



Investing in a sustainable future

Westernport Water Annual Report 2008



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Strategic Intent

"To be a smart company providing quality water services and more"

We value our community, our reputation, our people and outstanding performance.



Behavioural Charter

The Victorian Public Sector Code of Conduct is issued to all employees upon induction to promote appropriate standards of integrity and conduct.

Our employees have been involved in the development and acceptance of our own Behavioural Charter and this supports the Code of Conduct.

The behaviours encouraged under the Charter are:

- Showing respect
- Encouraging and creating quality
- Being responsible
- Being honest



Westernport Water: *Key statistics at a glance*

Permanent
population

13,440¹

Peak
population

60,000

Total
properties

16,144²

Water
mains (KM)

374

Sewer
mains (KM)

308

Connected
domestic water
customers

13,224

Connected
non-domestic
water customers

1,081

Connected
domestic
sewerage
customers

12,378

Connected
non-domestic
sewerage
customers

497

Volume of water
distributed
(ML)

1,946³

Candowie
Reservoir
capacity (ML)

2,263⁴

Nature and range of services provided

Westernport Region Water Corporation (trading as Westernport Water) provides water and wastewater services to properties located within its district. Water is sourced from Tennent Creek in the Bass Hills near Glen Forbes, the Bass River and the Corinella Aquifer. Source water is transferred to Candowie Reservoir prior to treatment at the Ian Bartlett Water Purification Plant, which uses advanced filtration techniques to enhance water quality before distribution to communities through a network of supply mains. Wastewater services are provided to approximately 90% of properties that are connected to the reticulated water supply.

The Corporation has two wastewater treatment plants. The Cowes Wastewater Treatment Plant services 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 Westernport Bay. Wastewater from the townships of Kilcunda and Dalyston is treated under agreement by South Gippsland Water at its Wonthaggi Treatment Plant.

In addition the Corporation provides the following services:

- The sale of recycled water for recreational, horticultural and pastoral activities
- A reticulated gas business

- Removal of minor trade wastes (greasy wastes) – no major industrial trade waste producers currently exist within the serviced area
- A liquid waste disposal facility installed at the Cowes Wastewater Treatment Plant
- Other utility-orientated services including specialist advice on infrastructure and facility design for new developments.

1 2006 Census analysis – some suburbs not counted but are within Westernport Water service area, increased by 2% growth factor

2 Includes all property types

3 Total water recorded on flow meter at IBWPP

4 Increased capacity due to surface survey at end of 2005-06

Water quality meeting E.coli standard (%)

99.8

EPA licence compliance (%)

100

Volume of effluent produced (ML)

1068

Volume of effluent used (ML)

212

Overall customer satisfaction (%)

88

Total revenue (\$M)

13.5

Total profit (\$M)

1.2

Total assets (\$M)

118.8

Dear Minister,

The 2007-08 year was extremely challenging for Westernport Water. We moved out of the worst drought on record and, with our community and committed team, have built on the many initiatives that have been implemented over the past decade to provide the region with improved water services.



HIGHLIGHTS

Sustainability

The augmentation program that commenced last year has continued. The Bass River pumping station is fully operational and harvesting water, under a temporary winter entitlement, which allows pumping once the agreed environmental flow levels are reached. We are nearing completion of our application for a Bulk Entitlement from the Bass River and are hopeful that this will receive approval by year's end.

Further study of the Corinella aquifer has provided us with three new bore sites that are now undergoing production testing. The connecting pipeline from this new site to Candowie Reservoir has also been completed. Initial production results from the first bore indicate it could supply 1 ML per day, roughly 20% of our normal daily usage. The remaining bores are still under test. The bore site at Grantville has been temporarily capped, but is still capable of being used in emergency situations.

Our customers have also responded outstandingly to our community education and water awareness campaigns by reducing their water

consumption and have maintained low usage even under Stage 2 restrictions and during peak holiday periods. The appointment of a dedicated communications officer has ensured a regular and informative stream of information reaching all of our customers and stakeholders.

We are very pleased to see that our management of sewer assets has achieved the lowest rate of sewer blockages state wide, according to Essential Services Commission reporting. Our water quality improvement program is paying dividends as demonstrated by reduced complaints, according to the Annual Drinking Water Quality Report.

We have once again completed a sustainability report and have developed a sustainability scorecard to test our progress against triple bottom line targets.

Financial performance

The corporation recorded an after tax profit of \$110,000 (net of capital revenue) a 144% improvement over the prior year's after tax profit of \$45,000 (net of capital revenue). This was a pleasing result given water restrictions continue

to adversely impact our revenue base. Operational costs prior to depreciation were contained at a 5% growth in the current year which was a substantial improvement on the 15% growth in the prior year. Depreciation rose by 11% reflecting capital costs, and borrowings increased by \$1,654,000 up 73% related to supply augmentation capital works undertaken over the past two years.

Our strategic intent and the future

Our stated Strategic Intent will be maintained for the coming year, with all corporate decision making judged against these criteria. Our 2008-13 Water Plan has been approved by the Essential Services Commission. Highlights include a continued focus on securing supply by further investigating the feasibility of raising the wall of the Candowie Reservoir and completing this work in 2010-11. In addition, we have continued open discussions on the option to connect to the desalination pipeline.

Our environment

We continue to be mindful of the impact of our work on the environment. In particular our supply augmentation programs incorporated an environmental flow assessment along the Bass River and undertook detailed drawdown/recovery monitoring of the Corinella aquifer. Our support of Landcare continues in the region adding great value, particularly in the environmental management of our catchment.

Our organisation

Our people have responded well to a program of ongoing process improvement, meeting the targets set in our Enterprise Agreement. Further development of our information technology has contributed to being a smart corporation.

The position of Investment Manager has been added to our establishment, significantly improving our performance in the analysis and management of projects via an Investment Gateway process. Project managers have also attended training which will enable us to better plan and manage our capital works over the period of the Water Plan and beyond.



The landscape around us is a unique and special place. At Westernport Water we continue to be mindful of the impact of our work on the environment.

Improved communication and productivity across the business has been achieved by the development of an Operational Management Team among our second level managers. Their role is to provide cross-business operational management and support to our Executive Team, focussing on development, implementation and management of our yearly operational plan.

Our management of performance in Occupational Health and Safety has been sound and our risk management capability and procedures have been greatly improved during the year. Audits producing action plans will lead to even better results in the future.

Effective recruitment and subsequent development of our staff have seen eight people promoted internally to new or rebanded positions. This is not only a healthy sign for our organisation but also highlights the vibrancy and potential of our workforce.

Our student development program

Our commitment to the region continues with scholarship and work experience programs. We now have three scholarship holders whom we assist with a financial contribution to their studies. These talented students, studying engineering and IT, also work with us during their holiday periods and during this time contribute to our productivity as well as building their work experience. One of these students has now graduated from Monash University as a Bachelor of Computer Science and is working with us full time for one year as part of the program.

Local high school students also benefited from work experience programs with us during the year.

Our people

Our board and our people have once again performed in a very creditable manner. We have met our obligations and more, producing great results.



Three new directors were appointed to our board on 1 October 2007. Jane Bell, Anthony Leonard and Trevor Nink have successfully joined the team, sharing their various skills and contributing to board decision making.

Managing Director David Mawer receives our special thanks for his very valuable contribution during his time with us, especially his leadership during the 2006-07 drought. We extend our best wishes to him in his new role within the water industry.

Following an extensive recruitment program a new Managing Director has been appointed and is scheduled to commence on 1 September 2008.

Westernport Water would like to acknowledge the support and assistance provided by the Minister for Water, the Office of Water within the Department of Sustainability and Environment, South Gippsland Water, Bass Coast Shire Council, Melbourne Water, Southern Rural Water and the wider Westernport Water community.

In accordance with the FMA 1994, we are pleased to present the Report of Operations for Westernport Water for the year ended 30 June 2008.

Pamela Cameron, Chair
29 August 2008

Keith Gregory, Acting Managing Director
29 August 2008



GOVERNANCE STRUCTURE

Manner of establishment and the relevant Ministers

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

During the reporting period the Responsible Ministers were:

The Hon. John Thwaites, Minister for Water, Environment and Climate Change was the responsible Minister from 1 July 2007 to 29 July 2007,

The Hon. John Brumby, was Minister for Water, Environment and Climate Change from 30 July 2007 to 2 August 2007, and

The Hon. Tim Holding was Minister for Water from 3 August 2007 to 30 June 2008.

From 1 July 2007, the Water Industry (Governance) Act 2006 took effect to amend the Water Act. As a consequence the Authority's name was changed to Westernport Region Water Corporation under Section 85 (1) of the Water Act 1989 (as amended).

In accordance with Section 99(2)(d) 99(3) and Schedule 1(1) of the Water Act 1989, members are appointed to the board of Westernport Region Water Corporation for varying terms by the responsible Minister.

Corporate governance

The board is responsible for the corporate governance of the Corporation and derives its powers and functions from the Water Act 1989 (as amended).

OBJECTIVES, FUNCTIONS, POWERS AND DUTIES

Section 124 of the Water Act 1989 (as amended) provides Westernport Water with the necessary powers to perform its functions. The powers derived by the Water Act can only be exercised to perform functions given to Westernport Water by an Act of Parliament.

STATEMENT OF OBLIGATIONS

The Statement of Obligations (SoO) was issued by the then Minister for Water, Environment and Climate Change under Section 41 of the Water Industry Act on 27 July 2004. The purpose of the SoO is to clarify the obligations of Westernport Water in relation to the performance of its function and the exercise of its powers.

THE BOARD

Key functions of the board include :

- Setting the strategic direction and policy framework by adopting, implementing and resourcing a Corporate Plan and Water Plan.
- Establishing measurable goals and objectives.
- Setting service standards and monitoring achievement.
- Ensuring compliance with legislative and regulatory obligations.
- Evaluating board and executive officers' performance to ensure integrity of corporate governance practice and ethical conduct.

In 2007 the Westernport Water board underwent a number of position changes. Our new team is more invigorated than ever moving into the future.

EXTERNAL DIRECTORS

Pamela Cameron

(Chairperson)

Pamela Cameron was appointed Chairperson on 30 June 2001. Formerly manager and physiotherapist in community health, she is a graduate of the Australian Institute of Company Directors and a partner operating a family farm on Phillip Island. For many years Pamela has held several senior committee and director positions, providing local and regional knowledge and expertise. She is president of the Phillip Island Aquatic Centre Fund Inc., a Life Governor of Newhaven College, a member of the Institute of Water Administration and an inaugural member of Phillip Island Landcare.

Leigh Hocking

(Deputy Chairperson)

Leigh Hocking was appointed to the board of Westernport Water in June 2005 and also serves on the Remuneration Committee. He is the Chair of the board of Rural Ambulance Victoria where he has served as a director since February 2002. Leigh's background is in human resources and management

consulting. He is a director of Magellan Consulting Pty Ltd., (a human resource and organisational development consultancy specialising in major organisational change, development and employee relations) and iCourses, (a company that provides online workplace-oriented training). He is a Fellow of the Australian Institute of Company Directors.

Chris Pattas

Chris Pattas is the General Manager, Business Division at MYOB – an Australian-listed company which provides solutions to enterprises worldwide. He holds a Bachelor of Engineering, a Masters of Business Administration and is a Member of the Australian Institute of Company Directors. He was previously a board member with Eastern Health – a network of hospitals in the eastern suburbs of Melbourne. As a former councillor and Mayor of the City of Boroondara, Chris also has extensive experience with local government. Previous roles include senior executive positions with Ericsson, NEC and Sensis.

Board members



From left to right: Tony Leonard, Trevor Nink, Leah Young, Keith Gregory, Chris Pattas, Leigh Hocking, Jane Bell and Pamela Cameron

Leah Young

Leah Young provides support to the board in business management and strategic planning. She holds a Bachelor of Business, a Graduate Diploma in Business, is a Fellow of the Australian Institute of Company Directors and a member of the Australian Institute of Management. Ms Young has been Business Manager at St Paul's Anglican Grammar School since 1996. She has lived in Gippsland all her life. Before joining St Paul's, Leah had more than 13 years experience in local government, holding senior positions in key areas such as financial and corporate planning, capital works development, administration and human resource management. She is the Chairperson of the Audit and Risk Committee and has also been a director of the Central Gippsland Water Corporation for the past eight years.

Trevor Nink – appointed 1 October 2007

Trevor Nink was appointed to the board of Westernport Water in October 2007. He is also a member of the Audit Committee. Trevor and his family are homeowners in Ventnor, with their principal residence in Melbourne. He has held

various executive positions with international building, engineering and packaging companies in CEO positions with focus on leadership, strategy and change management. Trevor holds a Bachelor of Science and has conducted further studies in economics and psychology at The University of Melbourne. He is a Fellow of the Australian Institute of Company Directors. Other current directorships include Pebble Electronics Pty Ltd and VentureAxess Capital Limited. Previous senior executive roles were with Kodak, ACI, BTR Nylex and KONE Elevators in Australia, USA and Europe.

Tony Leonard – appointed 1 October 2007

Tony Leonard was appointed to the board of Westernport Water in October 2007 and is a member of the Audit and Risk Committee. A regular visitor to Phillip Island over many years, Tony purchased a holiday home in 1988 and upon retirement in 2002 became a permanent resident. Prior to retirement Tony was a local director of a global financial services and risk management company with responsibilities including group operations in seven countries throughout the Pacific. He led

a team which established and managed Cambridge Integrated Services Pty Ltd, a claims management provider for the Victorian Workcover Authority and for some time was the appointed insurance broker and risk manager for the Victorian Government. He is a Member of the Australian Institute of Company Directors, Landcare and a number of local clubs.

Jane Bell – appointed 1 October 2007

Jane Bell was appointed to the board of Westernport Water in October 2007. Jane has more than 20 years experience as a banking and finance lawyer in law firms, financial services and corporate treasury operations gained while living in Melbourne, London, Toronto, San Francisco and Brisbane. Jane holds a Bachelor of Laws, Bachelor of Economics, Master of Laws (London) and is a Fellow of the Australian Institute of Company Directors. Jane is a member of the Westernport Water Remuneration Committee and is also a non-executive director of Prince Henry's Institute of Medical Research.

Philip Westwood – resigned 30 September 2007

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 Corporation, Bushland Research Council, Free Range Farmers Association Inc, the Mornington Peninsula and Westernport Biosphere and Friends of Bass Valley Bush Landcare Group.

Anthea Dacy – resigned 30 September 2007

Anthea Dacy has a Bachelor of Arts (Asian Studies), Graduate Diploma Business Studies, Diploma of Agriculture, and is an Associate of the Australian Institute of Company Directors. Her early training was in languages which led her into trade and investment consulting principally in bilateral trade and government relations between Australia and China.

Remuneration Committee

The Remuneration Committee is a sub-committee of the board and 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:

- Selection and appointment of a new Managing Director
- Management of executive performance and remuneration arrangements
- Management of a comprehensive review of the board
- Restructure of the organisation
- Review of the performance of the Managing Director

The Remuneration Committee consists of three independent members. For 2007-08 they were Pamela Cameron (Chairperson), Leigh Hocking and Phillip Westwood (resigned 30 September 2007). Mr Westwood was subsequently replaced on this committee by Jane Bell.

Audit and Risk Committee

The Audit and Risk Committee, formerly known as 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 audit report with or without comment
- Monitor the internal audit function
- Review and recommend risk-management and insurance strategies, and
- Monitor the level of regulatory compliance.

During the year the Audit and Risk Committee:

- Reviewed the 2007-08 Annual Accounts
- Reviewed and recommended an Internal Audit Charter and updated Audit and Risk Committee Charter
- Received a benchmark report on the Corporation's improved Occupational Health and Safety performance as measured against SafetyMap criteria
- Received a report on the Corporation's improved performance regarding the water industry-wide Public Liability & Property Risk Management Survey

- Tendered for internal audit services

In addition there were regular reports on risk management, progress with the Environmental Management System and Occupational Health and Safety.

Internal audits undertaken during the year were as follows:

- Financial Management Compliance Framework Review
- Occupational Health and Safety (excluding contractors)
- Purchasing and delegated authorities

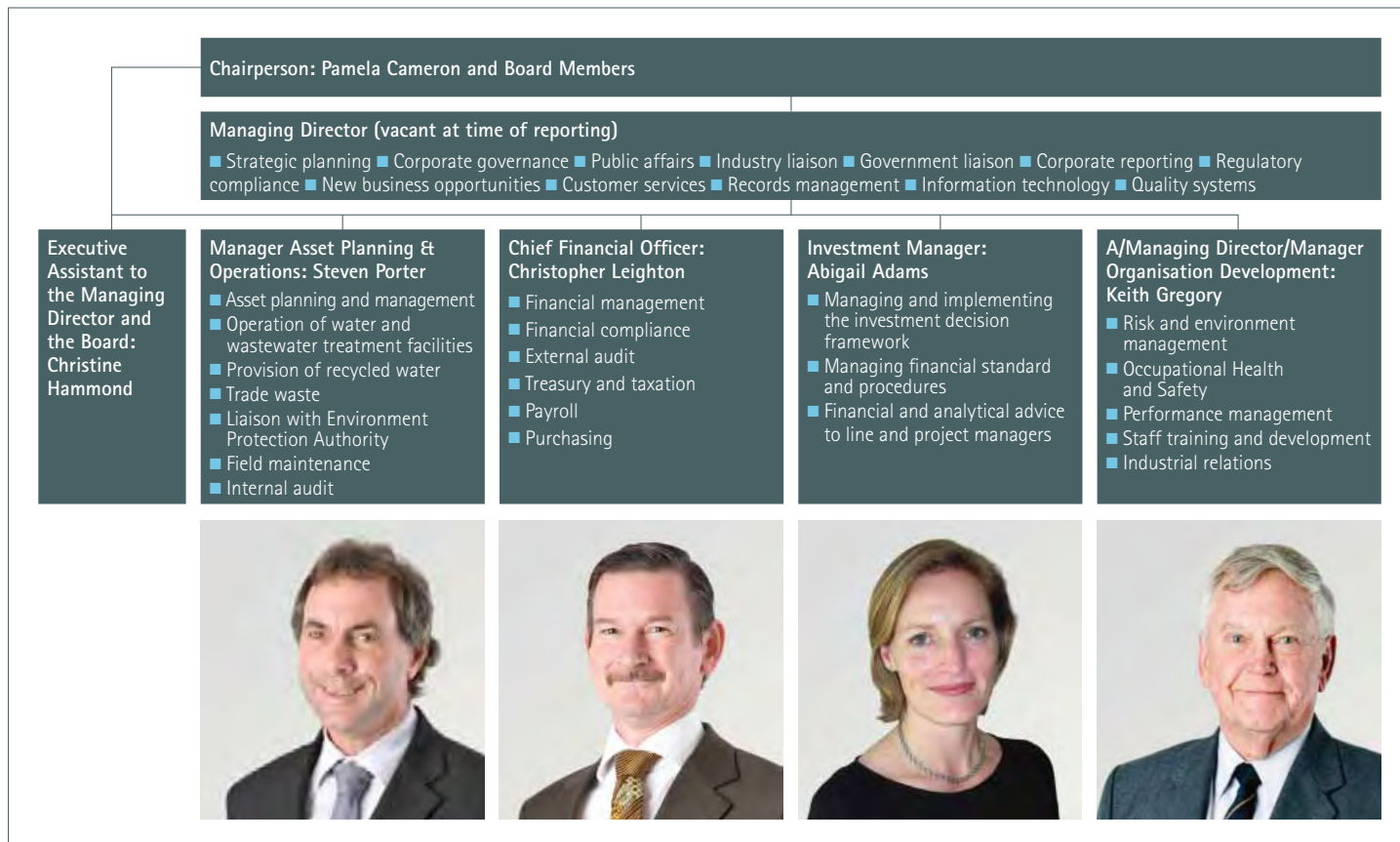
The Audit and Risk Committee consists of four independent members. For 2007-08 they were Leah Young (Chairperson), Chris Pattas, Anthea Dacy (replaced by Trevor Nink) and Philip Westwood (replaced by Tony Leonard).



Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Pamela Cameron (Chairperson)	14	13	-	-	12	12
David Mawer (Managing Director resigned 11/4/08)	8	8	-	-	9	5
Keith Gregory (A/Managing Director from 11/4/08)	6	6	-	-	2	1
Leigh Hocking (deputy chair)	14	13	-	-	12	11
Leah Young	14	9	9	7	-	-
Chris Pattas	14	10	9	6	-	-
Trevor Nink (from 1/10/07)	11	10	7	6	-	-
Tony Leonard (from 1/10/07)	11	11	7	7	-	-
Jane Bell (from 1/10/07)	11	11	-	-	11	11
Anthea Dacy (until 30/9/07)	3	3	2	2	-	-
Phillip Westwood (until 30/9/07)	3	3	2	2	1	1



Organisational structure



David Mawer (resigned 11 April 2008)

Managing Director

David Mawer commenced in April 2006. He has 16 years experience in energy utilities, working in state and national manager roles for multi-national corporations. A metallurgist, David has a MSM (USyd) and a MBA (Henley). He resigned in April 2008. The position is vacant, awaiting the commencement of the incumbent to take place in September 2008.

Keith Gregory

Acting Managing Director/ Organisation Development Manager

Keith Gregory was appointed in March 2004 to the role of Organisation Development Manager. Currently Acting Managing Director, he is also responsible for human resources, organisation development, risk management, occupational health and safety, staff training and development. His organisational and management expertise has been gained from more than 35 years experience in a range of industries, in Australia and overseas mainly in oil, mining, pharmaceutical, utilities, financial services, banking and government, and as a senior consultant. He is

a member of the Occupational Health and Safety Committee and a management member on the Workplace Consultative Committee. Keith holds a Graduate Diploma in Personnel Management.

Steven Porter

Manager Asset Planning and Operations

Steven Porter was appointed in October 2002 and is responsible for shaping the direction of the Corporation's asset utilisation and development, field maintenance and the operation of its key water and wastewater facilities. He has more than 20 years experience in both public and private sectors of the water industry including developing and implementing strategic and business plans, management of client/customer relations and extensive experience at developing strategies for asset and resource use and planning for asset growth. Steven is the Audit and Risk Committee Secretary, Chair of the Occupational Health and Safety Committee and a management member on the Workplace Consultative Committee.

Gary Cossens (resigned 31 March 2008)

Chief Financial Officer

Gary Cossens (Bachelor of Business) was appointed to the position of Chief Financial Officer in April 2005. He was responsible for maintaining and developing the Corporation's financial management systems and providing a full range of financial and accounting services.

Christopher Leighton (appointed 1 April 2008)

Chief Financial Officer

Christopher Leighton B.Bus. FCPA was appointed to the position of Chief Financial Officer in April 2008. He is responsible for maintaining and developing the Corporation's financial management systems, and providing a full range of financial and accounting services. He has more than 20 years experience in senior financial roles within the public and private sectors, having most recently run a consulting business providing services to Victorian Government departments including the Department of Justice, Department of Sustainability and Environment, Department of Primary Industries and the Department of Planning and Community

Development. He is also Chair of the Audit Committee for the Victorian Office of the Public Advocate.

Abigail Adams

Investment Manager

Abigail Adams was appointed to the management team as Investment Manager in February 2008. Her responsibilities include managing and overseeing the financial disciplines required in the process of undertaking major expenditures. Abigail lived in the United States for almost nine years, where she was involved in the financial and strategic aspects of large real-estate transactions, and the operations and development of ski resorts. She returned to work in Australia in 2007. Abigail has an MBA from the University of Washington.

Andrew Kneebone (resigned 21 September 2007)

Manager Services

Andrew Kneebone was appointed in September 2002 and held the role of Manager Services. This role encompassed customer service, public and stakeholder relations, information technology, regulatory compliance, risk and operations maintenance management. This position was not replaced.

Westernport Water is committed to the long term sustainability of our water resources with the implementation of the 2008–13 Water Plan.

OBJECTIVES

Westernport Water concluded its previous strategic plan and developed its 2008-13 Water Plan while undertaking infrastructure upgrades associated with improved water supply.

Water augmentation, improvements to supply technology and continued investment in the Corporation's business development were focus items for the financial year.

The objectives were developed in accordance with the Corporation's strategic intent for the 2008-13 regulatory period and is supported by the following:

- Focus on the core water services to continually improve the health and well-being of our customers and the environment
- Grow/develop our recycled water activities in a viable and sustainable manner. Research and implement further economically and environmentally viable reuse opportunities
- Continually listen to our customers and provide them with outstanding service
- Provide timely and relevant information to our customers and stakeholders
- Build community awareness to reduce potable water consumption
- Play a leading role in engaging with the community by assisting in the sustainable development and growth of our region and its people
- Operate the LPG business in a sustainable manner to the benefit of our current customer base and maintain an ongoing overview of the economic viability of that business
- Research and develop other business opportunities
- Manage our business in such a way as to minimise our environmental impact and consumption of natural resources
- Develop our people to the maximum of their capability
- Recruit and retain people who will strengthen our culture; and
- Establish a reputation as an organisation with an innovative and vibrant culture.

PERFORMANCE

Water supply

Westernport Water augmented supply through periods of 2007-08 by pumping high-flow winter water from the Bass River and exploring promising groundwater supplies from the under-allocated Corinella aquifer.

These projects had been previously identified as medium to long-term water supply options in the Central Region Sustainable Water Strategy and associated Water Supply Demand Strategy for Westernport.

On the Bass River, modelling showed that the Corporation used less than 3% of winter flows to help secure supply through summer. The river water supplied about 25% of the dam fill.

An eight-month environmental assessment of the river reported in December 2007 that the pumping station had no adverse effects on the river water quality or wildlife.

Concurrently, bores were drilled at King Road, Bass and Cemetery Road, Corinella, and an 8km interconnecting pipeline built to allow the water to be pumped to Candowie Reservoir.

Earthworks were undertaken as the nearby South Gippsland Highway was being duplicated, saving cost and disruption. The Corporation also used the earthworks program to lay a 1.6km transmission pipe to improve supplies to Coronet Bay, Grantville and Corinella.

In February 2008, the Corporation applied to Southern Rural Water to extract up to 2,000ML of groundwater annually from the new Corinella bore field, seeking to use the extraction licence as a safety net against low rainfall.

Trial-pumping of the bore network finished on 12 June 2007 and initial results indicated flow sufficient to supply between one-quarter and one-third of the region's ongoing daily requirements. Westernport Water has a bulk water entitlement of 2,911ML from Tennent Creek and is currently in the process of converting extraction licences for the Bass River and Corinella aquifer to Bulk Entitlements.



The Annual Report on Drinking Water Quality in Victoria, released in November 2007, found that complaints about drinking water quality reported to Westernport Water fell nearly 30% in 2006-07.



Water quality

Major climatic change, including drought, caused water supply interruptions and more reactive maintenance calls. Planned works such as mains cleaning and flushing were deferred due to the lack of available water.

The Essential Service Commission report released in the period and reporting for 2006-07 noted that Westernport Water's sewerage system scored the lowest rate of sewer blockages in the state.

The Annual Report on Drinking Water Quality in Victoria, released in November 2007, found that complaints about drinking water quality reported to Westernport Water fell nearly 30% in 2006-07.

The improved performance was despite highly variable raw water quality. This was due to the drought and limited water available for pipeline flushing.

Westernport Water teams protected Candowie Reservoir from algal growth during the drought by diffusing compressed air into the water, to prevent it stagnating.

New technology, including new metering and better computer-controlled systems, was installed at the reservoir and, as a result of all these measures, levels of water-borne manganese – a natural element that can cause discolouration – steadily declined as the treatment process was continually refined.

Water Plan 2008-13

The Water Plan was developed to comply with the requirements of regulators, regulatory instruments and governing legislation.

It aims to deliver the water supply security required by Corporation customers, who were consulted during the plan's development.

Due to the changed volumetric structure in the first year, the average rate of change to the tariff structure each year is 4.67%. The introduction of an inclining block tariff for residential customers is predicted to favour low water users.

The Water Plan proposes a major water supply augmentation project for 2010-11, which will involve increasing the capacity of current water storage at Candowie Reservoir. Further works will be undertaken to:

- Duplicate the pipeline from the Bass River to double the capacity to extract from this source;
- Connect the Grantville-Bass river pipeline to the Ian Bartlett Water Purification Plant to allow the reservoir to be by-passed;
- Cover and line the Cowes basin; and
- Upgrade the Ian Bartlett Water Treatment Plant.

Risk management

I, Pamela Cameron, certify that Westernport Region Water Corporation has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS 4360:2004 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Audit and Risk Committee verifies this assurance and that the enterprise wide business risk profile of Westernport Region Water Corporation has been critically reviewed within the last 12 months.

19 September 2008



The Westernport Water team is regularly seen out in the area working toward creating a sustainable future for our community.

Left: Diver checking Candowie Reservoir; Clockwise from bottom left: Steven Porter – watching the water return; Managing Director David Mawer and contractors at Borefield worksite; Board members inspecting the water treatment plant with Plant Supervisor Brett Beaumont; Jane Crump – Metering at Newhaven; Maintenance crew on the job at San Remo.



Social Sustainability

Westernport Water is committed to the interests of our community through a range of essential service and consultative processes.



Community Service Obligations

	2006-07 \$	2007-08 \$
Concessions to pensioners	352,625.69	341,563.38
Rebates to not-for-profit organisations under the water and sewerage rebate scheme	24,706.45	24,576.34
Utility Relief Grant scheme payments	5,256.45	3,141.00
Water concession for life support machines	127.60	0.00
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	N/A	N/A
TOTAL COMMUNITY SERVICE OBLIGATION PROVIDED	382,716.19	369,280.72

Community Consultative Panel

Westernport Water's Community Consultative Panel (CCP) represents the interests of its community and customers on a range of issues, including:

- Pricing structures
- New and alternative business initiatives
- Customer service initiatives
- Consultation of environmental and social issues
- Assisting with market research; and
- Impacts of legislative changes affecting the community.

The CCP comprises community volunteers appointed by the board. The CCP currently has nine members who meet regularly to discuss and provide valuable feedback on matters faced by Westernport Water. In particular over the 2007-08 financial year the CCP has:

- Provided input into the development and finalisation of the five-year Water Plan
- Participated in community consultation for the Water Plan
- Assisted in reviewing the policies and procedures that impact

the community, in particular pricing policies and restriction implications

- Assisted in developing the financial hardship policy, processes and publications
- Providing valuable input into future infrastructure projects and programs, including alternative water supply sources; and
- Provided community perspective on recycling and other opportunities.

The panel provided insight into the needs of the community and assisted the Corporation in fulfilling its responsibilities to the community, environment and customers.

Objectives for the CCP members for the following year include:

- Review of tariff policy (including pricing structures to promote water conservation)
- Provide input into customer engagement plan
- Assist with development of water conservation-awareness campaigns; and
- Provide a voice for both the community and Westernport Water to raise community awareness of the functions and challenges of Westernport Water.

The CCP appreciates the input of information from the Corporation to assist the panel fulfil its role as a community reference group.

Our CCP members are: Neil Beddoe (Chairperson), Terry Heffernan, Phil Dixon, Glenda Salter, Ian Samuel, David Pearson, Frank Adamo, Lars Olsen and Edgar Runge.

The CCP met 7 times during the year, and provided representation at two public consultations for our Water Plan.

Economic impacts

Westernport Water offers a range of assistance options to customers experiencing short-term or chronic financial difficulties. In accordance with the Essential Services Commission's Customer Service Code, our assistance is readily available to all customers who are either self-assessed, assessed by ourselves or an independent and accredited financial counsellor as lacking the financial capacity to pay.

Any customers experiencing financial hardship will:

- Be treated respectfully, sensitively and without judgement

- Have their case individually considered and their circumstances kept confidential
- Receive prompt information on all alternative payment options and government concession programs
- Be able to nominate an amount they can afford to pay on an arrangement plan, choose from a number of payment methods and renegotiate the amount if there is a change in their circumstances
- Receive information or referral about free and independent financial counselling services
- Have access to a language interpreter service at no cost
- Have any debt processes suspended while negotiating a payment arrangement and be shielded from legal action and any additional debt recovery costs while making payments in accordance with their arrangement
- Be advised about how to reduce their future water consumption, and
- Be advised about their right to lodge a complaint with the Energy and Water Ombudsman if their affordability issue is not resolved with us.



Left: Champion marathon swimmer Tammy van Wisse at National Water Week, with a Cowes Primary School student who was participating in the activities.

In addition Westernport Water has a High Water Usage Policy that enables customers to seek financial relief for excessive water consumption caused by leakage at the customer's property. Customers are also offered flexible payment plans under this policy.

Social impacts

Through its policies, communications and actions, Westernport Water is committed to service-delivery excellence, involvement with its community and development. This incorporates consideration of the social impacts of the Corporation's actions on customers, businesses and community.

This triple bottom line philosophy has practical application in the management of projects, day-to-day operations, service delivery and decision-making processes. This philosophy strives to ensure that the social impacts of all actions are duly considered and are an important part of the customer and community consultation processes.

Communications and community inclusiveness

Successful supply augmentation saw water restrictions relaxed from Stage 4 to Stage 2 – a move that required a wide-ranging public education campaign. Notification and education continued into the tourist season with flyers and posters, mobile billboards and news items. Concurrently, the Corporation finalised its Water Plan. Four public meetings were held to explain proposed changes to the tariffs.

Engineering works improving water quality and sewer operations were also a focus of communication activities. The year saw 60 press releases issued to print and electronic media. Other regular communication activities included four-monthly newsletters, students' water education worksheets and school visits.

Special activities included National Water Week where 590 students from local schools participated in two days of activities focussed on water stewardship headed by champion marathon swimmer Tammy van Wisse. World Environment Day activities included

representation at a three-day expo at San Remo which featured the pilot launch of an interactive on-screen calculator. More than 50 visitors trialled the calculator to instantly benchmark their domestic water consumption.

In February, Westernport Water jointly hosted a visit by 30 water educators from across Victoria gathering for their annual conference, at Cowes. Westernport Water's Newhaven headquarters was included in a public tour of local water-reuse gardens. Additionally, the Corporation provided sponsorship and judges for a Waterwise Garden Competition culminating in an open day at the winner's garden.

Public sponsorship during the year included donations to Landcare, schools and service clubs and local businesses through sponsorship of the environmental sustainability prize in the local business awards.

Staff volunteered time and donations to local events such as Relay for Life and tree plantings.

In June, the first Westernport Water scholarship recipient, Ben Hughes, graduated in IT.

The annual customer satisfaction survey was conducted in October 2007 with an overall satisfaction rating of 88%.

Links with the Bass Coast Shire Council were strengthened in environmental strategy and policy development, in fire plug maintenance and in emergency services activities.

Several staff participated in themed focus groups run by the Bass Coast Shire Council to identify a strategic regional vision. These meetings gave staff opportunities to contribute to the development of good stakeholder relationships with the local community.

Key Result Area:

Customer

Objective

- Establish and maintain a reputation for delivering excellent customer service
- To understand our customers' needs and expectations and incorporate into our decision making

Actions and achievements

Our goal for 2007-08 was to improve our responsiveness to our customers and to increase our levels of timely and effective information provision. In order to achieve this Westernport Water developed a Customer Service Strategy. This provides the framework in which the Customer Services department operates to deliver its commitment to the organisation's vision.

The strategy also:

- Defines the requirements and capabilities of the customer-preferred contact channel strategy
- Leverages knowledge, skills, business processes and tools from across all departments
- Prevents unnecessary duplication of investment and resources, and
- Defines the program of work, implementation process and plans to deliver benefit realisation of the customer service channel investments.

The Customer Service Strategy was based on the following principles:

- A continuous improvement culture that actively seeks ways to improve service delivery and/or reduce costs to customers and the organisation
- Welcoming open and frank feedback about the Corporation's performance
- Acting with honesty and integrity in dealings with customers
- Involving customers in planning and preparing for changes that affect them
- Ensuring customers can have confidence in the security of their information and transactions with the Corporation
- Offering services that provide customers choice in how they interact with Westernport Water, and
- Ensuring the Customer Service Strategy is aligned with the business objectives of the organisation.

Achievements

- Exceeded targets for responding to billing and emergency enquiries within 30 seconds throughout the entire year
- Increased the level of customer satisfaction with information provision by 7% on the previous year's results, achieving a rating of 93% overall satisfaction
- Reduced the number of enquiries and complaints received by the Energy and Water Ombudsman's (EWOV) office by 48%.

Improved customer service

In August 2007, Westernport Water introduced the Dial Before You Dig (DBYD) asset location service. During the year the Corporation processed more than 600 requests for water and sewer pipe locations within 48 business hours of request and in most cases within 24 business hours.

Providing this service enabled the Corporation to minimise the risk to the community of sudden loss of water or wastewater services caused by excavators unwittingly digging up pipes or mains.



Key Result Area:

Financial

Objective

- Implement whole-of-life asset management for delivery of all services
- Make all our decisions on a balance of economic, commercial, environmental and social criteria for long term sustainability of resources

Water Plan

Westernport Water has invested considerable resources into the development of a five year Water Plan (commencing 1 July 2008). The Water Plan sets the platform for the level of service expected by customers, including key performance targets for water and wastewater assets in respect to reliability and response times.

The development of the Water Plan is premised on the revenue requirements of the Corporation to meet existing and new regulatory requirements, implement strategic objectives to enhance and improve our business and services, and also to ensure that the normal day to day operational requirements of the Corporation are met. This revenue requirement as well as demand and growth assumptions then sets the pricing path for tariffs and charges over the five year period.

The key initiatives included in the Water Plan are:

- Improving customer satisfaction through improved customer service and system performance
- Increasing preventative maintenance of our assets
- Improving the quality of the water with upgrades to our water treatment assets, systems and processes, and improving our management practices within our distribution systems
- Implementing sustainability principles into our day to day operations and investment decisions to reduce our environmental impacts
- Improving the management and delivery of capital projects, and
- Developing a community engagement plan and a water conservation awareness campaign.

Continued over page



The major projects included in the Water Plan are focused on required works to increase our ability to harvest and store water for future demand, in particular:

- Increasing the capacity of our reservoir
- Duplication of the pipeline from Bass River to increase capacity to extract water from this source
- Connection of Grantville – Bass River pipeline to our water treatment plant to by-pass reservoir
- Development of alternative water sources from Corinella bore field
- Major upgrade of water treatment plant, and
- Under-channel pipeline to secure supply onto Phillip Island.

Investment management

Abigail Adams was appointed as Investment Manager, developing and launching the Investment Gateway Process as a risk-management tool for the organisation. The process provides a framework in which managers can better plan and execute their significant investments. It provides procedures and standards to ensure robust planning and decision making, and transparency of reporting.

The framework sets standards of financial disciplines monitoring spending impacts on capital structure and cash flow, project management, end-of-project review and financial analysis.

New analytical and reporting procedures will deliver transparency, better oversight of significant organisational expenditure and improve knowledge transfer among employees.

This is a significant development for the Corporation to further enhance its vision of being a smart organisation.

Finance

The past year has seen an enhanced effort in the build up of the budget process encouraging greater participation from all employees in the Corporation.

An increased understanding of SAP within the finance function has led to improved processes and better financial controls.

Significant changes in financial position during the year

The Corporation concentrated on improving cash management after moving from positive cash balances to a net borrowing position, due to costs associated with extensive water augmentation.

The year ahead will see greater focus of budget to actual reporting at all levels of the Corporation.

Major changes or factors affecting performance

The continuing drought throughout the year has influenced the decision to remain at Stage 2 water restrictions and this has had a large affect on our revenue. Rising fuel and electricity costs are also increasing our expenses beyond expectations. Even with these negative effects on the Corporation we have managed a slight improvement over the performance of the prior year.

Asset management

During the year the Corporation completed significant work in updating and implementing strategic asset management policies. The Strategic Asset Management Plan was updated and provides a five-year framework for the Corporation to continue to improve its asset management practices.

Evolving out of the Strategic Plan, function-specific asset management plans for the water and wastewater systems were also prepared. These plans provide the detail upon which preventative maintenance plans can be prepared and embedded within future budgets.

Assets and maintenance personnel helped prepare an asset condition manual. The manual provides a ready-to-use and easily understood guide to asset condition inspections. It allows for consistent and repeatable inspections to be undertaken and recorded on the future Geographical Information Systems.

Ultimately improved service levels and targeted capital renewal/ replacement programs will be tied into this hierarchy of documentation.

Capital works

During 2007-08 the following major projects were completed;

Corinella pipeline	\$1,958,000
Corinella bore field development	\$1,144,000
Chlorinator upgrades	\$160,000

Total spend on these and other projects for the year was \$6.4M.

Victorian industry participation policy (VIPP)

There were no contracts awarded to which VIPP applies.

Water Consumption

District	Residential customers*		Non-residential customers		Other		Non revenue water (ML)	Total consumption (ML)	3-Year average annual consumption (ML)
	Number	Volume Consumed (ML)	Number	Volume Consumed (ML)	Number	Volume Consumed (ML)			
Candowie Reservoir	13,224	931	1,081	553	1,839**	12	450	1,946	1,818

* Residential and Non residential customer numbers as per ESC definition

**Includes count of unconnected vacant land

SCADA

The Corporation commenced a multi-year project during 2007-08 to upgrade its SCADA network. Extensive benchmarking of systems in use at other water corporations was carried out. The Clear SCADA and SCADA pack suite of software and equipment was selected as the most appropriate product to take system monitoring capabilities into the future. The system will be progressively rolled out over the next three years.

WATER QUALITY IMPROVEMENTS

In accordance with the Safe Drinking Water Act and associated regulations, the Corporation has developed a comprehensive Water Quality Risk Management Plan (WQRMP). This plan provides a catchment-to-tap approach to monitoring, managing and improving the water quality provided to customers.

The WQRMP was independently audited in June 2008. Some monitoring and process improvements were identified. These will be progressively addressed during 2008-09.

Water consumption

See table above.

Corporate water consumption

The volume of metered corporate water consumption for the year is 34 ML, which equates to 609,319 litres per FTE staff member. This covers all Westernport Water sites, including the depot, treatment plants and pump stations.

Corporate sites included depot, treatment plants and pump stations.

Bulk entitlement

The Corporation holds a Bulk Entitlement (Westernport) Conversion Order 1997.

In accordance with Section 12 of the Bulk Entitlement, the Corporation advises that no waterway works associated with this Bulk Entitlement were undertaken requiring an environmental management plan.

In accordance with Section 13 of the Bulk Entitlement the Corporation advises that it is using a Siemens Magflo meter with an accuracy of 0.5% to measure the volume of treated water out of the treatment plant. The Corporation has an ongoing monitoring and calibration program to verify the amount of water in the reservoir. Due to the extremely low storage levels in 2006-07 the Corporation took the opportunity to re-survey the reservoir. As a result, the storage capacity of Candowie Reservoir was officially increased from 2207ML to 2263ML during 2007-08.

In accordance with Section 14 of the Bulk Entitlement the Corporation advises that:

- 14.1 (a) The rate of extraction from Candowie Reservoir may not exceed 50ML per day with 16.036ML being the maximum volume taken from the reservoir in any one day during this period.
- 14.1 (b) As at 30 June 2008 the amount of water stored was 855ML which equates to 37.8% full.
- 14.1 (c) The Corporation's Bulk Entitlement from Candowie Reservoir is 2911ML with 1946ML extracted between 1 July 2007 and 30 June 2008.
- 14.1 (d) The Corporation advises that aside from the re-calculation of the Candowie storage volume there were no amendments to the programs required under Sections 12 and 13
- 14.1 (e) There were no temporary or permanent transfers of this Bulk Entitlement during 2007-08.
- 14.1 (f) In respect of the waterway there were no temporary or permanent Bulk Entitlement or licence transfers to the Corporation with respect to the Westernport Water supply system.
- 14.1 (g) There were no amendments to this Bulk Entitlement.
- 14.1 (h) There were no new Bulk Entitlements granted to the Corporation with respect to the Westernport Water supply system. The Corporation commenced the process of obtaining a Bulk Entitlement to the Bass River during 2007-08.
- 14.1 (i) There were no failures to comply with the provisions of this Bulk Entitlement.
- 14.1 (j) The Corporation has not experienced or anticipated any difficulties with this Bulk Entitlement and any remedial action, taken or proposed.



Drought response report

During 2007-08 we continued the implementation of Westernport Water's Drought Relief Water Supply Strategy. A key aspect was to seek intervention from the Minister for Planning to amend the Bass Coast Shire Planning Scheme. An amendment (Amendment C73) was sought to the Schedule to Clause 52.03 of the Bass Coast Planning Scheme and inclusion of a new incorporated document. The incorporated document covered existing and proposed water supply augmentation projects and associated infrastructure. A request to provide an exemption from giving notice pursuant to Section 20(4) of the Planning and Environment Act 1987 was also sought.

The Minister approved the Planning Scheme amendment and exemption on 16 November 2007.

Although the water supply situation recovered over 2007-08, Westernport Water continued with the various projects identified in its drought relief strategy. This approach was in line with the August 2007 advice from the Department of Sustainability and Environment to ensure that appropriate strategies were in place to deal with both the continuing dry conditions and improving conditions.

With the construction and commissioning of the Bass River pump station and pipeline in 2006-07 Westernport Water commenced work on a pipeline and bore field to access the under-allocated water resource of the Corinella aquifer.

The Corinella pipeline was completed during 2007-08 and will be ultimately supplied with water from the Corinella aquifer via a number of bores. It has been estimated that these bores could provide up to one-third of the region's average daily water requirement. Construction of the Corinella pipeline involved preparing a Cultural Heritage Management Plan in accordance with the Aboriginal Heritage Act 2006. Westernport Water received Aboriginal Affairs Victoria approval of its Cultural Heritage Management Plan for the Corinella pipeline in September 2007.

Improved drought response

Due to good rainfalls Westernport Water exited Stage 4 restrictions in September 2007 in favour of applying Stage 2 restrictions. At the time the storage volume was approximately 70% of capacity (1580ML).

In January 2008 Southern Rural Water approved a winterfill extraction licence from the Bass River for 2008-09.

To continue with the implementation of the drought relief strategy Westernport Water incorporated a number of projects in the 2008-13 Water Plan to improve the security of supply. These include raising the Candowie Reservoir embankment, modifying the Bass River pump station and duplicating a pipeline to allow up to 25ML/day to be extracted from the Bass River.

The Corporation has also sought a Bulk Entitlement on the Bass River. This process has involved extensive fauna and macro-invertebrate studies as well as environmental flow assessments that have provided river-specific information on the year-round flow regime required to maintain a healthy waterway. Any extraction by Westernport Water would only occur after the environmental flow requirements have been met.

Works have continued on determining the sustainability of water extraction from the Corinella aquifer. After extensive liaison with Southern Rural Water permission was granted to commence pumping tests on the Corinella aquifer in April 2008. A report is currently being prepared by a specialist consultant and will be submitted to Southern Rural Water for review.



Key Result Area:

Internal Business Processes

Objective

- Embed customer-driven process thinking and process improvement across the entire business

Risk

Risk management remained a focal point for the Corporation during 2008 with the enhancement of its Integrated Risk Information System (IRIS) to enable direct notification reporting to the Department of Human Services (DHS) and Worksafe. These improvements provided a seamless process for reporting incidents to these agencies.

Risk management has been adopted as a standard management technique applied in all aspects of Westernport Water's work and is used in managing issues such as:

- business operations
- evaluation and management of new projects, and
- stakeholder management.

A number of risk-management plans were updated during 2007-08. These included:

- water quality
- information technology, and
- security and incident and emergency reporting.

Staff awareness training continued with a number of these plans being tested and audited during 2008.

Risk management will continue to be embedded into everyday business decision processes in the coming years.

Systems information technology

The major projects and initiatives implemented by the IT department include:

- Development of remote site access – linking outdoor staff to the corporate systems
- Assistance with the tender specification development and selection of SCADA and telemetry options
- Enhancement of the current IT support request system – to ensure a prompt response and resolution of IT related issues
- Upgrade of IT disaster recovery plan (DRP) and business continuity scenario planning – successful testing DRP
- Investment in new corporate tools to support our electronic office strategy, including upgrading the scanner to automatically link

to the document management system to improve efficiency of processing incoming and outgoing mail, and also recording and reporting of key corporate documents

- Continued roll-out and enhancement of our corporate document management system to include a web-based interface (TRIM ICE)
- Implementation of our Management Information System (MIS) – a corporate data centre to improve reporting efficiency and accuracy for regulatory reporting. Next phase to include:
 - Operational and Management reporting
 - Board reporting
 - National water indicators
 - Bureau of Meteorology, and
- Replacement of key IT infrastructure including the purchase of two new energy efficient servers

Organisation development

Following the resignation of the Services Manager we decided to further streamline our structure and remove this position. The Managing Director now has four executive managers: Asset Planning and Operations, Organisation Development, Chief Financial Officer and the new Investment Manager plus two non-executive managers reporting directly: Customer Services and Regulation and IT.

The Operational Management Team, consisting of most of the second-level managers, has added a new dimension in improved cross-business communications, operational management and leadership.

The continued development of this team and its membership, plus the appointment of the Investment Manager, are two important factors for performance improvement in the Corporation.

Performance management in terms of measuring performance and developing workplace skills is an important feature in developing individual, team and overall corporate performance. Training sessions have been conducted for all who have direct reporting positions.

Westernport Water has maintained its focus on two-way communication with regular all-staff communications sessions in addition to normal department management meetings.

Staff turnover continues to be relatively low and the overall recruitment program has been mostly successful in obtaining quality staff, apart from being able to attract professional finance and engineering staff.

Industrial relations

Once again staff worked well together and in harmony with management and no industrial disputation occurred nor were any grievances or issues raised.

Our Water Our Future

The Securing Our Water Future Together strategy detailed the need for water corporations to prepare regional sustainable water strategies. The Central Region Sustainable Water Strategy (CRSWS) and associated Water Supply Demand Strategy (WSDS) detailed the over-arching water strategies for Westernport Water.



As a result of the 2006-07 drought many of Westernport Water's longer-term initiatives were brought forward. The interconnection with the Bass River was completed and work is underway to develop the Corinella bore field. As a result Westernport Water has committed to revisiting the water supply demand strategy during 2008-09 to re-establish future water needs.

Implementing Stage 4 restrictions skewed our ongoing measurement of progress towards achieving the 25% reduction in litres/per/day usage as per the CRSWS.

A range of water conservation and efficiency measures were implemented during 2007-08 and these are detailed below.

Initiatives in meeting our obligations:

- water recycling
- water conservation

The following initiatives were implemented in 2006-07 to assist Westernport Water customers with water conservation:

- Appointment of a dedicated water conservation officer
- Provision of information on tank rebate schemes
- Participation in industry workshops to develop the Model Water Restrictions by-law to be implemented in September 2008
- Implementation of a corporate data centre – Management Information System (MIS) to enhance efficiency and accuracy of regulatory reporting
- Encouragement to residential customers to exchange old showerheads for new water-efficient ones, free of charge
- Conducting water education programs throughout the community, and
- Water supply demand strategy – community education and awareness campaigns

Progressing the Regional Catchment Strategy

Within the framework of the Regional Catchment Strategy of the Port Phillip and Westernport Catchment Management Authority, Westernport Water prepared an annual Catchment Operational Plan in conjunction with Phillip Island Landcare and the Candowie/Lance Creek Catchment Management Group.

Implementation of the 2007-08 plan in the Candowie catchment included the following on-ground works:

- \$35k investment in catchment groundworks and management of the catchment management group
- 11,000 tube stock planted
- 10ha revegetated
- Revegetation of Tozer Creek
- Revegetation of feeder gullies flowing into Tennent Creek
- Liaison with Melbourne Water to implement the stream frontage program in the catchment management group area, and
- Weed control works in priority gully areas

These works assist to improve water quality in Tennent Creek and

Candowie Reservoir. The following table (opposite page) demonstrates Westernport Water's ongoing support of these programs and the benefits to stakeholders involved.

Together with its partners Westernport Water will continue to research projects that deliver sustainable benefits to the area and catchment.

Landcare also hosted a catchment tour for members of Westernport Water's board and executive team in March 2008. This provided a first-hand account of the works conducted in the catchment and provided a valuable insight for newly appointed board members of the ongoing challenges in their region.

Westernport Water is undertaking further work on assessing the health of the Candowie catchment through the development and implementation of its Water Quality Risk Management Plan (WQRMP). Through this plan increased catchment monitoring is scheduled which will update and benchmark a number of parameters (eg radiation, Cryptosporidium, Giardia, pesticides and herbicides).

Improving water quality in Tennent Creek and Candowie Reservoir

Year	Trees Planted	Fencing (m)	Area (ha)	Description
04/05	15,500	3250	19	Gully creeks, landslips, willow removal, hawthorn removal, wildlife corridors, dam and remnant protection.
05/06	16,000	4500	22	Dairy effluent system improvements, gully erosion works, wildlife corridors, riparian works, hawthorn removal.
06/07	13,000	6700	16	Dairy effluent system improvements, gully erosion works, wildlife corridors, riparian works, hawthorn removal.
07/08	11,000	2400	9.5	Gully erosion control works, wildlife corridors, riparian works, hawthorn removal, water revegetation sites, eg Tozer and Tennent Creeks.
Total	55,500	16,850	66.5	

Greenhouse gas emissions

	2007-2008	2006-2007	2005-2006
CO₂ Equivalent emissions (tonne)			
Water treatment and supply	1906	1818	1388
Sewerage treatment and management	2464	2259	2845
Total greenhouse gas associated with vehicle fleet	266	202	232
Other	236	231	196
Total CO₂ emissions	4872	4509	4661



Contractor Geoff Harris (left) with aquatic ecologist Cameron Amos collect samples from the Bass River.

Victorian biodiversity strategy

The Biodiversity Asset Register is underway at all major Westernport Water sites. This survey, undertaken in conjunction with Bass Coast Landcare network, will determine the presence of fauna within these locations and record the diversity of the indigenous flora. The last biodiversity asset audit conducted in 2004 identified four species of vulnerable fauna and four endangered species.

The ongoing review of the Salt Water Creek which runs through the Cowes Wastewater Treatment Plant is a major focus of the Phillip Island Landcare group to ensure the long-term protection and enhancement of the Salt Water Creek as an important wildlife corridor link.

Westernport Water has an ongoing program of:

- Annual extensive weed control
- Five-year plan for revegetation of the wildlife corridor on the Cowes Wastewater Treatment Plant site, and
- On-going mapping of the Salt Water Creek.

The Corporation not only manages the water within its catchment but is increasingly involved in its stewardship.

Victorian river health strategy – statement of obligations

The Bass River pump station was constructed and water extracted from the Bass River in accordance with the requirements of Southern Rural Water and the advice of Melbourne Water. Westernport Water commenced a detailed fauna and macro-invertebrate study to benchmark the health of the river.

A specialist consultant was engaged, a preliminary report was received in July 2007 and a final report, Environmental Monitoring of Bass River, was received in November 2007. The report established excellent baseline data for assessing any potential impacts upon the fauna from the future water extraction from the Bass River.

Further work was undertaken in conjunction with Melbourne Water to assess the required environmental flows of the Bass River under a variety of conditions. This information is being used to establish what environmental reserve is required for the health of the river and what could be sustainably extracted during winter or summer. A final report, Environmental Water Requirements of the Bass River, was received in June 2008. This document will provide the basis for the Corporation's negotiations in seeking a Bulk Entitlement from the river.

Statement of Workforce Data
 Westernport Water employed **51.8** people in 2007-08. The breakdown of staff numbers is as follows:



Statement of Workforce Data

Directorate	Total Full-Time Equivalent		Male Full-Time Equivalent		Female Full-Time Equivalent	
	2008	2007	2008	2007	2008	2007
Corporate Governance ¹	15.81	30.1	4.91	18	10.9	12.1
Organisation Development ²	3		3		0	
Investment	0.5	N/A	0	N/A	0.5	N/A
Finance	3.49	3	1.91	2	1.58	1
Asset Planning & Operations ³	29	14	28	13	1	1
Totals	51.8	47.1	37.82	33	13.98	14.1

Executive Officers	Total Full-Time Equivalent		Male Full-Time Equivalent		Female Full-Time Equivalent	
	2008	2007	2008	2007	2008	2007
Corporate Governance	0.83	3	0.83	3	0	0
Organisation Development	1		1		0	
Investment	0.5	0	0	0	0.5	0
Finance	1	1	1	1	0	0
Asset Planning & Operations	1	1	1	1	0	0
Totals	4.33	5	3.83	5	0.5	0

1 Corporate Governance includes, Regulatory, Customer Service & Administration
 2 Organisation Development includes Risk & OHS.
 3 Asset Planning & Operations – includes Field Maintenance
 Full Time Equivalent (FTE) does not include casuals.

Merit and equity

The Public Administration Act 2004 specifies a number of employment and conduct principles that must be observed by public sector organisations and their employees. These foster the development of an organisation that is highly ethical, accountable and professional in the way it delivers services to all of its stakeholders. Westernport Water must ensure that:

- Decisions are based on merit
- Employees are treated fairly and reasonably, and
- Equal opportunity is provided and reasonable avenues of redress against unfair or unreasonable treatment exists.

Westernport Water employees also observe the values outlined in the Code of Conduct for Victorian Public Sector Employees under the Public Sector Management Act 1998. These values embody the following, in which employees must:

- Act with impartiality
- Display integrity, including avoiding real or apparent conflicts of interest
- Show accountability for action taken, and
- Provide responsive service.

Operational Management Team (top of page) from left to right :

Meryll Todd – Customer Service Manager, Geoff Allum – Senior Engineer - Development, Peter Winterburn – Risk and Environment Manager, Kylie White – Regulation and IT Manager, Kevin Donahoo – Field Maintenance Manager, Colin Bowker – Senior Engineer - Projects.



Five year financial summary

Financial Performance	2007-08 \$ million	2006-07 \$ million	2005-06 \$ million	2004-05 \$ million	2003-04 \$ million
Revenue	13.5	12.6	11.8	11.9	11.3
Expenses	12.1	11.4	10.4	9.1	9.2
Borrowing Costs	0.2	0.2	0.3	0.3	0.3
Profit (before one off items)	1.2	1.0	1.1	2.5	1.8
One off Items	-	-	-	-	6.8
Net Profit	1.2	1.0	1.1	2.5	8.6
Financial Position	2007-08 \$ million	2006-07 \$ million	2005-06 \$ million	2004-05 \$ million	2003-04 \$ million
Total Assets	118.8	115.8	115.1	113.9	108.0
Total Liabilities	6.9	5.1	5.5	6.4	6.7
Total Equity	111.8	110.7	109.6	107.5	101.3

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 Statement.

Consultancies

During 2007-08 a number of consultants were engaged to carry out specific tasks for the Corporation. 18 consultants were engaged during the period for a total cost of \$134,902. No consultancies exceeding \$100,000 were entered into during the year.

Application and operation of FOI Act 1982

Westernport Water is considered to be a Government Agency under the Freedom of Information Act 1982 and is required to comply with the procedures that have been prescribed under which members

of the public may gain access to information held by agencies. A decision to release information is made by an Authorised Officer. Westernport Water has determined that its Authorised Officer is:

**Christine Hammond
Executive Assistant**

Members of the public wishing to obtain access to Corporate documents are required to make their request in writing and pay the appropriate fee.

An application fee of \$22.70 applies at the time of this report's publication. In the reporting period there were two requests for information under the Freedom of Information Act 1982. Of these requests, both were able to be completed without internal review.

Application and operation of the Whistleblowers Protection Act 2001

The Whistleblowers Protection Act 2001 came into effect on 1 January 2002. The Act aims to encourage officers to disclose improper conduct by departments and public entities by giving clear contacts for making disclosures and making it an offence to expose the name of a whistleblower or subject them to any punitive action. There were no disclosures made under this Act during the reporting period. The protected disclosure coordinator for Westernport Water is:

**Kylie White
Regulation and IT Manager**
2 Boys Home Road
Newhaven Vic 3925
Telephone: (03) 5956-4121
Email:
kwhite@westernportwater.com.au

Compliance with building and maintenance provisions of 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.

National competition policy

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

Subsequent events

There were no events subsequent to 30 June 2008 that will affect operations in the 2008-09 financial year.



Occupational health and safety

People and safety remained in the forefront of our business activities during this year. While the statistics would show an increase in the number of workplace injury incidents, this was as a direct result of a change in the Corporation's incident reporting methodology. Employees were encouraged to report on any incident and or event, no matter how minor. This change in reporting culture was reinforced by a direct increase in Occupational Health and Safety training in 2006-07 from 17 person days to 67 person days during 2007-08.

Other significant Occupational Health and Safety activities included:

- External audit of the Corporation's Occupational Health and Safety policies and procedures in line with 2007 regulations completed with the recommendations to be implemented during 2008-09.
- 25 staff satisfactorily completed construction induction card competency training
- Review of licence to perform high-risk work, (crane, forklift) completed
- Operation and maintenance staff refresher training (asbestos handling and disposal)
- Workplace inspections of high-risk sites conducted and formal process for frequency and assessment developed for implementation during 2008-09
- Central database established within the corporate IRIS system for recording and monitoring incidents and investigations, and
- Encouraging staff to report hazards and produce a positive ratio of hazard-to-incident reports

Statement of availability of other information

Other information required by the Financial Management Act 1994 but not specifically referred to has been

retained by the Accountable Officer and is available to the Minister, Members of Parliament and the public on request, subject to the Freedom of Information Act 1982.

Information privacy

Westernport Water complies with the ten Information Privacy Principles contained within the Information Privacy Act 2000 which ensure responsible collection and handling of personal information within the Victorian Public Sector.

Overseas travel

No overseas travel was undertaken by employees or members of the Corporation during 2007-08.

OHS statistics (1 July 2007 to 30 June 2008)

	Year to date 2007-08	2006-07	2005-06
OHS Committee meetings held	11	12	13
Workplace inspections	3	4	4
Staff training related to OHS (person days)	67	17	68
Incident statistics			
Injury incidents	15	2	6
Lost time injuries	3	2	0
Medical treatment injuries	7	2	2
Non-injury incidents	13	7	8
Vehicle incidents	4	2	2
Incident investigations carried out	8	3	6
Contractor incidents	0	0	1
Incident type			
Manual handling - lifting	2	0	1
Slip - trip - fall	1	0	1
Stress	0	0	2
Laceration	5	0	0
Electric shock	0	1	1
Hit object	0	2	4
Other	3	4	2

Financial performance indicators 2007–08

	Long term profitability Earnings before net interest and tax divided by average total assets	Owner's Investment Net profit after tax divided by average total equity	Long Term Financial Viability Total debt divided by total assets	Liquidity and Debt Servicing (Interest Cover) Earnings before net interest divided by net interest expense	Immediate Liquidity and Debt Servicing (Cash Cover) Cash flow from operations before net interest and tax payments divided by net interest payments
2006/2007 Result	0.82%	0.92%	4.44%	-11.7 times	-43.1 times
2007/2008 Target	1.23%	1.22%	4.79%	16.9 times	51.0 times
2007/2008 Result	1.14%	1.09%	5.83%	10.3 times	39.1 times
Variance +ve/(-ve)	-7.89%	-10.66%	-21.71% ^(a)	-39.05% ^(a)	-23.33% ^(a)

(a) Additional capital spending resulting in higher interest payments and increased debt

Operating Efficiency measures (Operation, Maintenance and administration expense per ML transported or treated)

	Water supply bulk	Water supply reticulation	Water supply treatment	Sewerage reticulation	Sewerage treatment
2006/2007 Result	\$325	\$2,350	\$995	\$899	\$4,610
2007/2008 Target	No target	No target	No target	No target	No target
2007/2008 Result	\$379	\$878	\$1181	\$110	\$2,954

Service and environmental performance indicators

	Water supply interruptions No of customers receiving at least 1 unplanned interruption in the year	Interruption time indicators Average duration of unplanned water supply interruptions (minutes) / Average duration of planned water supply interruptions (minutes)		Restoration of water supply Unplanned water supply interruptions restored within 5 hours	Reliability of sewerage collection services indicators Sewer spills from reticulation and branch sewers / Sewage spilt from emergency relief structures and pumping stations	
	2006/2007 Result	5428	89	67	99%	0 x priority 1 spills* 11 x priority 2 spills**
2007/2008 Target	4500	105	365	99%	–	No target
2007/2008 Result	5758	92	232	95.65%	0 x priority 1 spills* 11 x priority 2 spills**	4
Variance +ve/(-ve)	-27.95% ^(a)	+12.38% ^(b)	+36.44% ^(c)	+3.38%	–	–

* Significant spill ** Minor spill

(a) Completed air scouring preventative maintenance to clean water mains that affected 1900 customers

(b) More efficient work practices

(c) Planned works minimised interruption to customers

Service and environmental performance indicators (continued)

	Containment of sewer spillages	Reuse indicators				
	Sewage spills contained within 5 hours	Total treated water at King Road (ML)	Effluent reuse water King Road (ML)	Effluent reuse (volume) (King Road)	Total treated water at Cowes (ML)	Effluent reuse water Cowes (ML)
2006/2007 Result	100%	116.34	113.139	98.51%	765.147	111.426
2007/2008 Target	100%	-	-	No target	-	-
2007/2008 Result	92.59%	126.753	116.153	91.6%	904.894	96.218
Variance +ve/(-ve)	-7.41% ^(a)	-	-	-	-	-

(a) Represents only 2 spills not restored in 5 hours.

	Reuse indicators (continued)			Sewage treatment standards	
	Effluent reuse (volume) (Cowes)	Biosolids reuse (dry mass) (Cowes)	Biosolids reuse (dry mass) (King Road)	Number of analyses complying with licence agreements (Cowes)	Number of analyses complying with licence agreements (King Road)
2006/2007 Result	14.29%	0%	0%	100%	100%
2007/2008 Target	No target	100%	0%	100%	100%
2007/2008 Result	10.63%	0%	0%	100%	100%
Variance +ve/(-ve)	-	-100% ^(a)	0%	0%	0%

(a) No cost effective alternative to storing of biosolids on treatment plant sites

MAJOR WATER USERS

Westernport Water has no customers that meet the conditions of s122ZJ of the Water Act 1989.

Customer complaints indicators (per 1000 properties)

		Number of properties as at June 2008		16,144					
	Water quality complaints	Water supply reliability complaints	Sewerage service quality and reliability complaints	Affordability complaint	Billing complaints	Pressure complaints	Sewage odours complaints	Other complaints	
2006/2007 Result	8.74	0.14	0.14	0.58	2.17	0.07	0.79	5.78	
Number of complaints	147	5	3	3	26	4	19	41	
2007/2008 Target	No target	No target	No target	No target	No target	No target	No target	No target	
2007/2008 Result	9.10	0.30	0.18	0.18	1.61	0.24	1.17	2.53	

Statutory Certificate

Performance Statement

In our opinion, the accompanying Statement of Performance of Westernport Water in respect of the 2007/08 financial year is presented in accordance with the Financial Management Act 1994.

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

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



Keith Gregory
Acting Managing Director
Westernport Region Water Corporation



Pamela Cameron
Chairperson
Westernport Region Water Corporation

Melbourne

22 SEPTEMBER 2008

Melbourne

22 SEPTEMBER 2008

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Westernport Region Water Corporation

The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2008 of Westernport Region Water Corporation comprises the statement, the related notes and the statutory certificate.

The Board Members' Responsibility for the Statement of Performance

The Board Members of Westernport Region Water Corporation are responsible for the preparation and the fair presentation of the statement of performance in accordance with the *Financial Management Act 1994*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the statement of performance that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of performance. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the statement of performance, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the entity's preparation and fair presentation of the statement of performance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the statement of performance.

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

Matters Relating to the Electronic Presentation of the Audited Statement of Performance

This auditor's report relates to the statement of performance published in both the annual report and on the website of the Westernport Region Water Corporation for the year ended 30 June 2008. The Board Members are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statement named above. An opinion is not provided on any other information which may have been hyperlinked to or from this statement. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited statement of performance to confirm the information included in the audited statement of performance presented on the Westernport Region Water Corporation web site.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the statement of performance of the Westernport Region Water Corporation in respect of the 30 June 2008 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

MELBOURNE
22 September 2008



D D R Pearson
Auditor-General

Level 24, 35 Collins Street, Melbourne Vic. 3000
Telephone: 61 3 8661 7000 Facsimile: 61 3 8661 7010 Email: comments@audit.vic.gov.au Website: www.audit.vic.gov.au

Auditing in the Public Interest

Disclosure index

The 2007/08 Annual Report of the Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Corporation's compliance with statutory disclosure requirements.

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Operating Statement for the reporting period ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
<i>Revenue from operating activities</i>			
Service charges	1(b) 3(a)	10,055	9,212
Water usage charges	1(b) 3(a)	1,766	1,563
Government contributions	1(b) 3(a)	-	106
Interest	1(b)	77	289
Developer contributions	1(b) 3(a)	877	781
		12,775	11,951
<i>Revenue from non-operating activities</i>			
Other income	1(b)	479	427
Owner contributed assets	1(b)	223	194
		702	621
Total Revenue		13,477	12,572
<i>Expenses from operating activities</i>			
Borrowing costs	1(c) 3(c)	207	206
Depreciation	1(e) 3(c)	3,223	2,905
Amortisation	1(e) 3(c)	115	98
Employee benefits	1(j)	3,729	3,332
Repairs and maintenance expense	1(d)	638	735
Net Loss/(Gain) on sale of assets	3(b)	(4)	(6)
Environmental Contributions	1(o)	450	450
Impairment of assets	1(d)	326	-
Other		3,583	3,827
Total expenses		12,267	11,547
Net result before tax		1,210	1,025
Income Tax expense	1(m)	-	7
Net result for the period		1,210	1,018

The above operating statement should be read in conjunction with the accompanying notes.

Balance Sheet as at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	1(f) 4	244	903
Receivables	1(g) 5	817	694
Inventories	1(h) 6	353	374
Other current assets	7	614	624
Total current assets		2,028	2,595
<i>Non-current assets</i>			
Receivables	1(g) 5	138	167
Property, plant and equipment	1(d) 8	116,308	112,737
Intangible assets	1(r) 9	301	287
Total non-current assets		116,747	113,191
TOTAL ASSETS		118,775	115,786
LIABILITIES			
<i>Current liabilities</i>			
Payables	1(i) 10	2,105	1,446
Interest bearing liabilities	1(s) 11	2,229	804
Employee benefits	1(j) 12	572	451
Total current liabilities		4,906	2,701
<i>Non-current liabilities</i>			
Interest bearing liabilities	1(s) 11	1,931	2,361
Employee benefits	1 (j) 12	85	81
Total non-current liabilities		2,016	2,442
TOTAL LIABILITIES		6,922	5,143
NET ASSETS		111,853	110,643
EQUITY			
Contributions by owners	13	51,323	51,323
Reserves	14	7,099	7,099
Accumulated funds	15	53,431	52,221
TOTAL EQUITY		111,853	110,643

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of recognised income and expense for the reporting period ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Total equity at beginning of financial year		110,643	109,625
Net result for the period		1,210	1,018
Total equity at end of financial year		111,853	110,643

The above statement of changes in recognised income and expenditure should be read in conjunction with the accompanying notes.

Cash Flow Statement for the reporting period ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts</i>			
Service and usage charges		12,569	12,149
Interest received		77	252
Other income		821	548
		13,467	12,949
<i>Payments</i>			
Payments to suppliers and employees		(7,863)	(8,775)
Interest and other costs of finance paid		(207)	(204)
Environmental contributions		(450)	(450)
Other		-	-
		(8,520)	(9,429)
Net cash (outflow) / inflow from operating activities		4,947	3,520
<i>Cash Flows from Investing Activities</i>			
(Payments for property, plant & equipment)		(6,915)	(5,605)
Proceeds from sale of property, plant & equipment		140	-
Income received for capital purposes		267	259
(Payments for intangible assets)		(129)	-
Net cash (outflow) / inflow from investing activities		(6,637)	(5,346)
<i>Cash Flows from Financing Activities</i>			
Proceeds from borrowings		1,800	-
(Repayment of borrowings)		(769)	(755)
Net cash (outflow) / inflow from financing activities		1,031	(755)
Net increase / (decrease) in cash held		(659)	(2,581)
Cash and cash equivalents at the beginning of the financial year		903	3,484
Cash and cash equivalents at the end of the financial year	4	244	903
Financing arrangements	16		

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Report for the year ended 30 June 2008

Note 1 Significant Accounting Policies

(a) Basis of Accounting

General

This financial report of Westernport Regional Water Corporation is a general purpose financial report that consists of an Operating Statement, Balance Sheet, Statement of Changes in Recognised income and expense, Cash Flow Statement and notes accompanying these statements. The general purpose financial report complies with Australian equivalents to International Financial Reporting Standards (A-IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, 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.

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 Corporation's operational cycle – see 1(j) for a variation in relation to employee benefits.

Rounding

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with A-IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

(b) Revenue Recognition

Service and usage charges

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

Water and sewerage usage charges by measure are recognised as revenue when the product is provided. Meter reading is undertaken on a trimester basis during the reporting period. An estimation, calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

Developer contributions / Fees paid by developers

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

Notes to the Financial Report for the year ended 30 June 2008

Note 1 Significant Accounting Policies (cont'd)

b) Revenue Recognition (cont'd)

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 operating statement 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 – Contributions by Owners.

Contributions by Owners

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

Interest and rents

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

(c) Borrowing Costs

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

(d) Recognition and Measurement of Assets

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

Acquisition

The purchase method of accounting is used for all acquisitions of assets, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

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

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

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.

Valuation of Non-Current Physical Assets

Land and buildings are measured at the amounts for which assets could be exchanged between knowledgeable, willing parties, in an arm's length transaction.

Cultural depreciated assets and collections, heritage assets and other non-current physical assets that the entity intends to preserve because of their unique historical, cultural or environmental attributes are measured at the cost of replacing the asset

less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Plant, equipment and vehicles are measured at cost.

Water infrastructure assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. These assets comprise substructures or underlying systems held to facilitate the harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewerage and drainage systems.

Impairment of assets

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

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

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

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

(e) Depreciation and Amortisation of Non-current Assets

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

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

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

	Periods		Periods
<i>Buildings</i>		<i>Other assets</i>	
Buildings	40-70 years	Equipment	5-10 years
<i>Infrastructure</i>		Machinery	5-10 years
Water		Furniture & computers	2.5-13 years
- Storages	20-100 years	Motor Vehicles	4 years
- Distribution network	15-80 years	Intangible assets	3-5 years
- Treatment plants	15-70 years		
Wastewater			
- Storage	10-70 years		
- Distribution network	25-70 years		
- Treatment plants	15-70 years		

Notes to the Financial Report for the year ended 30 June 2008

Note 1 Significant Accounting Policies (cont'd)

(f) Cash and Cash Equivalents

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

(g) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impaired receivables. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the operating statement

(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. Costs are assigned to inventory quantities on hand at balance date on a first-in, first-out basis (FIFO). Inventories include goods held for distribution at no or nominal cost in the ordinary course of business operations.

Inventories held for distribution are measured at the lower of cost and current replacement cost.

(i) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Employee Benefits

Wages and salaries, annual leave and sick leave

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

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Provisions made for unconditional long service leave are classified as a current liability, where the employee has a present entitlement to the benefit. The non-current liability represents long service leave entitlements accrued for employees with less than 7 years of continuous service.

Superannuation

The amount charged to the operating statement in respect of superannuation represents the contributions made by the Corporation to the superannuation plan in respect to the current services of entity staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

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

Employee Benefit On-Costs

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

k) Segment Information

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

Segment information is reported on the basis of business segments, as the Corporation'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 borrowings.

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) Changes in Accounting Policy

The accounting policies are consistent with those of the previous year, unless stated otherwise.

(m) Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office. The Corporation has determined a tax expense for the financial year of \$0 (2006/07 \$0) but any expense is not payable due to prior year tax losses being able to be recouped. There has been no impact in the year ended 30 June 2008 in assets/liabilities or operating surplus due to the inability of the Corporation to derive future assessable income of a nature and sufficient amount to enable this benefit to be realised beyond any reasonable doubt. These amounts have not been recorded in the financial statements.

It is unlikely that the Corporation will generate sufficient operating profits, however, in the event that it does, the directors estimate the potential future income tax benefit at 30 June 2008 in respect of tax losses not brought to account is \$2.54m (2006/07 \$2.61m).

(n) Dividend Policy

The Corporation 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 Corporation's preliminary estimate for the reporting period is \$0 (30 June 2007 \$0).

Notes to the Financial Report for the year ended 30 June 2008

Note 1 Significant Accounting Policies (cont'd)

(o) Environmental Contributions

The *Water Industry (Environmental Contributions) Act 2004* amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation.

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

The environmental contributions are disclosed separately within expenses.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

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

(q) Financial Instruments

Recognition

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

(r) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

A summary of the policies applied to the Corporation's intangible assets is as follows:

	Patents and Licences	Development Costs
Useful lives	Indefinite	Finite
Amortisation method used	Not amortised or revalued	10 years – straight line
Internally generated / acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment

(s) Interest Bearing Liabilities

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

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

(t) Provisions

Provisions for legal claims and land remediation are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

(u) Comparative Amounts

Where necessary, figures for the previous year have been reclassified to facilitate comparison.

Note 2 Financial risk management objectives and policies

The Corporation's activities could expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, however, at 30 June 2008 it has no foreign currency nor any other market risk. The Corporation's credit risk would arise mainly out of our billing process to customers with the collection and recovery of which is covered by an accounts and collection policy. The Corporation's liquidity risk is currently regulated by a policy of restricting borrowings to 5% of net assets before going to the board for approval. All its interest bearing liabilities are currently with Treasury Corporation Victoria and denominated in Australian dollars.

The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Chief Financial Officer as advised and endorsed by the board.

Notes to the Financial Report for the year ended 30 June 2008

Note 3 Operating Statement – disclosures

(a) Significant Revenues

	2008 \$'000	2007 \$'000
<i>Service charges</i>		
– Water service charges	4,264	3,917
– Sewerage charges	5,662	5,185
– Trade waste charges	129	110
	10,055	9,212
<i>Volumetric charges (water)</i>	1,766	1,563
<i>Government contributions - Operating</i>	–	106
<i>Developer contributions</i>		
– Fees paid by developers	411	597
– Assets received from developers	466	184
	2,643	2,450

(b) Net gains and expenses

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses:

Net gain / (loss) on disposal		
– Property, plant and equipment	4	6

(c) Expenses

<i>Depreciation</i>		
– Buildings	93	93
– Water infrastructure	1,282	1,121
– Wastewater infrastructure	1,279	1,221
– Plant, equipment and motor vehicles	569	470
Total depreciation	3,223	2,905
<i>Amortisation</i>		
– Intangible assets	115	98
Total amortisation	115	98
<i>Movements in Employee Benefits</i>		
– Annual leave	60	27
– Long service leave	65	29
– Other	2	2
Total movements	127	58
Bad and doubtful debts	38	25
Borrowing costs	207	206
Superannuation contributions	304	251
<i>Auditors' remuneration</i>		
– Auditor-General for audit of financial statements	23	22
– Internal audit – Haines Norton	28	47
– Other services – other auditors	8	19
	59	88

Note 4 Cash and cash equivalents

	2008 \$'000	2007 \$'000
Cash on hand and at bank	244	(132)
Deposits at call	-	1,035
	244	903

(a) Reconciliation to cash at the end of year

The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement, as follows:

Balance as above	244	903
Balance as per Cash Flow Statement	244	903

(b) Cash at bank and on hand

These are non-interest bearing	244	(132)
---------------------------------------	------------	--------------

(c) Deposits at call

The deposits are bearing floating interest rates of 2008 0% (2007:6.2%).	-	1,035
--	---	-------

Note 5 Receivables

CURRENT

Trade receivables	752	581
Other receivables	65	113
	817	694
Non-current		
Trade receivables	138	167
Total receivables	955	861

(a) Provision for impaired receivables

As of 30 June 2008, trade receivables of \$890,255 (2007: \$748,223) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2008 \$'000	2007 \$'000
3 to 6 months	479	496
Over 6 months	167	182
	646	678

The other amounts within receivables do not contain impaired assets. Based on credit history, it is expected that these amounts will be received.

Notes to the Financial Report for the year ended 30 June 2008

Note 5 Receivables (cont'd)

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

The carrying amounts of the Corporation's current and non-current receivables are denominated in the following:

	2008 \$'000	2007 \$'000
Australian Dollars	955	861
Current receivables	817	694
Non-current receivables	138	167
	955	861

(c) Fair value and credit risk

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value.

\$'000	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade Receivables Non Current	138	138	167	167
	138	138	167	167

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables mentioned above. The Corporation does not hold any collateral as security. Refer to note 2 for more information of the risk management policy of the Corporation.

Note 6 Inventories

Current

	2008 \$'000	2007 \$'000
Stores and consumables – at cost	353	374
Total current inventories	353	374

Note 7 Other current assets

Prepayments	57	121
Accrued revenue	557	498
Loan	–	5
Total other current assets	614	624

Note 8 Property, plant and equipment

(a) Classes of property, plant and equipment

	2008 \$'000	2007 \$'000
<i>Land</i>		
at valuation (as at 30 June 2006)	8,989	8,989
	8,989	8,989
<i>Buildings</i>		
at valuation (as at 30 June 2006)	4,638	4,611
Less: accumulated depreciation	(397)	(304)
	4,241	4,307
<i>Water infrastructure</i>		
At cost	51,052	46,221
Less: accumulated depreciation	(6,966)	(5,684)
	44,086	40,537
<i>Wastewater infrastructure</i>		
At cost	63,905	62,950
Less: accumulated depreciation	(10,004)	(8,725)
	53,901	54,225
<i>Equipment and motor vehicles</i>		
At cost	4,425	3,988
Less: accumulated depreciation	(2,468)	(1,899)
	1,957	2,089
Under construction	3,134	2,590
	3,134	2,590
Total Property, Plant & Equipment	116,308	112,737

Land and buildings were revalued at 30 June 2006 by an independent valuer Mr K Cundall (AAPI Certified Valuer, Australian Property Institute) from the firm Valuelty Pty Ltd.

Notes to the Financial Report for the year ended 30 June 2008

Note 8 Property, plant and equipment (cont'd)

(b) Movements during the reporting period

2007–2008 \$'000	Opening WDV at 1 July 2007	Additions	Disposals	Revaluations	Impairment	Transfers	Depreciation	Closing WDV at 30 June 2008
<i>Land</i>								
At fair value	8,989	-	-	-	-	-	-	8,989
<i>Buildings</i>								
At fair value	4,307	27	-	-	-	-	(93)	4,241
<i>Water infrastructure</i>								
At cost	40,537	5,168	(11)	-	(326)	-	(1,282)	44,086
<i>Wastewater infrastructure</i>								
At cost	54,225	955	-	-	-	-	(1,279)	53,901
<i>Equipment and motor vehicles</i>								
At cost	2,089	565	(128)	-	-	-	(569)	1,957
Under construction	2,590	7,111	-	-	-	(6,567)	-	3,134
Totals	112,737	13,826	(139)	-	(326)	(6,567)	(3,223)	116,308

2006–2007 \$'000	Opening WDV at 1 July 2006	Additions	Disposals	Revaluations	Impairment	Transfers	Depreciation	Closing WDV at 30 June 2007
<i>Land</i>								
At fair value	8,989	-	-	-	-	-	-	8,989
<i>Buildings</i>								
At fair value	4,400	-	-	-	-	-	(93)	4,307
<i>Water infrastructure</i>								
At cost	38,184	3,474	-	-	-	-	(1,121)	40,537
<i>Wastewater infrastructure</i>								
At cost	53,718	1,728	-	-	-	-	(1,221)	54,225
<i>Equipment and motor vehicles</i>								
At cost	2,021	582	(44)	-	-	-	(470)	2,089
Under construction	2,121	5,937	-	-	-	(5,468)	-	2,590
Totals	109,433	11,721	(44)	-	-	(5,468)	(2,905)	112,737

Note 9 Intangible assets

	Software \$'000	Total \$'000
<i>Year ended 30 June 2008</i>		
At 1 July 2007, net of accumulated amortization	287	287
Additions	129	129
Impairment	-	-
Amortisation	(115)	(115)
At 30 June 2008, net of accumulated amortisation	301	301
<i>Year ended 30 June 2007</i>		
At 1 July 2006, net of accumulated amortization	186	186
Additions	199	199
Impairment	-	-
Amortisation	(98)	(98)
At 30 June 2007, net of accumulated amortisation	287	287

Note 10 Payables

	2008 \$'000	2007 \$'000
<i>Current Payables</i>		
Trade payables	712	1,036
Accrued expenses	792	200
Other Creditors	601	210
Total Current Payables	2,105	1,446

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

The carrying amounts of the Corporation's trade and other payables are denominated in the following currencies:

	2008 \$'000	2007 \$'000
Australian Dollars	2,105	1,446
	2,105	1,446

For an analysis of the sensitivity of trade and other payables to foreign currency and interest rate risk, refer to note 16.

Notes to the Financial Report for the year ended 30 June 2008

Note 11 Interest bearing liabilities

Interest bearing liabilities represent loans from Treasury Corporation Victoria that have both fixed and variable terms and interest rates

	2008 \$'000	2007 \$'000
<i>Current</i>		
<i>Unsecured</i>		
Other Loans (DTF)	2,229	804
Total current unsecured interest bearing liabilities	2,229	804
<i>Non-current</i>		
<i>Unsecured</i>		
Other Loans (DTF)	1,931	2,361
Total interest bearing liabilities	4,160	3,165
<i>Credit standby arrangements</i>		
Other loans (DTF)	2,000	-
Unused at balance date	200	-
	Carrying amount \$'000	Fair value \$'000
<i>On balance sheet</i>		
<i>Non traded financial liabilities</i>		
Other loans	4,160	4,160
	4,160	4,160

Risk exposures

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

	2008 \$'000	2007 \$'000
6 months or less	2,015	402
6-12 months	214	402
1-5 years	1,802	1,873
Over 5 years	129	488
	4,160	3,165
Current borrowings	2,229	804
Non current borrowings	1,931	2,361
	4,160	3,165

The carrying amounts of the Corporation's borrowings are denominated in the following currencies:

	2008 \$'000	2007 \$'000
Australian dollar	4,160	3,165

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 16.

Note 12 Employee benefits

	2008 \$'000	2007 \$'000
<i>Current</i>		
Annual leave and unconditional long service leave entitlements, representing 7 years of continuous service:		
- Short-term employee benefits that fall due within 12 months after the end of the period, measured at nominal value	405	326
- Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value	167	125
<i>Total Current</i>	572	451
<i>Non-Current</i>		
Conditional long service leave	85	81
Other	-	-
<i>Total Non-Current</i>	85	81
Total Employee Benefits	657	532

The following assumptions were adopted in measuring the present value of long service leave entitlements:

Weighted average increase in employee costs	4.75%	4.50%
Weighted average discount rates	5.24%	3.72%
Weighted average settlement period	6.3 Yrs	6.3 Yrs

Note 13 Contributions by Owners

	2008 \$'000	2007 \$'000
Opening balance at 1 July	51,323	51,323
Capital contributions in the year	-	-
Closing balance at 30 June	51,323	51,323

Note 14 Reserves

	2008 \$'000	2007 \$'000
Asset revaluation reserve		
Balance 1 July	7,099	7,099
Revaluation increment / decrement on non-current assets	-	-
Balance 30 June	7,099	7,099

The asset revaluation reserve is used to record asset revaluation increments and decrements in the value of non-current physical assets.

Note 15 Accumulated funds

	2008 \$'000	2007 \$'000
Opening balance at 1 July	52,221	51,203
Net surplus	1,210	1,018
Closing balance at 30 June	53,431	52,221

Notes to the Financial Report for the year ended 30 June 2008

Note 16 Financial Instruments

Interest rate risk exposures

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

2008 \$'000	Non interest Bearing	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
<i>Financial Assets</i>									
Cash		244							244
Trade debtors	890								890
Other receivables	65								65
Total financial assets	955	244							1,199
<i>Financial Liabilities</i>									
Payables	2,105								2,105
Other Loans		1,800	429	454	481	509	358	129	4,160
Total financial liabilities	2,105	1,800	429	454	481	509	358	129	6,265
Weighted average interest rate		7.42%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	

2007 \$'000	Non interest Bearing	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
<i>Financial Assets</i>									
Cash		903							903
Trade debtors	748								748
Other receivables	113								113
Total financial assets	861	903							1,764
<i>Financial Liabilities</i>									
Payables	1,446								1,446
Other Loans			804	429	454	481	509	488	3,165
Total financial liabilities	1,446		804	429	454	481	509	488	4,611
Weighted average interest rate		6.01%	5.74%	5.74%	5.74%	5.74%	5.74%	5.74%	

Fair value

The carrying amounts and fair values of interest bearing liabilities at balance date are:

\$'000	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Other loans	4,160	4,160	3,165	3,090

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

Note 17 Segment information

	Wholesale		Retail	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Revenue</i>				
Bulk water sales – urban retail				
Retail service charges	-	-	10,055	9,212
Retail usage charges	-	-	1,766	1,563
Other revenue	-	64	1,656	1,734
Total revenue	-	64	13,477	12,509
<i>Expenditure</i>				
Employee benefits expense	115	124	3,614	3,208
Depreciation expense	292	153	2,931	2,752
Supplies and services	571	583	3,899	3,785
Borrowing costs	-	-	207	206
Other expenses	20	40	618	695
Total expenditure	998	900	11,269	10,686
Operating result by function	(998)	(836)	2,208	1,863
<i>Assets</i>				
Property, plant and equipment	9,798	8,783	106,510	103,954
Other assets	1,091	1,354	1,376	1,695
Total assets	10,889	10,137	107,886	105,649
<i>Liabilities</i>				
Payables	-	-	2,105	1,446
Interest bearing liabilities	-	-	4,160	3,165
Employee benefits	-	-	657	532
Total liabilities	-	-	6,922	5,143
<i>Cash flow</i>				
Cash flows from investing activities	(3,714)	-	(2923)	(5,346)
Cash flows from financing activities	589	-	442	(755)
Total cash flows from investing and financing activities	(3,225)	-	(2,479)	(6,101)

Notes to the Financial Report for the year ended 30 June 2008

Note 17 (cont'd)

The revenue from and results of services within retail operations were:

	Water Supply		Wastewater		Total Retail Operations	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Revenue</i>						
Sales – external	6,160	6,480	5,661	5,184	11,821	11,664
Other revenue	1,199	697	457	148	1,656	845
Total revenue	7,359	7,177	6,118	5,332	13,477	12,509
Service results	861	588	449	437	1,210	1,025

Note 18 Commitments

	2008 \$'000	2007 \$'000
<i>Capital commitments</i>		
At 30 June, the Corporation had the following capital commitments:		
Various ongoing projects	240	-
Outstanding capital commitments are to be paid as follows:		
- within one year	240	-
- one to five years	-	-
- over five years	-	-
	240	-

Other significant operating commitments

At 30 June, the Corporation had the following other significant operating commitments:

Water Industry Environmental Contributions	2,188	450
Other significant operating commitments are likely to be exercised as follows:		
- within one year	547	450
- one to five years	1,641	-
- over five years	-	-
	2,188	450

Note 19 Contingent liabilities and contingent assets

Action has been initiated against the Corporation for unspecified damages. The matter is presently being resolved through the Victorian Civil and Administrative Tribunal. The extent of any potential liability is yet to be determined.

Note 20 Superannuation

The Corporation contributes in respect of its employees to the following superannuation schemes:

Vision Super

The Corporation makes employer superannuation contributions in respect of some employees to Vision Super. The Fund has two categories of membership, each of which is funded differently:

- (a) Vision Super LASPLAN scheme receives both employer and employee contributions on a monthly basis. Employer contributions are based on a fixed percentage of employee gross earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to the employees are represented by their share of the net assets of the Fund.
- (b) Vision Super Defined Benefit scheme is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32(b) of AASB 119, the Corporation does not use defined benefit accounting for these contributions.

This 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, the trustee has determined that the Corporation should make contributions as per the previous year.

Miscellaneous Schemes

The Corporation also made payments to various superannuation schemes, which include a number of self managed funds, during the reporting period. The employer contributions to these schemes are based on a fixed percentage of employee gross earnings (9% required under Superannuation Guarantee Legislation).

The Corporation contributed in respect of its employee to the following superannuation schemes:

	Type of scheme	Rate	2007-08 \$'000	2006-07 \$'000
<i>Miscellaneous Schemes</i>	<i>SGC</i>	<i>9.00%</i>	154	96
<i>Vision Super</i>	<i>SGC</i>	<i>9.00%</i>	128	124
<i>Vision Super Defined Benefits</i>	<i>Defined</i>	<i>9.25%</i>	22	30
Total contributions to all funds			304	250

As at the reporting date, there were no outstanding contributions payable to the above funds.

As at the reporting date, there were no loans to or from the Corporation to any of the above funds.

The Corporation is not liable for any unfunded liability in respect of the above employer sponsored defined benefits superannuation scheme.

Note 21 Responsible persons related party 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 Environment and Minister for Water (1 July 2007 to 2 August 2007)
- The Hon Timothy Holding MP, Minister for Water (3 August 2007 to 30 June 2008)

Notes to the Financial Report for the year ended 30 June 2008

Note 21 Responsible persons related party disclosures (cont'd)

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.

Directors

- Pamela Cameron (Chairperson)
- Leigh Hocking (Deputy Chairperson)
- Leah Young (Director)
- Chris Pattas (Director)
- Anthea Dacy (Director 1 July 2007 to 30 September 2007)
- Philip Westwood (Director 1 July 2007 to 30 September 2007)
- Trevor Nink (Director from 1 October 2007)
- Tony Leonard (Director from 1 October 2007)
- Jane Bell (Director from 1 October 2007)
- David Mawer (Managing Director 1 July 2007 to 11 April 2008)
- Keith Gregory (Acting Managing Director from 11 April 2008)

	2008 \$'000	2007 \$'000
Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments, superannuation and bonuses paid at the end of contracts).	258	311

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

Income band (\$)	2008 No.	2007 No.
0 – 9,999	–	2
10,000 – 19,999	6	4
20,000 – 29,999	–	–
30,000 – 39,999	1	–
40,000 – 49,999	–	1
50,000 – 99,999	–	–
100,000 – 149,999	–	–
150,000 – 199,999	1	–
200,000 – 249,999	–	1
	2008 \$'000	2007 \$'000

Retirement benefits of responsible persons

The retirement benefits paid by the Corporation in connection with the retirement of responsible persons of the Corporation amounted to:

	–	–
--	---	---

There were no other transactions between the Corporation and responsible persons and their related parties during the financial year. (2007 \$0)

b) Executive officers' remuneration

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

Income band (\$)	Total Remuneration		Base Remuneration	
	2008	2007	2008	2007
120,000 – 129,999	–	–	1	2
130,000 – 139,999	1	2	1	1
140,000 – 149,999	1	1	–	–
Total Amount \$'000	274	415	253	387
Total Numbers	2	3	2	3

Note 22 Reconciliation of profit / (loss) for the period after related income tax to net cash flows from operating activities

	2008 \$'000	2007 \$'000
<i>Net result for the period after income tax</i>	1,210	1,018
<i>Add/(less) Non-Cash Flows in Net Result</i>		
(Profit) / loss on disposal of non-current assets	4	6
Depreciation and amortisation	3,338	3,003
Developer contributions for capital purposes	(466)	(184)
Owner contributed assets	(223)	(194)
Bad debts write off	38	25
Impairment of non-current assets	326	–
	4,227	3,674
Changes in Assets and Liabilities		
Decrease/(increase) in trade receivables	(142)	(21)
Decrease/(increase) in inventories	20	(25)
Decrease/(increase) in other current assets	10	249
Decrease/(increase) in other receivables	48	–
(Decrease)/Increase in payables	658	(345)
Decrease/(increase) in provisions	–	(70)
(Decrease)/increase in employee benefit liabilities	126	57
	720	(154)
Net Cash flows from Operating Activities	4,947	3,520

Note 23 Dividends

It is not anticipated that a dividend will be paid in relation to this financial year.

Note 24 Events occurring after the balance sheet date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

Statutory Certificate

Accountable officers' and chief finance and accounting officer's declaration

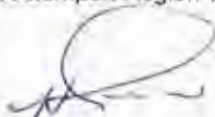
We certify the attached financial statements for Westernport Region Water Corporation have been prepared in accordance with Part 7 of the Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of recognised income and expense, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2008 and the financial position of the Corporation as at 30 June 2008.

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



Pamela Cameron
Chairperson
Westernport Region Water Corporation



Keith Gregory
Acting Managing Director
Westernport Region Water Corporation



Christopher Thomas Leighton
Chief Finance & Accounting Officer
Westernport Region Water Corporation

22 SEPTEMBER 2008

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Westernport Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of Westernport Region Water Corporation which comprises an operating statement, balance sheet, statement of recognised income and expense, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officers' and chief finance and accounting officer's declaration has been audited.

The Board Members Responsibility for the Financial Report

The Board Members of the Westernport Region Water Corporation are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial statements published in both the annual report and on the website of the Westernport Region Water Corporation for the year ended 30 June 2008. The Board Members of the Westernport Region Water Corporation are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Westernport Region Water Corporation web site.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Westernport Region Water Corporation as at 30 June 2008 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
22 September 2008



D D R Pearson
Auditor-General

Whistleblowers policy

Westernport Water is committed to the aims and objectives of the Whistleblowers Protection Act 2001 (the Act). It does not tolerate improper conduct by its employees, officers or members, nor the taking of reprisals against those who come forward to disclose such conduct.

Westernport Water recognises the value of transparency and accountability in its administrative and management practice, and supports the making of disclosures that reveal corrupt conduct, conduct involving substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

Westernport Water will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. Westernport Water will also afford natural justice to the person who is the subject of the disclosure.

PURPOSE OF THESE PROCEDURES:

These procedures establish a system for reporting disclosures of improper conduct or detrimental action by Westernport Water or its employees. The system enables such disclosures to be made to the protected disclosure coordinator. Disclosures may be made by employees or by members of the public.

These procedures are designed to complement normal communication channels between supervisors and employees. Employees are encouraged to continue to raise appropriate matters at any time with their supervisors. As an alternative, employees may make a disclosure of improper conduct or detrimental action under the Act in accordance with these procedures.

OBJECTS OF THE ACT

The *Whistleblowers Protection Act 2001* commenced operation on 1 January 2002.

The purpose of the Act is to encourage and facilitate the making of disclosures of improper conduct by public officers and public bodies. The Act provides protection to whistleblowers who make disclosures in accordance with the Act, and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

DEFINITION OF KEY TERMS:

Three key concepts in the reporting system are improper conduct, corrupt conduct and detrimental action. Definitions of these terms are set out below.

Improper conduct

Conduct by a public body or public official that is corrupt, a substantial mismanagement of public resources, or conduct involving substantial risk to public health or safety or to the environment. The conduct must be serious enough to constitute, if proved, a criminal offence or reasonable grounds for dismissal.

Examples

To avoid closure of a town's only industry, an environmental health officer ignores or conceals evidence of illegal dumping of waste.

An agricultural officer delays or declines imposing quarantine to allow a financially distressed farmer to sell diseased stock.

A building inspector tolerates poor practices and structural defects in the work of a leading local builder.

Corrupt conduct

Corrupt conduct means:

- Conduct of any person (whether or not a public official) that adversely affects the honest performance of a public officer's or public body's functions;
- The performance of a public officer's functions dishonestly or with inappropriate partiality;
- Conduct of a public officer, former public officer or a public body that amounts to a breach of public trust;
- Conduct by a public officer, former public officer or a public body that amounts to the misuse of information or material acquired in the course of the performance of their official functions; or
- A conspiracy or attempt to engage in the above conduct.

Examples

A public officer takes a bribe or receives a payment other than his or her wages or salary in exchange for the discharge of a public duty.

A public officer favours unmeritorious applications for jobs or permits by friends and relatives.

A public officer sells confidential information.

Detrimental action

The Act makes it an offence for a person to take detrimental action against a person in reprisal for a protected disclosure. Detrimental action includes:

- Action causing injury, loss or damage;
- Intimidation or harassment; and
- Discrimination, disadvantage or adverse treatment in relation to a person's employment, career, profession, trade or business, including the taking of disciplinary action.

Examples

A public body demotes, transfers, isolates in the workplace or changes the duties of a whistleblower due to the making of a disclosure.

A person threatens, abuses or carries out other forms of harassment directly or indirectly against the whistleblower, his or her family or friends.

A public body discriminates against the whistleblower or his or her family and associates in subsequent applications for jobs, permits or tenders.

THE REPORTING SYSTEM

Contact persons within Westernport Water

Disclosures of improper conduct or detrimental action by Westernport Water or its employees, may be made to the Protected Disclosure Coordinator:

Kylie White
Regulation and IT Manager
Westernport Water

All correspondence, phone calls and emails from internal or external whistleblowers will be referred to the protected disclosure coordinator.

Where a person is contemplating making a disclosure and is concerned about approaching the protected disclosure coordinator in the workplace, he or she can call the protected disclosure coordinator and request a meeting in a discreet location away from the workplace.

Alternative contact persons

A disclosure about improper conduct or detrimental action by Westernport Water or its employees, may also be made directly to the Ombudsman:

The Ombudsman Victoria
Level 9, 459 Collins Street
Melbourne Victoria 3000
(DX 210174)

Internet:
www.ombudsman.vic.gov.au
Email:
ombudvic@ombudsman.vic.gov.au
Tel: (03) 9613 6222
Toll Free: 1800 806 314
Ombudsman: Mr George Brouwer

The following table sets out where disclosures about persons other than employees of Westernport Water should be made.

To whom must a protected disclosure be made

Person who is the subject of the disclosure	Person/body to whom the disclosure must be made
Employee of a public body	That public body or the Ombudsman
Member of Parliament (Legislative Assembly)	Speaker of the Legislative Assembly
Member of Parliament (Legislative Council)	President of the Legislative Council
Councillor	The Ombudsman
Chief Commissioner of Police	The Ombudsman
Member of the police force	The Ombudsman, Deputy Ombudsman or Chief Commissioner of Police

Reporting Structure



Reporting Register

The register below is an example of the records and information about disclosures made to Westernport Water that have been determined to be protected disclosures under the Act.

Details	File A	File B
Date disclosure received		
Type of disclosure		
Is disclosure a public interest disclosure?		
Date above determination made		
Date whistleblower informed of determination		
Date disclosure referred to the Ombudsman		
Determination made by Ombudsman		
Was the investigation referred back to the Ombudsman?		
Did the Ombudsman take over the investigation?		
Did the whistleblower request the Ombudsman to take over the investigation?		
Findings of Westernport Water		
Recommendations made by the Ombudsman		
Date reporting requirements satisfied		

ROLES AND RESPONSIBILITIES

Employees

Employees are encouraged to report known or suspected incidences of improper conduct or detrimental action in accordance with these procedures.

All employees of Westernport Water have an important role to play in supporting those who have made a legitimate disclosure. They must refrain from any activity that is, or could be perceived to be, victimisation or harassment of a person who makes a disclosure. Furthermore, they should protect and maintain the confidentiality of a person they know or suspect to have made a disclosure.

Protected disclosure coordinator

The Protected Disclosure Coordinator has a central clearinghouse role in the internal reporting system. He or she will:

- Receive all phone calls, emails and letters from members of the public or employees seeking to make a disclosure;
- Coordinate the reporting system used by the organisation via a centralised, confidential and secured recording and reporting system;
- Impartially assess each disclosure to determine whether it is a public interest disclosure;
- Refer all public interest disclosures to the Ombudsman;
- Be responsible for appointing an investigator to carry out an investigation referred to Westernport Water by the Ombudsman;
- Be responsible for overseeing and coordinating an investigation;
- Appoint a welfare manager to support the whistleblower and to protect him or her from any reprisals;
- Advise the whistleblower of the progress of an investigation into the disclosed matter;
- Establish and manage a confidential filing system;

Whistleblowers policy

- Collate and publish statistics on disclosures made;
- Liaise with the Managing Director of Westernport Water;
- Be a contact point for general advice about the operation of the Act for any person wishing to make a disclosure about improper conduct or detrimental action;
- Make arrangements for a disclosure to be made privately and discreetly and, if necessary, away from the workplace;
- Receive any disclosure made orally or in writing (from internal and external whistleblowers);
- Commit to writing any disclosure made orally;
- Impartially assess the allegation and determine whether it is a disclosure made in accordance with Part 2 of the Act (that is, a protected disclosure); and
- Take all necessary steps to ensure the identity of the whistleblower and the identity of the person who is the subject of the disclosure are kept confidential.

The Protected Disclosure Coordinator will be the Regulation and IT Manager of Westernport Water.

If the Protected Disclosure Coordinator has a personal or direct interest in the matter being investigated the Managing Director will either appoint another departmental manager to be the Protected Disclosure Coordinator or be the Protected Disclosure Coordinator.

Investigator

The investigator will be responsible for carrying out an internal investigation into a disclosure where the Ombudsman has referred a matter to Westernport Water.

An investigator will be a consultant engaged for that purpose.

Welfare manager

The welfare manager is responsible for looking after the general welfare of the whistleblower. The welfare manager will:

- Examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and seek to foster a supportive work environment;
- Advise the whistleblower of the legislative and administrative protections available to him or her;
- Listen and respond to any concerns of harassment, intimidation or victimisation in reprisal for making disclosure;
- Ensure the expectations of the whistleblower are realistic;
- Keep contemporaneous records of all aspects of the case management of the whistleblower including all contact and follow-up action;
- Must not divulge any details in relation to the disclosed matter to any person other than the protected disclosure coordinator, the investigator, or the Managing Director

A welfare manager will be a consultant engaged for that purpose.

CONFIDENTIALITY

Westernport Water will take all reasonable steps to protect the identity of the whistleblower, and the person who is the subject of the disclosure, should advise both parties of the protection afforded by the Act. Section 68 of the Act requires procedures to be established to ensure the protection of the whistleblower from any reprisal for making a protected disclosure.

The Act requires any person who receives information due to the handling or investigation of a protected disclosure, not to disclose that information except in certain limited circumstances. Disclosure of information in breach of section 22 constitutes an offence that is punishable by a maximum fine of 60 penalty units or six months imprisonment, or both.

The circumstances in which a person may disclose information obtained about a protected disclosure include:

- Where exercising the functions of Westernport Water under the Act;
- When making a report or recommendation under the Act;
- When publishing statistics in the annual report of Westernport Water (Part 9); and
- In criminal proceedings for certain offences in the Act (section 60 or 106).

However, the section 22(2) & (3) of the Act prohibits the inclusion

of particulars in any report, including the annual report, or recommendation that is likely to lead to the identification of the whistleblower.

Westernport Water will ensure all files, whether paper or electronic, are kept secure and can only be accessed by the protected disclosure coordinator, the investigator or welfare manager (in relation to welfare matters). All printed material will be kept in files that are clearly marked as a Whistleblower Protection Act matter, and warn of the criminal penalties that apply to any unauthorised divulging of information concerning a protected disclosure. All electronic files saved to a floppy disk or CD-ROM or other disc must be password protected.

Westernport Water will not email or fax documents relevant to a whistleblower matter and will ensure all phone calls and meetings are conducted in private.

COLLATING AND PUBLISHING STATISTICS

The protected disclosure coordinator will establish a secure register to record the information required to be published in the annual report, and to generally keep account of the status of whistleblower disclosures. The register will be confidential and will not record any information that may identify the whistleblower.

The register will contain the following information:

The number and types of disclosures made to Westernport Water during the year

The number of disclosures referred to the Ombudsman for determination as to whether they are public interest disclosures

The number and types of disclosed matters referred to Westernport Water by the Ombudsman for investigation

The number and types of disclosures referred by Westernport Water to the Ombudsman for investigation

The number and types of investigations taken over from Westernport Water by the Ombudsman

The number of requests made by a whistleblower to the Ombudsman to take over an investigation by Westernport Water

The number and types of disclosed matters that Westernport Water has declined to investigate

The number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation

Any recommendations made by the Ombudsman that relate to Westernport Water

RECEIVING AND ASSESSING DISCLOSURES

Disclosure in accordance with Part 2 of the Act

Where a disclosure has been received by the protected disclosure coordinator, he or she will assess whether the disclosure has been made in accordance with Part 2 of the Act and is, therefore, a protected disclosure.

Has the disclosure been made to the appropriate person?

For the disclosure to be responded to by Westernport Water, it must concern an employee, member or officer of Westernport Water. If the disclosure concerns an employee, officer or member of another public body, the person who has made the disclosure must be advised of the correct person or body to whom the disclosure should be directed (refer section 12.3 of the Act). If the disclosure has been made anonymously, it should be referred to the Ombudsman.

Does the disclosure contain the essential elements of a protected disclosure?

To be a protected disclosure, a disclosure must satisfy on or more of the following criteria:

- Did a natural person (that is, an individual person rather than a corporation) make the disclosure?
- Does the disclosure relate to conduct of Westernport Water or employee, member or officer of Westernport Water acting in their official capacity?
- Is the alleged conduct either improper conduct or detrimental action taken against a person in reprisal for making a protected disclosure?
- Does the person making a disclosure have reasonable grounds for believing the alleged conduct has occurred?

Where a disclosure is assessed to be a protected disclosure, the protected disclosure coordinator will determine whether the disclosure is a public interest disclosure. Where a disclosure is assessed not to be a protected disclosure, the matter does not need to be dealt with under the Act.

The protected disclosure coordinator will decide how the matter should be responded to.

Is the disclosure a public interest disclosure?

Where the protected disclosure coordinator has received a disclosure that has been assessed to be a protected disclosure, the protected disclosure coordinator will determine whether the disclosure amounts to a public interest disclosure. This assessment will be made within 45 days of the receipt of the disclosure.

In reaching a conclusion as to whether a protected disclosure is a public interest disclosure, the protected disclosure coordinator will consider whether the disclosure shows, or tends to show, that the public officer to whom the disclosure relates:

- Has engaged, is engaging or proposes to engage in improper conduct in his or her capacity as a public officer; or
- Has taken, is taking or proposes to take detrimental action in reprisal for the making of the protected disclosure.

Where the protected disclosure coordinator concludes that the disclosure amounts to a public interest disclosure, he or she will:

- Notify the person who made the disclosure of that conclusion; and
- Refer the disclosure to the Ombudsman for formal determination as to whether it is indeed a public interest disclosure.

Where the protected disclosure coordinator concludes that the disclosure is not a public interest disclosure, he or she will:

- Notify the person who made the disclosure of that conclusion, and the grounds for the decision;
- Advise that person that he or she may request Westernport Water to refer the disclosure to the Ombudsman for a formal determination as to whether the disclosure is a public interest disclosure, and that this request must be made within 28 days of the notification; and
- Advise that person of Westernport Water's internal processes for complaints resolution.

In either case, the protected disclosure coordinator will make the notification and the referral within 14 days of the conclusion being reached by Westernport Water.

Notification to the whistleblower is not necessary where the disclosure has been made anonymously.

INVESTIGATIONS

Introduction

Where the Ombudsman refers a protected disclosure to Westernport Water for investigation, the protected disclosure coordinator will appoint an investigator to carry out the investigation.

The objectives of an investigation will be:

- To collate information relating to the allegation as quickly as possible. This may involve taking steps to protect or preserve documents, materials and equipment;
- To consider the information collected and to draw conclusions objectively and impartially;
- To maintain procedural fairness in the treatment of witnesses and the person who is the subject of the disclosure; and
- To make recommendations arising from the conclusions drawn concerning remedial or other appropriate action.

Terms of reference

Before commencing an investigation, the protected disclosure coordinator will draw up terms of reference and obtain authorisation for those terms by the directing manager. The terms of reference will set a date by which the investigation report is to be concluded, and will describe the resources available to the investigator to complete the investigation within the time set. The protected disclosure coordinator may approve, if reasonable, an extension of time requested by the investigator.

The terms of reference will require the investigator to make regular reports to the protected disclosure coordinator who, in turn, is to keep the Ombudsman informed of general progress.

Investigation plan

The investigator will prepare an investigation plan for approval by the protected disclosure coordinator. The plan will list the issues to be substantiated and describe the avenue of inquiry. It will address the following issues:

- What is being alleged?
- What are the possible findings or offences?
- What are the facts in issue?
- How is the inquiry to be conducted?
- What resources are required?

At the commencement of the investigation, the whistleblower should be:

- Notified by the investigator that he or she has been appointed to conduct the investigation;
- Asked to clarify any matters; and
- Asked to provide any additional material he or she might have.

The investigator will be sensitive to the whistleblower's possible fear of reprisals and will be aware of the statutory protections provided to the whistleblower.

Natural justice

The principles of natural justice will be followed in any investigation of a public interest disclosure. The principles of natural justice concern procedural fairness and ensure a fair decision is reached by an objective

Whistleblowers policy

decision maker. Maintaining procedural fairness protects the rights of individuals and enhances public confidence in the process.

Westernport Water will have regard to the following issues in ensuring procedural fairness:

- The person who is the subject of the disclosure is entitled to know the allegations made against him or her and must be given the right to respond. (This does not mean the person must be advised of the allegation as soon as the disclosure is received or the investigation has commenced);
- If the investigator is contemplating making a report adverse to the interests of any person, that person should be given the opportunity to put forward further material that may influence the outcome of the report and that person's defence should be fairly set out in the report;
- All relevant parties to a matter should be heard and all submissions should be considered;
- A decision should not be made until all reasonable inquiries have been made;
- The investigator or any decision maker should not have a personal or direct interest in the matter being investigated;
- All proceedings must be carried out fairly and without bias. Care should be taken to exclude perceived bias from the process; and
- The investigator must be impartial in assessing the credibility of the whistleblowers and any witnesses. Where appropriate, conclusions as to credibility should be included in the investigation report.

Conduct of the investigation

The investigator will make contemporaneous notes of all discussions and phone calls, and all interviews with witnesses will be taped. All information gathered in an investigation will be stored securely. Interviews will be conducted in private and the investigator will take all reasonable steps to protect the identity of the whistleblower. Where

disclosure of the identity of the whistleblower cannot be avoided, due to the nature of the allegations, the investigator will warn the whistleblower and his or her welfare manager of this probability.

It is in the discretion of the investigator to allow any witness to have legal or other representation or support during an interview. If a witness has a special need for legal representation or support, permission should be granted.

Referral of an investigation to the Ombudsman

The protected disclosure coordinator will make a decision regarding the referral of an investigation to the Ombudsman where, on the advice of the investigator:

- The investigation is being obstructed by, for example, the non-cooperation of key witnesses; or
- The investigation has revealed conduct that may constitute a criminal offence.

Reporting requirements

The protected disclosure coordinator will ensure the whistleblower is kept regularly informed concerning the handling of a protected disclosure and an investigation. The protected disclosure coordinator will report to the Ombudsman about the progress of an investigation. Where the Ombudsman or the whistleblower requests information about the progress of an investigation, that information will be provided within 28 days of the date of the request.

ACTION TAKEN AFTER INVESTIGATION

Investigator's final report

At the conclusion of the investigation, the investigator will submit a written report of his or her findings to the protected disclosure coordinator. The report will contain:

- The allegation/s;
- An account of all relevant information received and, if the investigator has rejected evidence as being unreliable, the reasons for this opinion being formed;
- The conclusions reached and the basis for them; and
- Any recommendations arising

from the conclusions.

Where the investigator has found that the conduct disclosed by the whistleblower has occurred, recommendations made by the investigator will include:

- The steps that need to be taken by Westernport Water to prevent the conduct from continuing or occurring in the future; and
- Any action that should be taken by Westernport Water to remedy any harm or loss arising from the conduct. This action may include bringing disciplinary proceedings against the person responsible for the conduct, and referring the matter to an appropriate authority for further consideration.

The report will be accompanied by:

- The transcript or other record of any oral evidence taken, including tape recordings; and
- All documents, statements or other exhibits received by the officer and accepted as evidence during the course of the investigation.

Where the investigator's report is to include an adverse comment against any person, that person will be given the opportunity to respond and his or her defence will be fairly included in the report.

The report will not disclose particulars likely to lead to the identification of the whistleblower.

Action to be taken

If the protected disclosure coordinator is satisfied that the investigation has found that the disclosed conduct has occurred, he or she will recommend to the Managing Director the action that must be taken to prevent the conduct from continuing or occurring in the future. The protected disclosure coordinator may also recommend that action be taken to remedy any harm or loss arising from the conduct. The protected disclosure coordinator will provide a written report to the Minister for Environment and Climate Change, the Ombudsman and the whistleblower setting out the findings of the investigation and any remedial steps taken.

Where the investigation concludes that the disclosed conduct did not occur, the protected disclosure coordinator will report these findings to the Ombudsman and to the whistleblower.

MANAGING THE WELFARE OF THE WHISTLEBLOWER

Commitment to protecting whistleblowers

Westernport Water is committed to the protection of genuine whistleblowers against detrimental action taken in reprisal for the making of protected disclosures. The protected disclosure coordinator is responsible for ensuring whistleblowers are protected from direct and indirect detrimental action, and that the culture of the workplace is supportive of protected disclosures being made.

The protected disclosure coordinator will appoint a welfare manager to all whistleblowers who have made a protected disclosure. The welfare manager will:

- Examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and, where the whistleblower is an employee, seek to foster a supportive work environment;
- Advise the whistleblower of the legislative and administrative protections available to him or her;
- Listen and respond to any concerns of harassment, intimidation or victimisation in reprisal for making disclosure;
- Keep an contemporaneous record of all aspects of the case management of the whistleblower including all contact and follow-up action; and
- Ensure the expectations of the whistleblower are realistic.

Whistleblowers Policy

All employees will be advised that it is an offence for a person to take detrimental action in reprisal for a protected disclosure. The maximum penalty is a fine of 240 penalty units or two years imprisonment or both. The taking of detrimental action in breach of this provision can also be grounds for making a disclosure under the Act and can result in an investigation.

Detrimental action includes:

- Causing injury, loss or damage;
- Intimidation or harassment; and
- Discrimination, disadvantage or adverse treatment in relation to a person's employment, career, profession, trade or business (including the taking of disciplinary action).

Keeping the whistleblower informed

The protected disclosure coordinator will ensure the whistleblower is kept informed of action taken in relation to his or her disclosure, and the time frames that apply.

The whistleblower will be informed of the objectives of an investigation, the findings of an investigation, and the steps taken by Westernport Water to address any improper conduct that has been found to have occurred. The whistleblower will be given reasons for decisions made by Westernport Water in relation to a protected disclosure. All communication with the whistleblower will be in plain English.

Occurrence of detrimental action

If a whistleblower reports an incident of harassment, discrimination or adverse treatment that would amount to detrimental action taken in reprisal for the making of the disclosure, the welfare manager will:

- Record details of the incident;
- Advise the whistleblower of his or her rights under the Act; and
- Advise the protected disclosure coordinator or Managing Director of the detrimental action.

The taking of detrimental action in reprisal for the making of a disclosure can be an offence against the Act as well as grounds for making a further disclosure. Where such detrimental action is reported,

the protected disclosure coordinator will assess the report as a new disclosure under the Act. Where the protected disclosure coordinator is satisfied that the disclosure is a public interest disclosure, he or she will refer it to the Ombudsman.

If the Ombudsman subsequently determines the matter to be a public interest disclosure, the Ombudsman may investigate the matter or refer it to another body for investigation as outlined in the Act.

Whistleblowers implicated in improper conduct

Where a person who makes a disclosure is implicated in misconduct, Westernport Water will handle the disclosure and protect the whistleblower from reprisals in accordance with the Act, the Ombudsman's guidelines and these procedures.

Westernport Water acknowledges that the act of whistle blowing should not shield whistleblowers from the reasonable consequences flowing from any involvement in improper conduct. Section 17 of the Act specifically provides that a person's liability for his or her own conduct is not affected by the person's disclosure of that conduct under the Act. However, in some circumstances, an admission may be a mitigating factor when considering disciplinary or other action.

The Managing Director will make the final decision on the advice of the protected disclosure coordinator as to whether disciplinary or other action will be taken against a whistleblower.

Where disciplinary or other action relates to conduct that is the subject of the whistleblower's disclosure, the disciplinary or other action will only be taken after the disclosed matter has been appropriately dealt with.

In all cases where disciplinary or other action is being contemplated, the Managing Director must be satisfied that it has been clearly demonstrated that:

- The intention to proceed with disciplinary action is not causally connected to the making of the disclosure (as opposed to the content of the disclosure or other

available information);

- There are good and sufficient grounds that would fully justify action against any non-whistleblower in the same circumstances; and
- There are good and sufficient grounds that justify exercising any discretion to institute disciplinary or other action.

The protected disclosure coordinator will thoroughly document the process including recording the reasons why the disciplinary or other action is being taken, and the reasons why the action is not in retribution for the making of the disclosure. The protected disclosure coordinator will clearly advise the whistleblower of the proposed action to be taken, and of any mitigating factors that have been taken into account.

MANAGEMENT OF THE PERSON AGAINST WHOM A DISCLOSURE HAS BEEN MADE

Westernport Water recognises that employees against whom disclosures are made must also be supported during the handling and investigation of disclosures.

Westernport Water will take all reasonable steps to ensure the confidentiality of the person who is the subject of the disclosure during the assessment and investigation process. Where investigations do not substantiate disclosures, the fact that the investigation has been carried out, the results of the investigation, and the identity of the person who is the subject of the disclosure will remain confidential.

The protected disclosure coordinator will ensure the person who is the subject of any disclosure investigated by or on behalf of Westernport Water is:

- Informed as to the substance of the allegations;
- Given the opportunity to answer the allegations before a final decision is made;
- Informed as to the substance of any adverse comment that may be included in any report arising from the investigation; and
- Has his or her defence set out fairly in any report.

Where the allegations in a disclosure have been investigated, and the person who is the subject of the disclosure is aware of the allegations or the fact of the investigation, the protected disclosure coordinator will formally advise the person who is the subject of the disclosure of the outcome of the investigation. Westernport Water will give its full support to a person who is the subject of a disclosure where the allegations contained in a disclosure are clearly wrong or unsubstantiated. If the matter has been publicly disclosed, the Managing Director of Westernport Water will consider any request by that person to issue a statement of support setting out that the allegations were clearly wrong or unsubstantiated.

CRIMINAL OFFENCES

Westernport Water will ensure officers appointed to handle protected disclosures and all other employees are aware of the following offences created by the Act:

- It is an offence for a person to take detrimental action against a person in reprisal for a protected disclosure being made. The Act provides a maximum penalty of a fine of 240 penalty units or two years imprisonment or both.
- It is an offence for a person to divulge information obtained as a result of the handling or investigation of a protected disclosure without legislative authority. The Act provides a maximum penalty of 60 penalty units or six months imprisonment or both.
- It is an offence for a person to obstruct the Ombudsman in performing his responsibilities under the Act. The Act provides a maximum penalty of 240 penalty units or two years imprisonment or both.
- It is an offence for a person to knowingly provide false information under the Act with the intention that it be acted on as a disclosed matter. The Act provides a maximum penalty of 240 penalty units or two years imprisonment or both.

Directory

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Responsible Minister

The Hon. Tim Holding

Bankers

National Australia Bank
Thompson Avenue
Cowes VIC 3922

Auditors

Auditor General, Victoria
By Agent WHK Armitage Downie

Insurers

Jardine Australian Insurance
Brokers Pty Ltd

Solicitors

Russell Kennedy

Industry Associations

Victorian Water Industry Association
Australian Water and Wastewater Association
Institute of Water Administration

Photography

Ray Stewart
Revolver Productions
Newhaven

Rohan Young
Corporate Documentary Photography
Melbourne

Susan Webster
Ptarmigan Investments Pty Ltd
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Design

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