Similarly Phillip Island Landcare has been funded to continue the extension of the Phillip Island wildlife corridor and establishment of an urban Landcare program.



# Financial

## PERFORMANCE INDICATORS

Long Term Profitability EBIT/Total Assets	Owner's Investment Profit/Total Equity	Long Term Financial Viability Debt/Total Equity	Liquidity and Debt Servicing EBIT/Interest Expense	Operating Efficiency Water Supply	Operating Efficiency Wastewater Collection
<b>3.2%</b> Corporate Plan Target	<b>3.09%</b> Corporate Plan Target	<b>5.72%</b> Corporate Plan Target	<b>10.5%</b> Corporate Plan Target	<b>\$218</b> Corporate Plan Target	<b>\$1,315</b> Corporate Plan Target
<b>1.9%</b> Actual Result	<b>1.78%</b> Actual Result	<b>5.25%</b> Actual Result	<b>7.6%</b> Actual Result	<b>\$305</b> Actual Result	<b>\$1,671</b> Actual Result
<b>-40.6%</b> Unfavourable Variation	<b>-42.6%</b> Unfavourable Variation	<b>-8.3%</b> Favourable Variation	<b>-27.6%</b> Unfavourable Variation	<b>39.8%</b> Unfavourable Variation	<b>27%</b> Unfavourable Variation
The Authority's asset values increased by \$6.81m due to assuming responsibility for mains to meter assets un-budgeted. Expenditure increased in electricity, sewer rehabilitation, water quality, reporting systems and staff development above original Budget.	Equity increased above budget due to assumption of responsibility for mains to meter assets. Expenditure increased in electricity, sewer rehabilitation, water quality, reporting systems and staff development above original Budget.	Loans not taken up and surplus lower than budget.	Higher than anticipated asset values and operational expenditure.	Expenditure increased in electricity, water quality, reporting systems and staff development above original Budget.	Expenditure increase in electricity, sewer rehabilitation, reporting systems and staff development above original Budget

# Service Delivery

## PERFORMANCE INDICATORS

RELIABILITY OF SUPPLY - URBAN SUPPLIES	
1. Properties Interrupted Ratio	2. Interruption Time (Hours)
<b>23.1%</b> Business Plan Target	<b>1.5Hrs</b> Business Plan Target
<b>51.8%</b> Actual Result	<b>1.41Hrs</b> Actual Result
<b>125%</b> Unfavourable Variation	<b>-6%</b> Favourable Variation
Target referred to only unplanned interruptions. Actual interruptions include a number of major works on the Phillip Island supply main affecting the majority of customers.	



RELIABILITY OF WASTEWATER COLLECTION SERVICES (BY TOWN OR SEWERAGE SYSTEM)		PHYSIO-CHEMICAL QUALITY OF WATER SUPPLIED TO CUSTOMERS FOR TURBIDITY, COLOUR AND PH LEVEL (BY TOWN OR SUPPLY ZONE)			QUALITY OF WASTEWATER DISPOSAL (BY TREATMENT OR DISPOSAL FACILITY)	
Cowes	King Road	Turbidity	Colour	pH	Cowes	King Road
<b>6.1</b> Corporate Plan Target	<b>3.6</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target
<b>18.7</b> Actual Result	<b>10.9</b> Actual Result	<b>100%</b> Actual Result	<b>100%</b> Actual Result	<b>95%</b> Actual Result	<b>99%</b> Actual Result	<b>100%</b> Actual Result
<b>206%</b> Unfavourable Variation	<b>203%</b> Unfavourable Variation			<b>-5%</b> Unfavourable Variation	<b>-1%</b> Unfavourable Variation	
Increase to 40 blockages due to tree root infiltration as a consequence of prolonged dry period.	Increase from 2 to 6 blockages in total due to tree root infiltration as a consequence of prolonged dry period.	Target met	Target met	1 pH failure in Kilcunda. New online pH monitoring stations will address this in the future.		Target met



# Service Delivery

## PERFORMANCE INDICATORS

Bacteriological Quality of Potable Water supplied to Customers by supply zone	SHORT TERM/PERSISTENT COMPLIANCE WITH EPA LICENCE	
	Cowes	King Road
<b>100%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target
<b>96.12%</b> Actual Result	<b>100%</b> Actual Result	<b>100%</b> Actual Result
<b>-3.88%</b> Unfavourable Variation		
Water quality failures due to heavy winter inflows into treatment plant. These were coliform failures. No E-coli failures were observed. This equates to 100% compliance with Drinking Water Quality guidelines.	Target met	Target met

# Environmental

## PERFORMANCE INDICATORS

WASTE MANAGEMENT FOR WASTEWATER (BY TREATMENT OR DISPOSAL FACILITY) WASTEWATER EFFLUENT REUSED		WASTE MANAGEMENT FOR WASTEWATER (BY TREATMENT OR DISPOSAL FACILITY) WASTEWATER SLUDGE REUSED/RECYCLED	
Cowes	King Road	Cowes	King Road
<b>15%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target
<b>8.6%</b> Actual Result	<b>82.5%</b> Actual Result	<b>0%</b> Actual Result	<b>0%</b> Actual Result
<b>-42.7%</b> Unfavourable Variation	<b>-17.5%</b> Unfavourable Variation	<b>-100%</b> Unfavourable Variation	<b>-100%</b> Unfavourable Variation
Original estimate anticipated dry winter.	Reclaimed water storage holds reuse from season to season. Will be irrigated 2004/2005 season.	Production of biosolids stockpiled for reuse.	Minimal quantities of biosolids produced. Not sufficient quantity to reuse.





# Water Services

## AGREEMENT STANDARDS

Restoration of water supply	Containment of sewer spillages
<b>100%</b> Corporate Plan Target	<b>100%</b> Corporate Plan Target
<b>100%</b> Actual Result	<b>100%</b> Actual Result
Target met	Target met



# Customer Complaints

## PERFORMANCE INDICATORS

Water quality complaints	Water supply reliability complaints	Sewerage service quality & reliability complaints	Affordability complaints	Other complaints
<b>0.3</b> Corporate Plan Target	<b>0.3</b> Corporate Plan Target	<b>0.4</b> Corporate Plan Target	<b>3.0</b> Corporate Plan Target	<b>2.4</b> Corporate Plan Target
<b>0.3</b> Actual Result	<b>0.79</b> Actual Result	<b>0.07</b> Actual Result	<b>2.11</b> Actual Result	<b>1.52</b> Actual Result
	<b>166%</b> Unfavourable Variation	<b>-80%</b> Favourable Variation	<b>-29%</b> Favourable Variation	<b>-36%</b> Favourable Variation
Target met	Increase in complaints from 5 to 12 in total. 2 large interruptions to supply caused by 3rd party damage to mains.	Total complaints 1.	Total complaints 32.	Total complaints 23.



# Performance Indicator Variation Report

## PERFORMANCE INDICATOR

## DISCUSSION ON VARIANCE AND IMPROVEMENT

Reliability of water supply

The nature of Phillip Island's water reticulation system makes it difficult to undertake maintenance and repairs to the system without disrupting the water supply to the bulk of customers. To minimise disruption to our customers planned works on the major trunk main are conducted between the hours of 9.30pm and 5.30am. Such works include the addition of trunk main by-passes and isolation valves that will minimise the disruption to the supply in the event of emergency situations.

Interruption time

Long trunk mains increase repair times on pipes due to long drainage times. Through appropriate modifications to the system (installation of stop valves) these times are reduced. The water main replacement program aims to replace older asbestos and cast iron pipes with new more reliable materials to reduce the occurrence of bursts.

Reliability of wastewater collection services

The vast majority of sewerage spills experienced within the reticulation system are a result of property sewer point blockages. Westernport Water has a sewer point rebuild program that identifies problem areas before spills occur. This ability will be further enhanced by the use of the Authority's sewer modeling software and sewer camera inspection program.

Bacteriological samples

Westernport Water and the Department of Human Services have dramatically altered the water quality sampling program to align the program with the Safe Drinking Water Act 2003. This program will increase bacteriological sampling from monthly to weekly. The Authority has developed a Water Quality Management System that includes online water quality monitoring stations to provide early warning to variances in water quality. These stations will be linked to the Authority's SCADA system to provide system performance trends.

Turbidity

Westernport Water commissioned a Powdered Activated Carbon (PAC) dosing facility at the water treatment plant during 2003/2004. The inclusion of the carbon facility to the DAF treatment plant has dramatically reduced the levels of turbidity and colour. In addition the Authority implemented an air scouring program to improve water quality throughout the system.

Colour

Westernport Water commissioned a Powdered Activated Carbon (PAC) dosing facility at the water treatment plant during 2003/2004. The inclusion of the carbon facility to the DAF treatment plant has dramatically reduced the levels of colour. In addition an air scouring program was implemented to improve water quality throughout the system.

pH

The online water quality monitoring station includes pH monitoring. The water treatment plant includes automated pH correction that maximises the disinfection system performance.

Annual EPA Licence compliance

The Authority recently completed long-term planning of the wastewater treatment plants to ensure licence compliance continues.

Short Term Licence compliance

The Authority recently completed long-term planning of the wastewater treatment plants to ensure licence compliance continues.

Volume of effluent reused

The King Road Wastewater Treatment Plant achieves 100% reuse. The Cowes Wastewater Treatment Plant reuses effluent through the treatment plant wash water process, through a supply agreement with a golf course, onsite tree plantations and continued development of the Cowes Wastewater Treatment Plant site to allow for further reuse. In addition the Authority completed planning to supply treated effluent to a proposed golf course in San Remo.

Volume biosolids reused

The volume of biosolids produced is minimal and requires 10-15 years of stock piling to warrant reuse. The Authority is involved in an industry wide reuse trial and continues to develop a reuse program on the Cowes Wastewater Treatment Plant site as a soil conditioner. The Authority continues to invest in new technologies to minimise volume of biosolids produced.

5 hours water supply restorations

The Authority operates a 24/7 emergency response team able to attend emergency situations within 15 minutes.

5 hours sewer spill

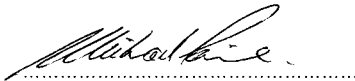
The Authority operates a 24/7 emergency response team able to attend emergency situations within 15 minutes. The Authority has a state of the art sewer cleaning machine able to rapidly unblock sewers.

**WESTERNPORT REGION WATER AUTHORITY  
PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004**

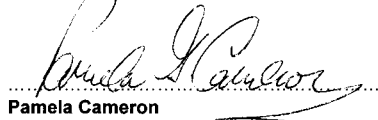
In our opinion, the accompanying Statement of Performance of Westernport Water in respect of the 2003/04 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

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



**Michael Paine**  
Chief Executive Officer  
Accountable Officer



**Pamela Cameron**  
Chairperson

17<sup>th</sup> September, 2004  
Dated



**AUDITOR-GENERAL'S REPORT**

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

**Audit Scope**

The accompanying statement of performance of Westernport Region Water Authority in respect of the 30 June 2004 financial year has been audited. The Members of the Board of Westernport Region Water Authority are responsible for the preparation and presentation of the statement and the information it contains. An independent audit of the statement has been carried out in order to express an opinion on the statement to the Members of the Parliament of Victoria, responsible Ministers and the Members of the Board as required by the *Audit Act 1994*.

The *Financial Management Act 1994* requires the statement of performance to outline the relevant performance indicators as determined by the responsible Minister, the actual results achieved for the financial year against pre-determined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the statement of performance 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 statement. These procedures, which did not extend to an assessment of the relevance or the appropriateness of the performance indicators contained within the statement, have been undertaken to form an opinion as to whether, in all material respects, the statement of performance is presented fairly in accordance with the *Financial Management Act 1994*.

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

**Audit Opinion**

In my opinion, the statement of performance of Westernport Region Water Authority in respect of the 30 June 2004 financial year is presented fairly in accordance with the *Financial Management Act 1994*.



J.W. CAMERON  
Auditor-General

MELBOURNE  
30 September 2004

# The Year Ahead

## CUSTOMER SERVICE

The Authority will continue to pursue its vision of being “Customer Driven” throughout 2004/2005. It will be seeking to better understand our customers’ wants, needs and aspirations through the development of a demographic profile, an ongoing program of a strategic product and service review and customer satisfaction surveying. The 2004/2005 year will also see the development and implementation of new customer related performance measures.

The major change for 2004/2005 will be the addition of reticulated gas and gas related services to the Westernport Water product and service mix. This will require a review of the Customer Charter, update of the associated policies and procedures and an update of the billing system. Employees in both the customer service and operations sections will receive training in the new processes. Through a strategic alliance Westernport Water also aims to provide gas appliances sales to customers.

## PHYSICAL ASSETS

The Authority adopted a strategic direction of reducing operational costs by implementing process improvements, automation and developing renewable energy systems. Supplementing this direction is a strong focus on asset management through a consolidated and comprehensive database and associated system.

### Asset Management

The Asset Management Strategic Plan will continue to be implemented during 2004/2005. A tender has been advertised for the purchase and implementation of an Asset Management System. The Authority will continue to dedicate significant resources to ensure the successful integration and use of the selected system. The impact and benefits of introducing an Asset Management System will be organisation wide leading to significant process improvements.

### Renewable Energy

In line with the Authority’s “Close to Zero” Policy investigations and works will commence on developing renewable energy systems. Subject to Triple Bottom Line analysis the following

projects will be initiated:

- grid connected solar panels
- micro-hydro installations
- wind turbine feasibility studies

## Capital Works

A \$4.8M capital works program is planned for 2004/2005. The major projects include:

- investigation of options to supplement current water supplies
- upgrades to sludge handling and switchboard at Ian Bartlett Water Purification Plant
- automation of the Cowes Wastewater Treatment Plant
- upgrading the King Road Wastewater Treatment Plant
- review of Church Street/Chapel Street pump stations
- gas – installation of local neighbourhood reticulated LPG schemes in new subdivisions and retro-fitting in existing subdivisions
- power – installation of renewable energy facilities

## GOVERNANCE

The new financial year will see the continued focus on strong governance within the Authority. The focus for the 2004/2005 financial year will be the development of the Authority’s 2005-2008 Water Plan. This critical document will establish the Authority’s revenue path forward with the Essential Services Commission.

The Board and Management Team will undertake a series of scenario planning workshops throughout the next financial year as an aide to strategic planning.

## ENVIRONMENT

The main focus for the Authority’s environmental program for 2004/2005 will be the implementation of the “Close to Zero” Policy and the development of the Water Conservation Zone concept. The Water Conservation Zone will target partnerships, particularly with local government, to identify opportunities for potable water substitution.

The Authority will also undertake significant works in order to reduce water pressure within certain zones as an aid to reducing leakage and wastage.

The year ahead will also see the continuation of the partnerships with community and Landcare groups to improve the catchment and other environmentally significant landmarks.

## PEOPLE & SYSTEMS

### Organisation Development

The Authority will continue to invest in the development of the organisation to improve efficiency and effectiveness. The focus of the Organisation Development Plan is to refine and continuously improve the key business processes of the Authority in terms of delivery to customers. Supporting this will be an increased focus on leadership development with development programs for the leadership team and the Board around strategic planning, scenario planning, performance management, coaching and mentoring and business excellence.

### Systems Development

2004/2005 will see the refinement of Westernport Water’s strategic management systems. These include human resources, information technology, financial, environmental and data management and reporting.

The main focus will be on data, mainly to ensure the accuracy and reliability of the data required to be reported to customers and regulators. Supporting this will be the implementation of the 5 year IT Strategic Plan.

## GROWTH

The challenge for 2004/2005 in terms of growth will be the expansion of the Gas Project beyond the start up phase. Planning for Phase 2 will be well underway.

Westernport Water will continue to be a facilitative agency for regional growth where possible bringing potential partners together for the benefit of the region as a whole.

# Statutory Information

## DISCLOSURE INDEX

This Annual Report is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

Legislation	Requirement	Page No.
<b>Ministerial Directions</b>		
<b>Report of Operations</b>		
<b>Charter and purpose</b>		
FRD 22	Manner of establishment and the relevant Ministers	Inside Front Cover
FRD 22	Objectives, functions, powers and duties	.6
FRD 22	Nature and range of services provided	Inside Front Cover
<b>Management and structure</b>		
FRD 22	Organisational structure	.10
<b>Financial and other information</b>		
FRD 22	Statement of workforce data and merit and equity	.29
FRD 22	Summary of the financial results for the year	.3
FRD 22	Significant changes in financial position during the year	.1
FRD 22	Operational and budgetary objectives and performance against objectives	.11-24
FRD 22	Major changes or factors affecting performance	.11-24
FRD 22	Subsequent events	.1
FRD 22	Application and operation of Freedom of Information Act 1982	.29
FRD 22	Compliance with building and maintenance provisions of Building Act 1993	.29
FRD 22	Statement on National Competition Policy	.29
FRD 22	Application and operation of the Whistleblowers Protection Act 2001	.30
FRD 22	Details of consultancies over \$100,000	.31
FRD 22	Details of consultancies under \$100,000	.31
FRD 12	Disclosure of major contracts	.29
FRD 22	Statement of availability of other information	.29

Legislation	Requirement	Page No.
FRD 22	Occupational health and safety	.29
FRD 15	Executive officer disclosures	.29
FRD 10	Disclosure index	.27
FRD 24	Reporting of office-based environmental impacts	.N/A
FRD 25	Victorian Industry Participation Policy disclosures	.29
FRD 8	Budget portfolio outcomes	.N/A

## Financial Statements

### Financial statements required under Part 7 of the FMA

SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	.36
SD 4.2(c)	Compliance with Ministerial Directions	.36
SD 4.2(d)	Rounding of amounts	.36
SD 4.2(c)	Accountable officer's declaration	.55
SD 4.2(f)	Model Financial Report	.36
SD 4.2(b)	Statement of financial performance	.33
SD 4.2(b)	Statement of financial position	.34
SD 4.2(b)	Statement of cash flows during the year	.35

### Other disclosures in notes to the financial statements

FRD 9	Departmental disclosure of administered assets and liabilities	.42-44
FRD 11	Disclosure of ex-gratia payments	.N/A
FRD 13	Disclosure of parliamentary appropriations	.N/A
FRD 21	Responsible person and executive officer disclosures	.51
FRD 23	Superannuation liabilities and disclosure	.50

## Legislation

Legislation	
Freedom of Information Act 1982	
Building Act 1983	
Whistleblowers Protection Act 2001	

# Statutory Information

## BULK ENTITLEMENT

The Authority's Bulk Entitlement from Candowie Reservoir is 2,911ML with 2,104 ML used from 1 July 2003 to 30 June 2004. The rate of extraction from Candowie Reservoir may not exceed 50ML per day with 13.3 ML being the maximum volume taken from the Reservoir in any one day during this period.

## WATER QUALITY

The Authority complied with the sampling program determined by the Department of Human Services for the 2003/2004 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 at the water purification plant and the associated reticulation system. The carbon dosing plant operated full time during 2003/2004 with significant water quality improvements being observed.

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

## WATER CONSUMPTION

Water District	Actual Annual Consumption (ML) and Number of Assessments (No.)				Unaccounted Water	Production Loss	Total Annual Consumption	Total Number Assessments	Average Annual Demand
	Retail Urban-Residential		Retail Urban-Non Residential						
	ML	No.	ML	No.	ML	ML	ML	No.	kL
Candowie Reservoir	1250	14077	559	920	245	50	2104	14997	121

## EQUAL EMPLOYMENT OPPORTUNITY (MERIT AND EQUITY PRINCIPLES)

The Authority 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, ensures that 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 on the basis of an attribute of a relative or associate is 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

Westernport Water was required to invoke its Drought Response Plan during the reporting period.

During 2003/2004 the Authority accepted changes to its 4 stage restriction policy. The existing trigger levels were based on a 1997 study on the capacity of the dam and associated consumption trends. Since adoption of these trigger levels in 1997 water consumption increased approximately 13%. This was based significantly on population growth.

The trigger levels for the 4-stage restriction policy were altered to reflect these variations.

The increase in the restriction trigger levels have now been set to allow for some future increase in consumption whilst maintaining the ability to restrict demand in a prolonged drought or other unforeseen circumstance.

## MULTICULTURAL STATEMENT

Westernport 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 Westernport Water operates in an EEO environment and policies and procedures are in place to support this. Specifically in terms of youth Westernport Water developed and is implementing a Scholarship to support and retain local youth in the area.

## OCCUPATIONAL HEALTH AND SAFETY

The Authority 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 the OH&S management systems is anticipated to ensure Westernport Water continues to be a safe place to work. A complete review of policies and procedures has commenced. In addition a full risk audit of operational sites including the new Administration and Operations complex, has been completed to ensure compliance with all associated regulations. In addition risk assessments in relation to Dangerous Goods and Ergonomics have been completed. Asbestos and Hazardous Substances risk assessments have

been commenced with preliminary data collection being completed. The risk assessment process will be completed by August 2004. A comprehensive refresher training program has been implemented and extended to include our day labour contractors.

In addition to work place safety The Authority has developed a comprehensive preventative health services tender. The contract is to be let in August 2004.

## WORKFORCE DATA

Westernport Water's organisational restructure is now complete and the number of equivalent full time staff members at 30 June 2004 is outlined below:

## WORKFORCE DATA

Directorate	EFT		Male		Female	
	2004	2003	2004	2003	2004	2003
Corporate Governance	3	3	2	2	1	1
Business Processes	4	4	3	3	1	1
Corporate Services	13	12	5	5	8	7
Assets Planning & Delivery	5	6	5	6	0	0
Operations	18	17	18	17	0	0
<b>Total</b>	<b>43</b>	<b>42</b>	<b>33</b>	<b>33</b>	<b>10</b>	<b>9</b>

## EXECUTIVES

Directorate	EFT		Male		Female	
	2004	2003	2004	2003	2004	2003
Corporate Governance	1	1	1	1	0	0
Business Processes	1	1	1	1	0	0
Corporate Services	1	1	1	1	0	0
Assets Planning & Delivery	1	1	1	1	0	0
Operations	1	1	1	1	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>

All executive roles are classified as ongoing, there are no executive roles undertaking special projects.

## COMPLIANCE WITH THE BUILDING ACT 1993

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

## VICTORIAN INDUSTRY PARTICIPATION POLICY

Westernport Water is aware of the State Government's Victorian Participation Policy. The Authority has no projects within the required threshold to require application of this Policy in 2003/2004.

## AUTHORITY INFORMATION

Information required in accordance with FRD22 of the Financial Management Act is available to the Minister, Members of Parliament and the public on request.

## NATIONAL COMPETITION POLICY

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

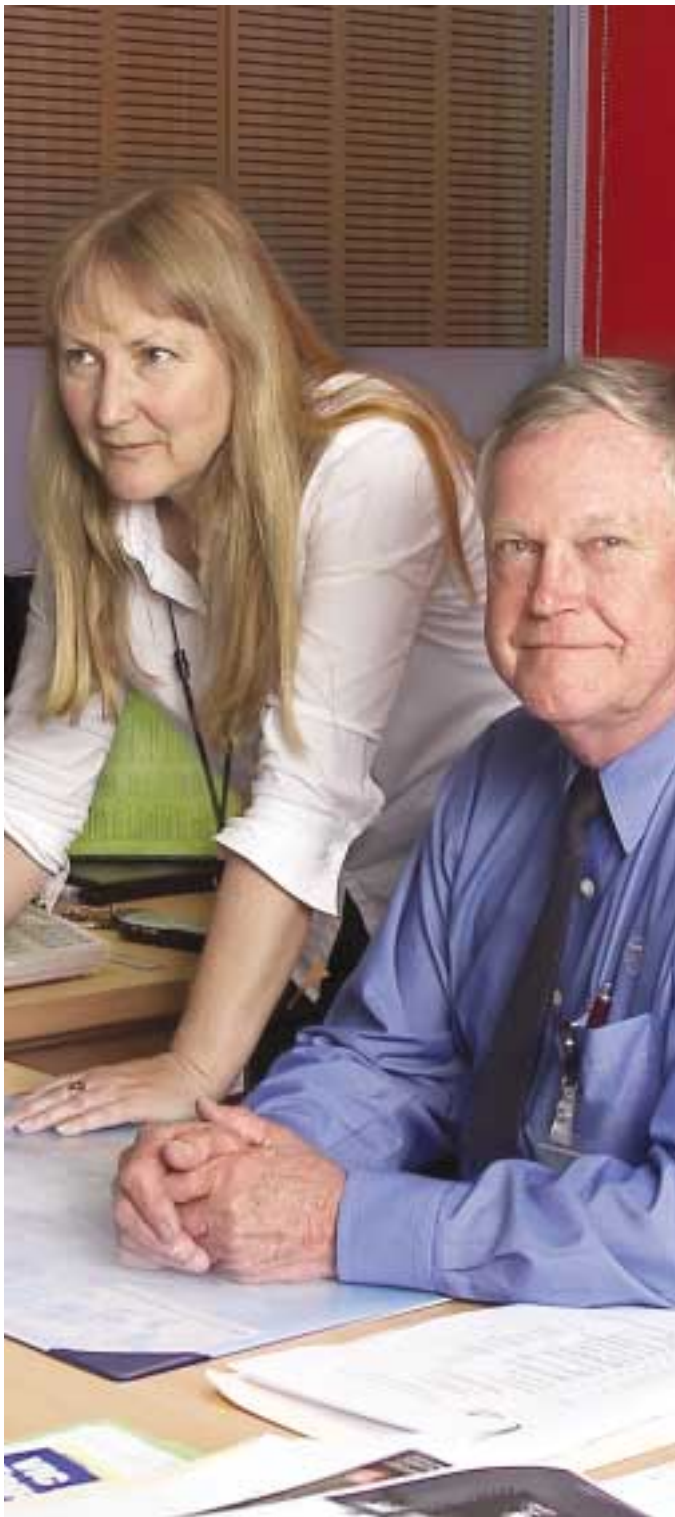
## FREEDOM OF INFORMATION

No Freedom of Information requests were received by Westernport Water during the 2003/2004 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.

## MAJOR WATER SERVICES AGREEMENT PROJECTS

All major projects contained within the Water Services Agreement have been completed by June 2004 with the exception of

1. Candowie Reservoir sediment trap/wetlands, boundary tree planting. This project was deferred pending the result of the supply augmentation decision.
2. Ongoing upgrade of Cowes Wastewater Treatment Plant. Stage one of the upgrade was completed in 2003/04, future staged upgrade works have been planned over a 5 year period.



**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.

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).

Nil

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  
 Westernport Region Water Authority  
 2 Boys Home Road, Newhaven, Victoria 3925.  
 Telephone: (03) 5956 4100  
 Facsimile: (03) 5956 4101  
 Email: schambers@westernportwater.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 Members of Westernport Water during 2003/2004.

### Consultancies

No consultancies in excess of \$100,000 were entered into during 2003/2004.

### Consultancies under \$100,000

Number of consultants	Expenditure to 30/06/2004	Total Commitment	Total Amount O/Standing
Total of 34 consultants	\$812,207	\$948,136	\$135,929

### SUMMARY OF CHARGES

Charges	2003/2004	2002/2003	2001/2002	2000/2001	1999/2000
<b>Water Supply</b>					
Base Service charge	\$175.50	\$175.50	\$175.50	\$171.00	\$171.00
Peak charge per kilolitre	\$1.07	\$1.05	\$1.03	\$1.00	\$1.00
Off peak charge per kilolitre	\$0.635	\$0.62	\$0.61	\$0.60	\$0.60
Headworks charge	\$2,835.00	\$2,750.00	\$2,750.00	\$2,500.00	\$2,250.00
<b>Wastewater Disposal</b>					
Base service charge - house	\$318.00	\$315.00	\$315.00	\$306.00	\$306.00
Base service charge - land	\$180.00	\$180.00	\$180.00	\$201.00	\$201.00
<b>Cistern charge</b>					
(per cistern for more than two)	\$115.50	\$114.00	\$114.00	\$111.00	\$111.00
Outfall charge	\$2,250.00	\$2,250.00	\$2,250.00	\$1,900.00	\$1,750.00



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## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$'000	2003 \$'000
<b>REVENUE FROM ORDINARY ACTIVITIES</b>			
Revenue from operating activities			
Service charges	1(b) 2(a)	6,968	6,736
Volumetric charges (water)	1(b)	1,609	1,878
Government contributions	1(b) 2(a)	-	4
Developer contributions	1(b) 2(a)	1,615	3,422
<b>Total operating revenue</b>		<b>10,192</b>	<b>12,040</b>
Revenue from non-operating activities			
Interest	1(b)	158	151
Proceeds from sale of assets	1(b) 2(b)	360	110
Other revenue		507	296
Owner contributed assets	2(c) 1(d)	6,810	-
<b>Total non-operating revenue</b>		<b>7,835</b>	<b>557</b>
Expenses from ordinary activities			
Depreciation	1(e) 2(b)	2,715	2,593
Employee benefits	1(j)	2,935	2,516
Repairs and maintenance expense	1(d)	554	453
Written-down value of assets sold	2(b)	383	122
Supplies, materials and contractors		2,641	2,598
<b>Total expenses from ordinary activities</b>		<b>9,228</b>	<b>8,282</b>
Borrowing costs	1(c) 2(b)	263	360
<b>Surplus from ordinary activities before tax</b>		<b>8,536</b>	<b>3,955</b>
Income tax expense	1(m)	-	-
<b>Net result for reporting period</b>	13(b)	<b>8,536</b>	<b>3,955</b>
<b>Total changes in equity other than those resulting from transactions with the Victorian State Government as owner</b>			
		<b>8,536</b>	<b>3,955</b>

The accompanying notes form part of these financial statements

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash assets	1(f), 3	1,632	1,308
Receivables	1(g), 4	1,114	1,442
Inventories	1(h), 5	335	240
Other assets	6	654	751
<b>Total current assets</b>		<b>3,735</b>	<b>3,741</b>
<b>Non-current assets</b>			
Receivables	1(g), 4	236	311
Property, plant and equipment	1(d), 7, 8	104,027	95,050
<b>Total non-current assets</b>		<b>104,263</b>	<b>95,361</b>
<b>TOTAL ASSETS</b>		<b>107,998</b>	<b>99,102</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1(i), 9	916	925
Interest bearing liabilities	10	677	553
Employee benefits	1(j), 11	304	251
<b>Total current liabilities</b>		<b>1,897</b>	<b>1,729</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	10	4,639	4,131
Employee benefits	1(j), 11	148	121
<b>Total non-current liabilities</b>		<b>4,787</b>	<b>4,252</b>
<b>TOTAL LIABILITIES</b>		<b>6,684</b>	<b>5,981</b>
<b>NET ASSETS</b>		<b>101,314</b>	<b>93,121</b>
<b>Equity</b>			
Contributed capital	1(b), 12	51,323	51,323
Asset revaluation reserve	13(a)	36,888	36,888
Accumulated surplus	13(b)	13,103	4,910
<b>EQUITY</b>		<b>101,314</b>	<b>93,121</b>

The accompanying notes form part of these financial statements

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rates, tariffs fees and charges		8,654	8,431
Interest		153	168
Other revenues		474	181
Other		-	4
		<b>9,281</b>	<b>8,784</b>
<b>Payments</b>			
Employees		(2,835)	(2,500)
Supplies, materials & contractors		(3,134)	(2,979)
Borrowing costs		(263)	(401)
<b>Net cash provided by operating activities</b>	14(b)	<b>3,049</b>	<b>2,904</b>
<b>Cash Flows from Investing Activities</b>			
Income received for capital purposes		1,934	2,406
Payments for property, plant & equipment		(5,308)	(4,798)
Proceeds from sale of non-current assets		361	110
<b>Net cash (used in) investing activities</b>		<b>(3,013)</b>	<b>(2,282)</b>
<b>Cash Flows from Financing Activities</b>			
Capital contributed		-	335
Proceeds from borrowings		1,200	3,000
Repayment of borrowings		(569)	(3,484)
Dividends paid		(343)	(737)
<b>Net cash provided by / (used in) financing activities</b>		<b>288</b>	<b>(886)</b>
<b>Net movement in cash</b>			
Cash at beginning of financial year		1,308	1,572
Cash at end of financial year	14(a)	1,632	1,308

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

##### *General*

This financial report of Westernport 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 on a trimester basis 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 rents*

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. Borrowing costs include interest on bank overdrafts and interest on borrowings.

#### (d) Recognition and measurement of assets

##### *Acquisition*

The purchase method of accounting is used for all acquisitions of assets, 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 less than \$1,000 and a useful life of more than one year are recognised as an asset in a Low Value Pool. All other assets acquired are expensed at the time of purchase.

##### *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.

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### (d) Recognition and measurement of assets continued

#### *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 carrying amount of Westernport's infrastructure assets has been assessed in accordance with AASB1010 Recoverable Amount. From a review of the un-discounted future net cash flows, the Authority's assets do not exceed their recoverable amount from continued use and their subsequent disposals and, as such, no adjustments to these values is required.

#### *Revaluation*

Receivables, plant and machinery, vehicles and office furniture and equipment are valued at historical cost.

#### *Land and buildings:*

Land and buildings were valued at fair value. The revaluation was carried out by independent valuers Urbis as at 30th June 2002. Fair value being the amounts which assets could be exchanged between willing parties in an arm's length transaction based on current prices in an active market for similar properties in the same location and condition.

#### *Infrastructure assets:*

Infrastructure assets were valued at deprival value. The revaluation was carried out by independent valuers Meritec Pty Ltd and Maunsell Australia Pty Ltd as at 30th June 2002.

The adopted method for establishing a deprival 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.

Deprival 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 on a progressive basis, over a five-year period.

### (d) Recognition and measurement of assets continued

#### *Owner contributed Assets*

The Authority has, after an extensive period of public consultation for the first time this year accepted responsibility and ownership of the property service pipe that includes the pipes and fittings from the water main to the water meter.

The owner contributed assets were valued by Maunsell Australia Pty Ltd as at 30th June, 2004 using the deprival value method.

### (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:

Land & Buildings	Periods
Buildings	40 years
<b>Infrastructure</b>	
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
Other assets	
- Equipment	5-10 years
- Machinery	5-10 years
- Furniture & computers	2.5-13years

### (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.

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### (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.

#### *Livestock*

The Authority hold livestock all of which are steers, average age twelve months. The livestock are located at Westernport's farming property/treatment plant at King Road, Bass.

An independent valuation of livestock was undertaken by Elders VP of Korumburra on 29 June 2004.

### (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 employee's 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 expected 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 term of the contracts to balance date.

#### *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 plan's assets at that date.

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.

### (k) 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 'arm's-length' basis and are eliminated on consolidation.

### (l) 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.

### (m) Taxation

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 \$3,282,843 (total carried forward losses from prior year(s) \$3,503,841).

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.



## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

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 2004 in respect of tax losses not brought to account is \$984,853.

### (n) 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, in the year ended 30 June 2004 was \$343,850 (30 June 2003 - \$737,000).

### (o) 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 cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

### (p) Impacts of adopting AASB equivalents to IASB standards

For financial reporting periods on or after 1 January 2005, all Australian reporting entities are required to adopt the financial reporting requirements of the Australian equivalents to International Financial Reporting Standards (IFRS). The Authority has commenced transiting to its accounting policies and financial reporting from current accounting standards to Australian equivalents of International Financial Reporting Standards (IFRS)

The Authority has allocated internal resources and engaged expert consultants to identify the key areas that will be impacted by the transition to IFRS. The Authority has identified a number of changes (whose financial effects are immaterial) to the existing accounting policies that would have an impact on its financial position and future financial performance on adoption of the requirements of the Australian equivalents to IFRS. These include:

#### *Property, Plant and Equipment*

Under AASB116 Property, Plant and Equipment, the Authority will be required to account for the revaluation of assets on an individual basis, rather than using an asset class approach. Revaluation decrements for an asset will no longer be able to be offset against increments for other assets in the same class but will be charged to the Statement of Financial Performance, while movements will be taken to the asset revaluation reserve.

#### *Financial Instruments, Recognition and Measurement*

Under AASB139 Financial Instruments, Recognition and Measurement, all financial instruments to be marked to market and recorded at fair value in the Balance Sheet.

#### *Income Tax*

Under AASB 112 Income Taxes - the authority will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the statement of financial position or a tax based balance sheet.

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>NOTE 2 STATEMENT OF FINANCIAL PERFORMANCE - DISCLOSURES</b>		
<b>(a) Revenue</b>		
<b>Service charges</b>		
Sewerage charges	4,170	3,992
Trade waste charges	62	58
Water service charges	2,736	2,686
	<b>6,968</b>	<b>6,736</b>
<b>Government contributions</b>		
Operating	-	4
<b>Developer contributions</b>		
Fees paid by developers	1,633	3,147
Discounts given on owner contributions	(18)	(88)
Assets received from developers	-	363
	<b>1,615</b>	<b>3,422</b>
<b>(b) Net gains and expenses</b>		
The surplus from ordinary activities includes the following specific net gains		
<b>Net (loss) on disposal</b>		
Property, plant and equipment	(23)	(12)
<b>Expenses</b>		
<i>Depreciation</i>		
Buildings	25	8
Water infrastructure	786	778
Wastewater infrastructure	1,537	1,486
Plant, equipment and motor vehicles	367	321
<i>Total depreciation</i>	<b>2,715</b>	<b>2,593</b>
Bad and doubtful debts	30	29
Borrowing cost expense	263	360
Rental expense - operating lease	17	55
Superannuation contributions	276	234
<i>Auditors' remuneration</i>		
Auditor-General for audit of financial statements	23	22
Internal audit - other auditors	30	16
Other services - other auditors	1	5
	<b>54</b>	<b>43</b>

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>NOTE 2 STATEMENT OF FINANCIAL PERFORMANCE - DISCLOSURES (CONTINUED)</b>		
<b>(c) Individually significant items</b>		
Unfunded superannuation liability as declared	-	140
Preliminary expenditure - Business diversification	59	95
Contractor debts written-off in the past year relate to the cost incurred in assuming debt of sub-contractors following default of principal contractor in construction of new office and depot complex. This amount was partially recovered from the draw down of bank guarantees held by Westernport Water.	(78)	295
Water service pipes -The Authority assumed responsibility and ownership of the property service pipes that include the pipes and fittings from the water main to the property meters. Refer note 1(d)	6,810	-
<b>NOTE 3 CASH ASSETS</b>		
Cash on hand and at bank	138	84
Deposits at call	1,494	1,224
	<b>1,632</b>	<b>1,308</b>
<b>NOTE 4 RECEIVABLES</b>		
<i>Current</i>		
Trade debtors	978	1,341
Less: provision for doubtful debts	(130)	(130)
Other debtors	266	231
	<b>1,114</b>	<b>1,442</b>
<i>Non-current</i>		
Debtors	236	311
	<b>236</b>	<b>311</b>
<b>NOTE 5 INVENTORIES</b>		
Spares and consumables	266	240
Livestock (cattle 100)	69	-
	<b>335</b>	<b>240</b>

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$'000	2003 \$'000
<b>NOTE 6 OTHER ASSETS</b>			
<i>Current</i>			
Accrued revenue		654	751
<b>NOTE 7 PROPERTY, PLANT AND EQUIPMENT</b>			
Classes of property, plant and equipment			
<i>Land</i>			
at valuation	1(d)	3,165	3,165
at cost		781	70
		<b>3,946</b>	<b>3,235</b>
<i>Buildings</i>			
at valuation	1(d)	109	330
less: accumulated depreciation		(6)	(16)
at cost		3,584	-
less: accumulated depreciation		(19)	-
		<b>3,668</b>	<b>314</b>
<i>Water infrastructure</i>			
at valuation	1(d)	41,607	34,797
less: accumulated depreciation		(2,315)	(1,543)
at cost		635	288
less: accumulated depreciation		(22)	(7)
		<b>39,905</b>	<b>33,535</b>
<i>Wastewater infrastructure</i>			
at valuation	1(d)	52,570	52,570
less: accumulated depreciation		(4,115)	(2,830)
at cost		4,217	2,640
less: accumulated depreciation		(299)	(48)
		<b>52,373</b>	<b>52,332</b>
<i>Equipment and motor vehicles</i>			
at cost		3,111	2,262
less: accumulated depreciation		(1,262)	(1,067)
		<b>1,849</b>	<b>1,195</b>
Works under construction		2,286	4,439
		2,286	4,439
<b>Total</b>		<b>104,027</b>	<b>95,050</b>

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### NOTE 8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements during the reporting period

	Opening WDV	Additions	Disposals	Depreciation	Closing WDV
<i>Land</i>					
at valuation	3,165	-	-	-	3,165
at cost	70	711	-	-	781
	<b>3,235</b>	<b>711</b>	<b>-</b>	<b>-</b>	<b>3,946</b>
<i>Buildings</i>					
at valuation	314	-	(205)	(6)	103
at cost	-	3,584	-	(19)	3,565
	<b>314</b>	<b>3,584</b>	<b>(205)</b>	<b>(25)</b>	<b>3,668</b>
<i>Water infrastructure</i>					
at valuation	33,254	6,810	-	(700)	39,364
at cost	281	346	-	(86)	541
	<b>33,535</b>	<b>7,156</b>	<b>-</b>	<b>(786)</b>	<b>39,905</b>
<i>Wastewater infrastructure</i>					
at valuation	49,740	-	-	-	49,740
at cost	2,592	1,578	-	(1,537)	2,633
	<b>52,332</b>	<b>1,578</b>	<b>-</b>	<b>(1,537)</b>	<b>52,373</b>
<i>Equipment and motor vehicles</i>					
at cost	1,195	1,200	(179)	(367)	1,849
	<b>1,195</b>	<b>1,200</b>	<b>(179)</b>	<b>(367)</b>	<b>1,849</b>
Works under construction	4,439	5,422	(7,575)	-	2,286
	<b>4,439</b>	<b>5,422</b>	<b>(7,575)</b>	<b>-</b>	<b>2,286</b>
<b>Total property, plant and equipment</b>	<b>95,050</b>	<b>19,651</b>	<b>(7,959)</b>	<b>(2,715)</b>	<b>104,027</b>

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>NOTE 9 PAYABLES</b>		
Trade creditors	666	585
Other creditors	250	340
	<b>916</b>	<b>925</b>
<b>NOTE 10 INTEREST BEARING LIABILITIES</b>		
<i>Current</i>		
Other loans	677	553
	<b>677</b>	<b>553</b>
<i>Non-current</i>		
Other loans	4,639	4,131
	<b>4,639</b>	<b>4,131</b>
<b>NOTE 11 EMPLOYEE BENEFITS</b>		
<i>Current</i>		
- Annual leave	270	154
- Long service leave	34	37
Other	-	60
	<b>304</b>	<b>251</b>
<i>Non-current</i>		
- Long service leave	148	121
	<b>148</b>	<b>121</b>
<b>Number of employees at reporting date</b>	<b>45</b>	<b>47</b>
As explained in Note 1 (j) 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%	4.75%
Weighted average discount rates	3.64%	2.26%
Weighted average terms to settlement of the liability	5.1 years	5.3 years

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>NOTE 12 CONTRIBUTED CAPITAL</b>		
Balance at beginning of reporting period	51,323	50,987
Capital contributions	-	336
<b>Balance at end of reporting period</b>	<b>51,323</b>	<b>51,323</b>
<b>NOTE 13 RESERVES AND ACCUMULATED SURPLUS</b>		
<b>(a) Asset revaluation reserve</b>		
Opening balance	36,888	36,888
<b>Closing balance</b>	<b>36,888</b>	<b>36,888</b>
<b>(b) Accumulated surplus</b>		
Opening balance	4,910	1,692
Profit from ordinary activities	8,536	3,955
Dividend paid	(343)	(737)
<b>Accumulated surplus at the end of the reporting period</b>	<b>13,103</b>	<b>4,910</b>
<b>NOTE 14 CASH FLOW DISCLOSURES</b>		
<b>(a) Cash at the end of the year, as shown in the Statement of Cash Flows, reconciled to the related items as follows:</b>		
Cash at bank and on hand	138	84
Deposits at call	1,494	1,224
	<b>1,632</b>	<b>1,308</b>
<b>(b) Reconciliation of net cash provided by operating activities to operating surplus</b>		
Operating result	8,536	3,955
Depreciation	2,715	2,593
Developer contributions for capital purposes	(1,615)	(3,422)
Owner contributed Assets	(6,810)	-
Bad debts written off	30	29
Net loss on sale of non-current assets	23	12
Change in operating assets and liabilities		
Decrease(increase) in receivables	(33)	(100)
Decrease(increase) in inventories	(97)	(6)
Decrease (increase) in other operating assets	95	(142)
(Decrease) increase in payables	128	1
(Decrease) increase in provisions	77	(16)
<b>Net cash from operating activities</b>	<b>3,049</b>	<b>2,904</b>

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### NOTE 15 FINANCIAL INSTRUMENTS

#### (a) Accounting policy, terms and conditions

Recognised financial instruments	Accounting policy	Terms and condition
<b>Financial assets</b>		
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 an average interest rate of 4.95% (4.7% in 2003). The interest rate at balance date was 5.2% (4.7% in 2003).
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 10% (9% - 2003). Property owners required to meet the cost of works may pay by instalments over 10 years at an interest rate of 10% on outstanding balances. Property owners required to meet the cost of works in eligible new town sewerage schemes may pay by instalments 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 instalments over 10 years at an interest rate of 10% on outstanding balances. Property owners required to meet the cost of works in eligible new town sewerage schemes may pay by instalments over 20 years.
<b>Financial liabilities</b>		
Payables	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Authorities 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. Finance leases are accounted for at their principal amount with the lease payments discounted to present value using the interest rates implicit in the leases.	The credit foncier loans are repayable in instalments over 10 year terms. Interest rates range from 4.9357% to 6.0031%. As at balance date, the Authority had no finance leases.



## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### 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	
			One year or less		One to 5 years		Over 5 years							
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Financial assets</i>														
Cash assets	1,632	1,308	-	-	-	-	-	-	-	-	1,632	1,308	4.95%	4.70%
Receivables	-	-	118	156	31	48	-	-	1,201	1,549	1,350	1,753	10.00%	9.00%
Other assets	-	-	-	-	-	-	-	-	654	751	654	751		
<b>Total financial assets</b>	<b>1,632</b>	<b>1,308</b>	<b>118</b>	<b>156</b>	<b>31</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>1,855</b>	<b>2,300</b>	<b>3,636</b>	<b>3,812</b>		
<i>Financial liabilities</i>														
Payables	-	-	-	-	-	-	-	-	916	925	916	925		
Interest-bearing liabilities	-	-	677	553	2,708	2,869	1,931	1,262	-	-	5,316	4,684	5.73%	5.70%
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>677</b>	<b>553</b>	<b>2,708</b>	<b>2,869</b>	<b>1,931</b>	<b>1,262</b>	<b>916</b>	<b>925</b>	<b>6,232</b>	<b>5,609</b>		

#### (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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
	<i>Financial assets</i>			
Cash assets	1,632	1,308	1,632	1,308
Receivables	2,004	1,753	1,928	1,662
Other assets	-	751	-	751
<b>Total financial assets</b>	<b>3,636</b>	<b>3,812</b>	<b>3,560</b>	<b>3,721</b>
<i>Financial liabilities</i>				
Payables	916	925	916	925
Interest-bearing liabilities	5,316	4,684	5,283	4,433
<b>Total financial liabilities</b>	<b>6,232</b>	<b>5,609</b>	<b>6,199</b>	<b>5,358</b>

#### (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 2004

### NOTE 16 SEGMENT INFORMATION

Primary reporting – business segments	Water		Wastewater		Inter-segment elimination		Consolidated	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Sales to external customers	4,357	4,536	4,202	4,050	-	-	8,559	8,586
Inter-segment sales	-	-	-	-	33	28	33	28
<b>Total sales revenue</b>	<b>4,357</b>	<b>4,536</b>	<b>4,202</b>	<b>4,050</b>	<b>33</b>	<b>28</b>	<b>8,592</b>	<b>8,614</b>
Other revenue	8,072	1,821	1,363	2,162	-	-	9,435	3,983
<b>Total segment revenue</b>	<b>12,429</b>	<b>6,357</b>	<b>5,565</b>	<b>6,212</b>	<b>33</b>	<b>28</b>	<b>18,027</b>	<b>12,597</b>
<b>Surplus</b>	<b>8,113</b>	<b>2,363</b>	<b>456</b>	<b>1,564</b>	<b>33</b>	<b>28</b>	<b>8,602</b>	<b>3,955</b>
Segment assets	40,524	39,440	60,664	59,662	-	-	101,188	99,102
<b>Total assets</b>	<b>47,334</b>	<b>39,440</b>	<b>60,664</b>	<b>59,662</b>	<b>-</b>	<b>-</b>	<b>107,998</b>	<b>99,102</b>
Segment liabilities	3,285	2,990	3,399	2,991	-	-	6,684	5,981
<b>Total Liabilities</b>	<b>3,285</b>	<b>2,990</b>	<b>3,399</b>	<b>2,991</b>	<b>-</b>	<b>-</b>	<b>6,684</b>	<b>5,981</b>
<b>Acquisition of property, plant and equipment, intangibles and other non-current segment assets</b>	<b>8,909</b>	<b>1,994</b>	<b>2,768</b>	<b>3,079</b>	<b>-</b>	<b>-</b>	<b>11,677</b>	<b>5,073</b>
<b>Depreciation expense</b>	<b>982</b>	<b>942</b>	<b>1,733</b>	<b>1,651</b>	<b>-</b>	<b>-</b>	<b>2,715</b>	<b>2,593</b>
<b>Inventory write-down</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>NOTE 17 COMMITMENTS</b>		
<b>Capital commitments</b>		
At 30 June the Authority had the following capital commitments:		
Outstanding capital commitments are likely to be exercised as follows:		
within one year	146	861
<b>Operating commitments</b>		
<b>Lease commitments</b>		
<i>(a) Leased to the Authority</i>		
The Authority no longer leases land and buildings. Therefore there are no further lease commitments:		
Not later than 1 year	-	20
<i>(b) Leased by the Authority</i>		
The Authority no longer leases land, which is not currently required for its operations, for farming purposes. Expected future receipts are nil:		
Not later than 1 year	-	5
<b>NOTE 18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS</b>		
<i>Contingent assets</i>		
The Authority has called in two bank guarantees. These transactions resulted from a default on a contract agreement. The bank guarantees have been received and the matter is now finalised		
	-	136
<i>Contingent liabilities</i>		
Action has been initiated against the Authority for unspecified damages. The matter is presently being resolved through the Energy and Water Ombudsman (Victoria). The extent of any potential liability is yet to be determined.		

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### 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.

#### *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:

<b>Name of scheme</b>	<b>Contribution rate</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Miscellaneous Schemes	9.00%	63	71
Local Authorities Superannuation	9.00%	170	125
Local Authorities LASPLAN	9.25%	43	38
Unfunded Liability payment		-	140
<b>Total contributions to all funds</b>		<b>276</b>	<b>374</b>

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### NOTE 20 RESPONSIBLE PERSONS RELATED DISCLOSURES

#### (a) Responsible Persons

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

##### *Responsible Minister*

- The Hon John Thwaites MP, Minister for Water

##### *Directors*

- Pamela Cameron (Chairperson)
- Clyde Paterson (Director)
- Anthea Dacy (Director)
- Eric (Tim) Ealey (Director)
- Ian Purbrick (Director)
- Susan Walpole (Director)
- Philip Westwood (Deputy Chairperson)

##### *Accountable Officer*

- 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.

	2004 \$'000	2003 \$'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).	279	266

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

Income Band	2004 Number	2003 Number
\$10,000 - 19,999	6	6
\$30,000 - 39,999	1	1
\$130,000 - 139,999	0	1
\$150,000 - 159,999	1	0

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>NOTE 20 RESPONSIBLE PERSONS RELATED DISCLOSURES (CONTINUED)</b>		
<b>(a) Responsible Persons (continued)</b>		
<i>Responsible persons retirement benefits</i>		
The superannuation benefits paid by the Authority in connection with the retirement of responsible persons totalled:	21	18
<i>Loans</i>		
There were loans in existence by the Authority to responsible persons or related parties at the date of this report. Loans totalled:	5	-
<b>b) Executive officers' remuneration</b>		
Total remuneration, including bonuses, paid or payable during the year by the Authority to executive officers whose remuneration exceeded \$100,000	324	-
Bonuses, paid or payable, during the year pursuant to employment contracts included in the above remuneration	38	-
The number of executive officers whose remuneration from the Authority was within the specified bands are as follows:		
<i>Income Band</i>		
\$100,000 - 109,999	3	-
<b>NOTE 21 FINANCING FACILITIES</b>		
Credit standby arrangements:		
The Authority has temporary financial accommodation approval of \$250,000 for the period ended 30 June 2004.		

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### NOTE 22

#### Statement of financial position of wholesale and retail segments

In accordance with Directions issued by the Minister for Agriculture and Resources 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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Revenue from ordinary activities</b>						
Service charges	-	-	6,968	6,736	6,968	6,736
Volumetric charges	864	896	745	982	1,609	1,878
Government contributions	-	-	-	4	-	4
Developer contributions	-	-	1,615	3,422	1,615	3,422
<b>Revenue from outside ordinary activities</b>						
Interest	-	-	158	151	158	151
Proceeds from sale of assets	-	-	360	110	360	110
Other revenue	4	4	503	292	507	296
Owner Contributed Assets	-	-	6,810	-	6,810	-
<b>Total revenue</b>	<b>868</b>	<b>900</b>	<b>17,159</b>	<b>11,697</b>	<b>18,027</b>	<b>12,597</b>
<b>Expenses of ordinary activities</b>						
Depreciation	195	186	2,520	2,407	2,715	2,593
Employee expenses	130	113	2,805	2,403	2,935	2,516
Repairs and maintenance expense	91	29	463	424	554	453
Write-down amount of asset sold	-	-	383	122	383	122
Supplies, materials and contractors	426	536	2,215	2,062	2,641	2,598
<b>Total expenses</b>	<b>842</b>	<b>864</b>	<b>8,386</b>	<b>7,418</b>	<b>9,228</b>	<b>8,282</b>
Borrowing costs	26	36	237	324	263	360
<b>Profit/(loss) from ordinary activities before tax</b>	<b>-</b>	<b>-</b>	<b>8,536</b>	<b>3,955</b>	<b>8,536</b>	<b>3,955</b>
Income Tax expense (revenue)	-	-	-	-	-	-
<b>Net result for the reporting period</b>	<b>-</b>	<b>-</b>	<b>8,536</b>	<b>3,955</b>	<b>8,536</b>	<b>3,955</b>
<b>Total changes in equity other than those resulting from transactions with the Victorian State Government as owner</b>	<b>-</b>	<b>-</b>	<b>8,536</b>	<b>3,955</b>	<b>8,536</b>	<b>3,955</b>

## NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

### NOTE 23

#### STATEMENT OF FINANCIAL POSITION DISAGGREGATED AS AT 30 JUNE 2004

	Wholesale		Retail		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Assets</i>						
Cash assets	-	-	1,632	1,308	1,632	1,308
Property, plant and equipment	8,713	8,255	95,314	86,750	104,027	95,005
Other assets	-	-	2,339	2,789	2,339	2,789
<b>Total assets</b>	<b>8,713</b>	<b>8,255</b>	<b>99,285</b>	<b>90,847</b>	<b>107,998</b>	<b>99,102</b>
<i>Liabilities</i>						
Payables	-	-	916	925	916	925
Interest bearing liabilities	-	-	5,316	4,684	5,316	4,684
Employee benefits	-	-	452	372	452	372
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>6,684</b>	<b>5,981</b>	<b>6,684</b>	<b>5,981</b>
<b>NET ASSETS</b>	<b>8,713</b>	<b>8,255</b>	<b>92,601</b>	<b>84,866</b>	<b>101,314</b>	<b>93,121</b>

#### STATEMENT OF CASH FLOWS DISAGGREGATED FOR YEAR ENDED 30 JUNE 2004

	Wholesale		Retail		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Net cash from operating activities	-	222	3,049	2,682	3,049	2,904
Cash flow used in investment activities	(301)	(222)	(2,712)	(2,060)	(3,013)	(2,282)
Cash flow used in financing activities	-	-	288	(886)	288	(886)

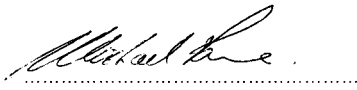


**STATUTORY CERTIFICATE  
WESTERNPORT REGION WATER AUTHORITY  
FOR THE YEAR ENDED 30 JUNE 2004**

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

We further state that, in our opinion, the information set out in the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to and forming part of the Financial Statements, presents fairly the financial transactions during the year to 30 June 2004 and the financial position of the Authority as at 30 June 2004 ended.

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



**Michael Paine**  
Chief Executive Officer  
Accountable Officer



**Pamela Cameron**  
Chairperson

17<sup>th</sup> September, 2004  
Dated



**AUDITOR-GENERAL'S REPORT**

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

**Audit Scope**

The accompanying financial report of Westernport Region Water Authority for the financial year ended 30 June 2004, comprising 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 Authority 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 Authority 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 2004 and its financial performance and cash flows for the year then ended.

MELBOURNE  
24 September 2004



I.W. CAMERON  
Auditor-General

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# Directory

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Facsimile  
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westport@westernportwater.com.au

Web site  
<http://www.westernportwater.com.au>

## Auditors

Auditor General Victoria  
By agent  
RMS Bird Cameron

Bankers  
National Australia Bank





WESTERNPORT WATER ANNUAL REPORT 2004