



Westernport Water

Annual Report **2012**



WESTERNPORT
WATER™

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Westernport Water is a sustainable enterprise providing quality products and services to its communities.



Statement of Corporate Intent

Westernport Region Water Corporation (Westernport Water or the Corporation) provides water and wastewater products and services, and advisory services. These services and products are cost-effective for customers and deliver triple bottom line results to our stakeholders. Westernport Water values working in a region which is a model for a self-sustainable community, balancing residential, agricultural, tourism and commercial needs. The Corporation supports the environment by striving for carbon neutrality and providing a sustainable range of water products. We proudly engage our community and stakeholders and are committed to the development and well-being of our staff.

Our Values

Show respect

Be Responsible

Encourage and Create Quality

Be Honest

Manner of establishment and responsible ministers

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

From 1 July 2007, the *Water Industry (Governance) Act* 2006 took effect to amend the *Water Act* 1989. As a consequence the Authority's name was changed to Westernport Region Water Corporation under section 85(1) of the *Water Act* 1989 (as amended). In accordance with section 95(1), members are appointed to the Board of the Westernport Region Water Corporation by the responsible minister for varying terms.

Objectives, functions, powers and duties

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

During this 2011–12 reporting period, the responsible Victorian minister was, The Hon. Peter Walsh MLA, Minister for Water

Nature and range of services provided

The core function of Westernport Water is to provide water and wastewater services – wherever economically, environmentally and socially practicable – to properties and communities throughout the district. It provides services to 17,679 customers and over 70,000 in peak holiday periods, in an area covering 300 square kilometres encompassing Phillip Island and the Western Port district stretching from The Gurdies to Archies Creek.

Westernport Water has access to a diversified water supply. Water is sourced from the catchment supplying Candowie Reservoir (located in the Bass hills Almurta) via Tennent Creek, the Bass River, and groundwater bores in the Corinella aquifer. Water is treated at the Ian Bartlett Water Purification Plant (IBWPP) at Candowie Reservoir near Almurta, and then it is pumped to mainland townships as well as the San Remo basin for distribution to customers in San Remo and Phillip Island. The three-year average total annual customer demand is 1737megalitres (ML) or 1.73gigalitres (GL).

Wastewater services are provided to approximately 91% of properties that receive water. Westernport Water has

two wastewater treatment plants that processed approximately 1517 ML of domestic wastewater in 2011-12. The Cowes Wastewater Treatment Plant (CWWTP) located on Phillip Island treated around 86% of the total volume. The King Road Wastewater Treatment Plant (KRWWTTP) located in the Coronet Bay area treated around 14% of the total volume. Wastewater from the townships of Kilcunda and Dalyston is treated under an agreement with South Gippsland Water at its Wonthaggi treatment plant. In total 8.4% of all treated effluent collected by Westernport Water was reused in 2011-12.

In addition, Westernport Water provides the following services:

- the sale of recycled water for local sporting ovals for irrigation purposes
- removal of minor trade wastes (greasy wastes)
- a liquid waste disposal facility at the CWWTP
- other utility-oriented services including specialist advice on infrastructure and facility design for new developments
- a reticulated gas business
- the sale of lucerne and grass hay as by-products of the effluent management process at the KRWWTTP.

Statement of Obligations

The Statement of Obligations (SoO) was issued by the then Victorian Minister for Water, Environment and Climate Change under section 4I of the *Water Industry Act* 1994 on 27 July 2004 and amended on 1 July 2007. The purpose of the SoO is to clarify the obligations of Westernport Water in relation to the performance of its functions and the exercising of its powers.

The Minister for Water has proposed variations to the SoO to ensure that water corporations deliver the state government's water agenda. The SoO drives the Corporation's proposed actions to be included in its Water Plan 3. **A copy of this document can be found on our website www.westernportwater.com.au.**

Chairman and Managing Director's report on operations



We are pleased to present the 2011-12 annual report to our customers, stakeholders and the community.

Westernport Water moved from a drought period in 2006-07 to extended periods of high rainfall and spillage from Candowie Reservoir in 2011-12. Water restrictions were lifted in 2009-10 and replaced by permanent water savings rules. Customers responded this year with relatively flat consumption levels despite a 2.4 per cent increase in connected water customers.

Candowie Reservoir had spilt 2953 ML (to 14 May 2012) over the 2011-12 year. The adjoining Bass River achieved a daily flow rate of 7000 ML on 22 June 2012 due to high catchment rainfall. The Bass River Pumping Station was not required in 2011-12.

Our financial performance

Total revenue from all sources was \$22 million and total business expenditure \$19 million, with a net profit for year to 30 June 2012 of \$3 million.

Expenditure on capital projects for the year was \$10 million against a budget of \$10.6 million. Key capital projects this year:

Phillip Island Recycled Water Scheme	\$6.057 M
Candowie Reservoir upgrade and associated works	\$0.6 M
corporate system replacement/upgrades	\$0.5 M
SCADA upgrades	\$0.5 M

Westernport Water's significant investment in water security shows its clear commitment to providing local water and wastewater solutions to cater for sustainable growth and development.

Integrated water management – the way of the future

Recycling wastewater effluent into Class A recycled water provides an alternative water supply for gardens, lawns, sports fields and flushing operations. Class A reticulation is being installed at new residential subdivisions and many commercial businesses across Phillip Island.

The Corporation's first Phillip Island-based Class A recycled water treatment plant was commissioned in June 2012. The plant as constructed is capable of producing 340 ML per annum and can be increased to 680 ML per annum by installing additional filter capacity. The project includes storage capacity of two megalitres and 11.8 km of distribution pipework to link up the major residential subdivisions from Ventnor to Rhyll (including the Phillip Island Golf Course, Recreation Reserve and Newhaven College).

The success of the Class A plant is due to its capacity to offset potable water consumption and reduce ocean outflows. The Class A plant is a joint investment partly funded by the Commonwealth's 'Water for the Future' initiative, through the *National Water Security Plan for Cities and Towns* with a total capital cost of \$6.057 million.

Demand for potable water is expected to reduce with the introduction and usage of Class A recycled water and by the connection to the Melbourne Pool – (which includes Desalination) at Woolamai – midway between Candowie Reservoir and San Remo Basin. Westernport Water does not expect to call on the Melbourne Pool for the duration of Water Plan 3 (2013-18), for other than the most severe drought event.

Water quality is a top priority

Greater emphasis has been put on water quality control to enhance water taste and appearance. Chloramination (a commonly used process of safely treating water by using chlorine and small amounts of ammonia) has been used across the region. The process successfully reduces the amount of chemicals required and addresses water taste and odour problems that can occur when flow is low especially in off peak periods common to tourist destinations.

The annual audit of water quality carried out for Westernport Water has shown above average water quality test results throughout the year and since the introduction of chloramination, water quality complaints from customers have been reduced.

Candowie Reservoir upgrade to add greater water security

Water security for the region has been further strengthened with the confirmation of a project to increase the capacity of Candowie Reservoir from 2263 ML to 4463 ML by raising the full supply level three metres. Tenders for this project closed on 27 June 2012 with a construction period of 12 months from the award of contract, expected in August 2012.

The approval to proceed with the project to upgrade Candowie Reservoir is the culmination of many years of research, design and planning work. Being able to finally start building on the project is a big step towards providing certainty to the region's future water supplies.

Customer care a priority for a growing region

Reliable supply is a pre-requisite for efficient delivery of water and sewer services. This supply depends on reliable equipment, pumps, filters, treatment plants and control systems. Westernport Water provides an online 24-hour call service for customers to report a fault or emergency. The Corporation's results over the past year have been particularly pleasing, 97% of customers responding to our customer survey indicating satisfaction with reliability of supply.

To further improve overall performance, Westernport Water has also invested in new proven corporate systems including billing, reporting and asset management systems. These systems allow the Corporation to streamline services and to focus attention on frequency of failure and cost to repair to ensure it provides the right solutions across the whole water and sewer system.

Westernport Water is also working with Bass Coast Shire Council and developers to make new projects more cost-effective and reliable, and to stay in front of the forecasted two per cent per annum property growth and expected permanent population growth.

Our committed workforce

Throughout implementation of Water Plan 2 (2008-13), Westernport Water has maintained control of its capital and operating expenses to avoid any cost escalations affecting customers. The Corporation intends to take a similar approach during delivery of Water Plan 3, covering the period July 2013 to June 2018.

Our workforce is committed to delivering great service. Management encourages staff development to enable better customer service. Management also works hard to ensure staff work in a safe and consultative environment and have access to the most modern planning tools.

Branding in the community

This year's launch of the new Westernport Water logo was a significant achievement. The new logo provides a distinctive look with which customers can easily identify. We believe the new design signals that Westernport Water is innovative and supportive of its communities and determined to evolve and refine its business practices.



Acknowledgements

Westernport Water is indebted to the support given to it by its Board of Directors, responsible Ministers and government and non-government agencies.

We are particularly grateful for the hard work our Customer Consultative Panel has provided by way of feedback and advice to management and the Board of Directors throughout the year.

The staff and Board members of Westernport Water are appreciative of the support given by other water corporations and industry associations during the year, particularly VicWater, the Australian Water Association, the Institute of Water Administration, the Water Services Association of Australia and Bass Coast Landcare. Westernport Water management thanks them for the opportunity to meet and share experiences as the team strives to achieve more efficient and effective management of the business.



The Board and management welcome the support given by the Member for Bass, the Hon. Ken Smith, MP in formulating strategy for the Corporation.

In accordance with the *Financial Management Act 1994*, Westernport Region Water Corporation presents its Report of Operations for the year ending 30 June 2012.

Anthony J Leonard, Chairman
5 September 2012

Murray Jackson, Managing Director
5 September 2012

Objectives and Performance Highlights

	Our Products and Services	Our Assets
<p>Objective</p>		
<p>Highlights</p>	<p>Provide cost-effective, quality water and wastewater products and services that complement Westernport Water's core business and meet the growing needs of its communities.</p>	<p>To enable the reliable and cost-effective delivery of Westernport Water services to customers by understanding asset performance, and continuing to improve efficiency and reliability (supported by robust preventative maintenance systems and advancement in technology).</p>
<p>Challenges</p>	<ul style="list-style-type: none"> • Water quality samples complied with the <i>Australian Drinking Water Guidelines (2011)</i> for 99.98% of the reporting period. • There was continued improvement in customers' perceptions of the taste and odour of water with a 7% increase in customers rating water taste and odour as satisfactory or excellent. • The Candowie Upgrade Project (CUP) received regulatory approval. This project will deliver long term water supply security to the region. • The SCADA rollout to 61 sewage pump stations was completed. This allows for enhanced monitoring and control of the Corporation's pump stations. • Improved drinking water quality as a result of the transition to a new water disinfection treatment process called 'Chloramination'. • Provision of Class A recycled water to residential and commercial customers with the successful construction of Bass Coast's first Class A recycled water treatment plant, storage facility and distribution network at a capital cost of \$6.057 M. 	<ul style="list-style-type: none"> • Successful installation and commissioning of a 450 mm diameter high density polyethylene water main beneath the eastern entrance of Western Port between San Remo and Phillip Island. • Installation of an odour control unit at the Rhyll Rd, Sunderland Bay Sewer Pump Station, successfully addressing odour complaints from nearby residents. • The integration of corporate systems provided the platform for operational efficiencies, improved service delivery and improved understanding of asset performance. • The Corporation's strategic asset management plan has been updated and forms the basis for the program of asset improvement works included in Water Plan 3. • Establishment of a Preventative Maintenance team to focus on the implementation of the annual preventative maintenance plan. • Sewer blockages were reduced from 29 in 2010-11 to 16 in 2011-12, which is the lowest annual total across all water corporations.
<p>Challenges</p>	<ul style="list-style-type: none"> • The challenge for the Corporation is to consolidate, maintain and extend the water and wastewater service improvements utilising the new integrated corporate systems. 	<ul style="list-style-type: none"> • Our wastewater treatment plants' and pump stations' ability to manage additional sewerage inflows proved a challenge this year as a result of rainfall in the region being 41% greater than the one-to-10 year average. • We will need to continue to integrate all corporate systems to obtain a clear picture of asset reliability.

Our People	Our Environment	Our Community
		
<p>To be recognised as an innovative, high performance organisation with a reputation that is valued by current and prospective employees.</p>	<p>To be an environmentally sustainable organisation by reducing its environmental footprint, increasing investment in sustainable energy resources reusing wastewater and bio solids, and promoting the efficient use of natural resources by driving environmental efficiencies into business decisions.</p>	<p>To add value to the communities it serves, Westernport Water will foster strong relationships and partnerships by providing resources, expertise and water related education.</p>
<ul style="list-style-type: none"> • 9 staff continued their professional development in 2011-12 achieving Diplomas in Management (6), Human Resources (1), Project Management (1) and an Advanced Diploma in OH&S (1). • 18 positions were advertised in 2011-12 attracting a total of 138 applications. 88% of the vacancies were filled by local people. • There were 21 process improvements introduced providing savings of over \$112,000. • Two university placements occurred under our partnership with the Churchill Campus of Monash University. 	<ul style="list-style-type: none"> • Stage 1 of the revegetation of Candowie Reservoir perimeter saw 10,200 plants and 6.2kg of seed trees planted. This will lead to improved biodiversity and water quality benefits. • Westernport Water in conjunction with Landcare planted 9000 trees on private land for landholders in the Candowie catchment area and installed 1.7km of fencing. • A trial revegetation project was introduced along Salt Water Creek to combat wallaby grazing. • Westernport Water joined a group of passionate Phillip Island community and government organisations in August 2011 in formulating a vision for a Sustainable Phillip Island. The <i>"Call to Action; A Sustainable Phillip Island"</i> brochure was the result of this collective approach by community and business to increase sustainable thinking on the island. 	<ul style="list-style-type: none"> • In 2011 Westernport Water achieved its highest overall customer satisfaction rating since surveying commenced in 2004, with 95% of customers expressing satisfaction with our products and services. • Water Plan 3 customer engagement process received 625 feedback surveys and recorded over 800 points of contact during the development of the plan. • Four custom drinking water stations were installed across the region for the community with one in Kilcunda, one in Cowes and two in San Remo. • The Corporation's mobile Hydration Station was used by over 30,000 people at 16 events. • Grade 3-4 students from local schools visited IBWPP to find out how water is produced in their local area, and our education team visited primary schools and ran water activities utilising the savewater! education trailer.
<p>Implementation of our new competency based performance management framework.</p>	<ul style="list-style-type: none"> • There were three environmental incidents resulting in overflows of sewage during high rainfall events this year. The Corporation is building measures and working with stakeholders to prevent future incidents. • This year Westernport Water had 5 EPA licence breaches and 8 EPA Victoria licence notifications. We will be working with EPA Victoria and undertaking works identified in Water Plan 3 to achieve compliance. 	<p>Employing more creative approaches (such as incentives or targeted feedback forums) to engage all customer segments, as traditional information evenings and forums become less attractive for people to attend.</p>

The Board, committees and structure



The Board

Key functions of the Board of Westernport Water include:

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

Tony Leonard (Chairman)

Tony Leonard was appointed to the Board of Westernport Water in October 2007 and to the position of Chairman on 1 October 2008. 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. For a time he was the appointed insurance broker and risk manager for the Victorian Government. He is a member of the Australian Institute of Company Directors, the Australian Water Association, Landcare and a number of local clubs.

Trevor Nink (Deputy Chairman)

Trevor Nink was appointed to the Board of Westernport Water in October 2007 and was Chairman of the Audit and Risk Committee for three years. He is currently Deputy Chairman of the Board and a member of the Remuneration Committee. Trevor and his family are homeowners in Ventnor, with their principal residence in Melbourne. He has held various chief executive officer positions with focus on leadership, strategy and change management. Trevor holds a Bachelor of Science degree and has conducted further studies in economics and psychology at The University of Melbourne. He is a Fellow of the Australian Institute of Company Directors. Other current commercial directorships are Trackaxle Ltd and Beacon Cove Neighbourhood Association Inc. Previous senior executive roles were with Kodak, ACI, BTR, Nylex and KONE Elevators in Australia, USA and Europe.

Murray Jackson (Managing Director)

Murray Jackson commenced as Managing Director of Westernport Water on 1 September 2008 after concluding a 10-year appointment with Genesis Energy in New Zealand. His qualifications include a Master's Degree in Business, a Bachelor Degree in Economics and a diploma in Mechanical Engineering. He is a Fellow of the Institution of Engineers (Australia), Fellow of the Australian Academy of Technological Sciences and Engineering, Fellow of the Institution of Professional Engineers (New Zealand), and a Member of the AICD. Murray's engineering career included the commissioning of coal-fired power plants in Victoria and New South Wales and Commissioner of the Snowy Mountains Hydro-electric Authority (1993-97). He was awarded the Centenary Medal in June 2003 by the Australian Government for service to industry and society. In 1999 he was appointed Chief Executive of Genesis Power Ltd (NZ), a vertically integrated electricity and gas exploration, generation and retail business, formed from the split up of the former Electricity Corporation of New Zealand. He was Chairman of the Genesis Oncology Trust (GOT) Foundation in New Zealand (2003-08) and the YAMS Foundation in Victoria, both charities raising funds to support research and treatment of cancer.

Jane Bell

Jane Bell was appointed to the Board of Westernport Water in October 2007 and is Chair of the Audit and Risk Committee. Jane was Deputy Chair of the Board from 2007 until 2011. Jane has over 22 years of experience in international banking and finance in senior legal roles in Australia, United Kingdom, Canada and the USA, including Wesfarmers (Melbourne and Brisbane), Canadian Imperial Bank of Commerce (Toronto), Norton Rose (London), Chartered West LB (London), Mallesons Stephen Jaques (Melbourne) and Corrs Chambers Westgarth (Melbourne) and nine years as a non-executive director. Jane is also a non-executive director of WorkSafe Victoria, Melbourne Health (Royal Melbourne Hospital) and the Prince Henry's Institute of Medical Research. Jane has bachelor degrees in Law and Economics, has a Master of Laws (London) degree and is a Fellow of the Australian Institute of Company Directors (AICD).

Leah Young

Leah Young has been a director on the Board of Westernport Water for the past seven years. Business management and governance are her key areas of contribution. She holds a bachelor's degree and graduate diploma in Business, an AICD Company Directors Course Diploma, a Chartered Secretaries Australia Certificate in Governance Practice and Administration and is a Fellow of the AICD as well as a member of the Australian Institute of Management. Ms Young has been Business Manager/ Company Secretary 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 of 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 has also been a director of the Central Gippsland Water Corporation for 11 years and is currently a director of the Latrobe Regional Hospital and Chair of the Audit Committee. Leah has been a member of the Audit and Risk Committees on all three Boards over the years.

Barbara Wagstaff

Barbara Wagstaff was appointed to the Board of Westernport Water in October 2011. Barbara worked in the banking and finance industry for 12 years with Elders Finance & Investment Co., Citibank and CS First Boston in Australia, New Zealand and Hong Kong. Within these organisations Barbara provided risk management, corporate finance and investment banking services. For the past 18 years Barbara has provided business management and corporate finance advisory services, specialising in strategic planning, risk management, budgeting, performance monitoring and business systems analysis for a number of organisations in varied industries. Barbara holds a bachelor's degree in Economics with Honours and is a member of the AICD. Barbara was a member of the Committee of Management of the Metropolitan Ambulance Service from 1997-01. She now holds a number of voluntary positions with various community groups. Barbara holidays at Balnarring on the Mornington Peninsula, overlooking Westernport.

Roland Lindell

Roland was appointed to the Board on 1 October 2011. Over the past 30 years his career has focused on various roles within the political arena. He has held senior roles working for state government ministers. Through these positions he has developed a sound understanding of the operations of the public sector, the challenges of delivering government policy, the importance of stakeholder consultation, and good internal and public communications. He is a member of the Australasian Golf Club committee and Chair of Youth Connect.

The Hon Geoff Coleman

Geoff Coleman was appointed to the Board on 1 October 2011. He was a member of the Victorian Parliament for over 20 years. During that time he worked on delivering many major projects for Victoria. He served as the Minister for Natural Resources in a portfolio which included administration of the Water Industry, Forests, Fishing and Alpine Resorts. Prior to entering Parliament and subsequent to leaving, he has operated family businesses with rural pursuits. Geoff has also been a Director of an engineering based public company. He brings extensive knowledge of the water industry, and experience in dealing with Government run business and Ministerial responsibilities.

More information on the Corporation's board members can be found at www.westernportwater.com.au

Committees

Remuneration Committee

The Remuneration Committee is a sub committee of the Board which meets when required to review the performance and remuneration of the Managing Director and senior executives. Remuneration Committee members in 2011-12 were:

Tony Leonard (Chairman), Alison von Bibra (1/7/11 – 30/9/11), Leigh Hocking (1/7/11 – 30/9/11), Trevor Nink (1/10/11 – 30/6/12) and Leah Young (1/10/11 – 30/6/12).

The Committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel. Two meetings were held during 2011-12.

Audit and Risk Committee

The Audit and Risk Committee is a sub-committee of the Board with responsibilities to:

- review and recommend to the Board the acceptance of the Auditor-General's report with or without comment
- monitor the internal audit function
- review and recommend risk management and insurance strategies
- monitor the level of regulatory compliance.

The Audit and Risk Committee membership consists of: Jane Bell (Chair), Barbara Wagstaff (1/10/11 – 30/6/12), Carol Pagnon (independent external member), Trevor Nink (1/7/11 – 30/9/11), Leah Young (1/7/11 – 30/9/11), Roland Lindell (1/10/11 – 30/6/12) and Geoff Coleman (1/10/11 – 30/6/12). Meetings are attended by management staff as required and all directors have a standing but not mandatory invitation to attend. The General Manager, Employee and Customer Relations, Merryl Todd, provides secretarial services.

During the year, the Audit and Risk Committee:

- reviewed the outcomes from the annual Essential Services Commission's water performance regulatory audit
- performed a review of the internal audit program, Audit and Risk Committee charter and the Gifts and Hospitality policy and register
- monitored the Corporation's regulatory reporting requirements
- participated in the reviews of the Corporation's risks as detailed in its Corporate Plan and in its state-wide risk register.

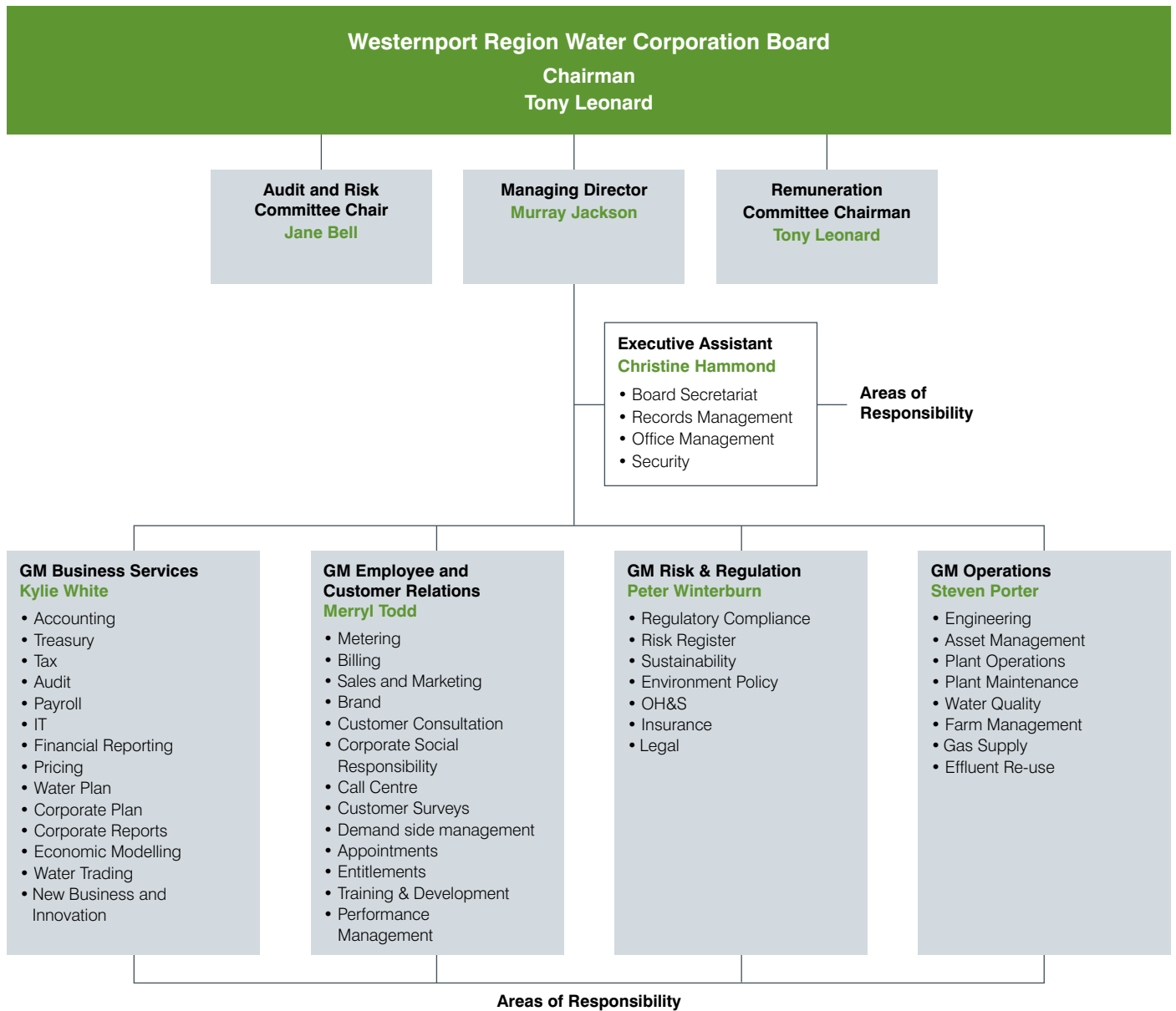
In addition to these activities, regular reports on risk management, environment and occupational health and safety were reviewed and discussed.

Internal audits on business continuity planning and the project management framework were undertaken during the year.

Table of Board and committee attendance

Director	Board meetings		Audit and Risk Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Tony Leonard (Chairman)	11	11	–	–	2	2
Jane Bell (Deputy Chair 1/7/11 – 30/9/11)	11	9	6	6	–	–
Murray Jackson (Managing Director)	11	11	–	–	–	–
Trevor Nink (Deputy Chair 1/10/11 – 30/6/12)	11	11	2	2	1	1
Leah Young	11	9	2	1	2	2
Roland Lindell (from 1/10/11)	8	7	5	5	–	–
Barbara Wagstaff (from 1/10/11)	8	8	5	5	–	–
Geoff Coleman (from 1/10/11)	8	7	5	4	–	–
Carol Pagnon (Independent External Member Audit & Risk Committee from 1/7/11)	–	–	6	5	–	–
Alison von Bibra (1/7/11 – 30/9/11)	3	2	1	1	1	1
Leigh Hocking (1/7/11 – 30/9/11)	3	2	1	1	–	–

Organisational structure



Risk management at Westernport Water

Risk management attestation

"I, Anthony Leonard certify that Westernport Region Water Corporation has risk management processes in place consistent with *The Australian/New Zealand Risk Management Standard (AS/NZS 150 31000:2009)*, and an internal control system is in place that enables the executive management team to understand, manage and satisfactorily control risk exposures. The Audit and Risk Committee verifies this assurance and that the risk profile of Westernport Region Water Corporation has been critically reviewed within the last 12 months."



Anthony J Leonard, Chairman
17 August 2012

Our products and services



Water

Westernport Water has a clear focus on the quality of the water product delivered to communities throughout the region. It aims to:

- provide high quality, cost-effective drinking water
- provide water that consistently complies with the *Safe Drinking Water Act 2003* and the *Australian Drinking Water Guidelines (2011)*
- protect Westernport Water's Candowie Reservoir through sustainable development initiatives
- implement a vegetation plan including boundary fencing around Candowie Reservoir
- improve water characteristics in line with customer feedback.

Chloramination has significantly reduced the amount of chlorine required to safely treat the drinking water.

Key achievements

- Installation and connection of a 450 mm high density polyethylene water pipe under the eastern entrance of Western Port between San Remo and Phillip Island in August 2011 using a directional drilling technique, further securing the water service to Phillip Island.
- Better drinking water treatment was delivered to Phillip Island and San Remo. Chloramination of the potable water ensures Westernport Water meets safe drinking water standards. Since the rollout there has been a significant reduction in water quality complaints and overall water quality results have improved.
- The new water chloramination treatment process has resulted in four chlorine treatment booster stations on Phillip Island being turned off. This has reduced chlorine in the system, eliminating the negative taste and odour associated with chlorine.
- Westernport Water has updated the water model it uses to provide operational and strategic information on the hydraulic performance of its water assets.

Challenges

- Storm events during 2011-12 increased the organics loading and created higher than normal water turbidity in Candowie Reservoir.
- The Reservoir had three blue green algae blooms between December 2011 and March 2012. This number of blooms is unusual for Candowie, but readily manageable with the standard operating procedures in place.
- The consistent alignment between operational water quality control points and documented control points requires attention and regular auditing.

Did you know?

Westernport Water maintains 453 km of water supply mains, four drinking water storages.

Key learnings

- The rollout of chloramination was a success, with customers commenting on the improvement in the taste and odour. It has been noted that future community education campaigns should run for longer periods to ensure our key messages are understood.
- A review of standard procedures used at the IBWPP has provided operators with a more consistent and comprehensive response to algae events.
- Better controls around changes to our water quality measurement tools to be embedded into operational procedures.

Water supply sources

Westernport Water has pursued a program of diversifying and accessing a broad range of water supply sources. As it currently stands, the Corporation has obtained access to the following water supply sources:

Tennent Creek	2,911ML
Bass River	3,000ML
Corinella aquifer	490ML
Metropolitan pool	1,000ML
Total	7,401ML

Provided these water supply sources can be accessed and stored efficiently and cost-effectively, forecasts indicate the Corporation has access to sufficient water sources to economically supply water for the region through to 2055.

Water Quality performance against target 2011-12

Water quality indicator	2011-12	2011-12 Target	Target met	2010-11	2009-10	2008-09	2007-08	2006-07
E. coli (% samples containing zero organisms per 100 ML)	100%	>98%	Yes	99.17%	99.18%	100%	99.83%	100%
Turbidity (NTU)	99.80%	>95%	Yes	99.80%	100%	99.62%	99.60%	99%
Aluminium (mg/L)	99.16%	100%	No	97.50%	100%	100%	100%	100%
Trihalomethanes (ug/L)	100%	100%	Yes	99.17%	99.18%	100.00%	78.67%	96%

The 2011-12 year showed positive water quality results, however one failure to meet the set targets as a result of high aluminium was detected due to insufficient flushing after air scouring of the water main from the IBWPP. The water quality results above show improved performance in levels of E. coli and trihalomethanes in the drinking water.

Did you know?

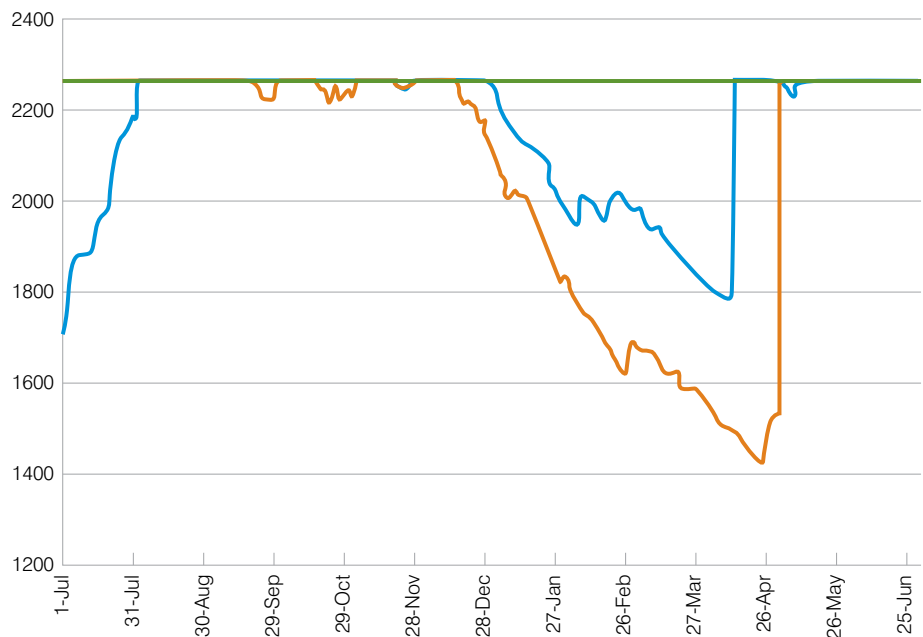
Westernport Water takes approximately 11,000 water samples per year from customer taps and key locations around the region to ensure water quality is at optimum levels.

Water storage report

Reservoir Levels 2010-11 vs. 2011-12

- 2011-2012
- 2010-2011
- 100%

Westernport Water experienced an early fill of Candowie Reservoir with summer rains contributing to the level reaching 100% by 2 May 2012. The Reservoir continued to spill over to Tennent Creek for the remainder of the reporting period. The Reservoir was at 100% full for a total on 182 days in 2011-12 compared to 223 days in 2010-11.





Securing supply

Candowie Reservoir commenced the year at 100% full and only dipped slightly below this level in September and October before the summer peak demand began on 15 December 2011. The demand slowly used the impounded water, with the level falling to 63% in late April 2012 before refilling to 100% on 2 May 2012 after heavy rainfall throughout the South Gippsland area. The Bureau of Meteorology reported that the Bass Coast area received 41% higher rainfall than the long term average. These volumes ensured there was no need to invoke any drought response plans or restrictions in 2011-12.

Candowie Reservoir Upgrade

Over 2011-12 the Corporation pursued the major project from its Water Plan 2 – the Candowie Reservoir Upgrade (CUP). CUP involves undertaking appropriate works to raise the Reservoir full supply level by three metres. This will increase the storage volume from 2263 ML to 4463 ML, which has been determined as the most balanced and cost-effective way of ensuring water security for the region.

Tenders for work to raise the level of Candowie by three metres were called on 15 May 2012 with closing on 27 June 2012.

To support the CUP a project management plan (PMP) has been prepared. This plan is necessary to establish and maintain a consistent and rigorous project governance structure and project procedures, to manage project risk and to deliver the CUP on time and within budget.

The CUP plan includes oversight by a project control group comprising members of the Board, the Managing Director, the contract superintendent and the project director. Other CUP project management team members may be seconded into the group to provide advice and updates as required.

Water Supply and Demand Strategy

Westernport Water appointed GHD Engineering Consultants to complete a five-yearly update of its Water Supply Demand Strategy. This Strategy uses all the planning information available to forecast the growth in population for the area and the resulting growth in connections to the water supply system to determine the demand on the water supply system through to 2055. In this Strategy the demand was treated as a band to cover the uncertainty in predicting this future growth.

The available water supply sources were modelled to investigate their potential to provide the required water demanded by our customers from now until 2055. The data for the water models used long term average flows, reduced flows due to drought since 1997, and flows reduced for a median climate change.

<http://www.westernportwater.com.au/Resources/Formspublications/>

The current project (to increase the capacity of Candowie Reservoir) will allow the storage of water from the two supplementary water sources (Bass River and Corinella aquifer) and boost the supply from Tennent Creek. The Metropolitan Pool water will provide water security should there be a local water shortage.

In developing the strategy the views of the community and the local council were canvassed with the consultant and Westernport Water officers discussing and developing the strategy in consultation with the councillors, the customer consultative panel (CCP), local council staff and members of the community.

Consultation included presentations to the Victorian Minister for Water, the Member for Bass, Bass Coast Shire Council, council planning teams (including Mayor Veronica Dowman), the CCP and to the community at Westernport Water's Annual Open Forum.

The Strategy was well publicised beginning via a media campaign in the local papers and on local radio 3MFM. Westernport Water also held a series of community information evenings and made public information available on its website.

Our Water History

The timeline below outlines measures taken to meet future growth and secure locally available water.

Westernport Water has a diversified water supply with water sourced from the catchment supplying the Candowie Reservoir (located in the Bass Hills near Glen Forbes) via Tennent creek, the Bass River and groundwater bores from the Corinella Aquifer. All water is treated at the Ian Bartlett Water Purification Plant ("IBWPP") at the Candowie Reservoir and then pumped to the San Remo Basin for distribution to customers within the district, with an average annual system demand of approximately 1,900 million litres per year.



Water consumption report

District	Residential customers*		Non-residential customers		Other**		Non-revenue water (ML)	Total consumption (ML) (includes non-revenue water)	Average annual consumption*** (ML)
	Number	Volume consumed (ML)	Number	Volume consumed (ML)	Number	Volume consumed (ML)			
Candowie Reservoir 2011-12	14,220	967	1,138	571	203	61	168	1,767	1,737
Candowie Reservoir 2010-11	13,977	919	1,127	548	178	46	126	1,639	1,890

* Residential and non-residential customers as per the Essential Services Commission definition. Excludes Westernport Water consumption as reported in corporate water consumption table.

** Owners corporations.

*** Average calculated over 2009-10 to 2011-12.

Non-revenue water increased by 36ML this year due to water losses from breaks in the main, water used in our mains flushing water quality programs and the testing and commissioning of our Class A recycled water plant. There were also two suspected water thefts from the use of unmetered hydrants. These incidents were investigated but we were unable to identify the parties responsible and the volume of water used. Non-revenue water for 2011-12 equated to 9% of total water produced.

Corporate water consumption

	2011-12	2010-11
Total volume-metered corporate water consumption (kilolitres per annum)	33,638	38,079
Administration offices and depot – (kilolitres per annum)	1,470	1,364
Water treatment plant (kilolitres per annum)	18,487	27,592
Wastewater treatment plants (kilolitres per annum)	13,681	9,123
Volume-metered water consumption (kilolitres) per full time equivalent employees	21.19	20.51
Units of metered water consumed in offices per unit of office space (KL/m ²)	1.52	1.41

Conserving water for the future

Permanent Water Saving Plan June 2011

Permanent Water Saving Plan variations were approved in November 2011 by the Victorian Minister for Water and adopted in accordance with the *Water Act 1989* on 5 December 2011. The Plan reflects the values that the local community places on water and sets out a common set of easy to remember rules to guide the efficient use of water on an ongoing basis in each district serviced by Westernport Water.

The aim of the Plan is to promote efficient and sensible use of water without significantly restricting customer choice and flexibility.



Water restrictions and By-law 105

The community understands the importance of water and the need to change water use behaviours. The Water Restriction By-law 105 applies to water that is supplied by the main water supply network of Westernport Water and was developed using the Model Water Restriction By-law common to Victorian Water Corporations and was gazetted on 24 February 2012 in accordance with section 287ZC of the *Water Act 1989*. The Water Restriction By-law 105 was made in relation to restrictions and prohibitions on the use of water that may be imposed in the water supply districts of Westernport Water.

The purpose of the By-law is to promote the efficient use and conservation of water and set out the four stages of restrictions on the use of water. It also specifies what must not be done while each stage of restriction persists, the principles for considering exemptions, and prescribes penalties and offences for the contravention of the By-law.

Helping business waterMAP

Since the removal of mandatory Water Management Action Plans (waterMAPs), non-residential customers that use greater than 10ML have not been required to submit an annual waterMAP to Westernport Water. In place of this mandatory reporting, the Victorian Minister for Water introduced a voluntary reporting program, while expanding its eligibility to non-residential customers consuming five megalitres or more of drinking water per annum. The voluntary program started on 1 July 2012.

Supported by a dedicated Water Program Coordinator, currently we are working with three non-residential customers consuming greater than 5 ML per annum to help them to increase their water efficiency. By means of grant and rebate programs the Corporation has encouraged voluntary waterMAP participation and influenced high water users to cut their consumption.

Major non-residential water users

The Corporation has no major non-residential customers consuming greater than 200 ML.



Small business grants help industry

The Small Business Grants Scheme, designed to help local industry invest in water saving measures, was made available to businesses in the Westernport Water region from August 2011. Grants of up to \$5000 were made available to businesses that could increase water efficiencies, reduce their water waste and increase sustainability. Westernport Water supported four small business projects this year expecting to save in excess of 15.85 ML of drinking water per annum.

The final round for the Small Business Grants Scheme closed on 30 June 2012 and attracted many applications for the remaining \$30,500 of funding available to assist small businesses to invest in water efficiency projects in the region.

With the assistance of our Water Program Coordinator grant recipients will monitor and report water consumption data via their waterMAP, which is a condition of the Small Business Grants Scheme.



Disclosure of grants and transfer payments

The Corporation has agreed to provide assistance to several companies and organisations as part of the small business grants scheme. Financial assistance provided to small business in 2011-12 to increase water efficiencies was as follows:

Small Business Grants Scheme

Grant 1 – Nurture One

Replace commercial dishwasher and install high pressure commercial rinse hose.

Organisation	Payment \$
Nurture One Pty Ltd	
Trading As Cowes	
Childrens Centre	\$2,224

Rebate programs

The Victorian Government’s commitment to extend water efficiency rebate programs has assisted Westernport Water customers to keep water usage down this year. The Living Victoria Rebate Program makes it easier for customers to afford and install water efficient products. Available to eligible residential and commercial customers until 30 June 2013, the rebate program is a great way to reward customers for the excellent water savings they have already made.

Actively promoting the Living Victoria Rebate Program, this year the Corporation issued \$9,640 of residential rebates and \$7,000 in small business rebates to help improve their water efficiency.



Exchanging inefficient showerheads

Exchanging old water guzzling showerheads and hose trigger nozzles for modern water saving models has increased awareness of water efficient products available to customers. These exchange programs were extended thanks to funding and support of the DSE and savewater! Customers were also treated to free shower timers in an attempt to change behaviours and educate people on sensible water use. This year alone, Westernport Water exchanged 500 showerheads saving an estimated 35,131 thousand litres of water.

In addition to these programs Westernport Water continued to make a dual flush toilet retrofit program available to customers. The retrofit program partnership with Select Solutions provided customers with a one-stop-shop saving time and the effort required to upgrade. From 30 June 2012 this retrofit program is no longer available to customers, however they can still take advantage of the Living Victoria toilet rebates up until 30 June 2013.

Bulk Entitlements

In its three Bulk Entitlement reports to the Victorian Minister for Water, Westernport Water has shown it accorded with all its requirements for the volume of water it is entitled to take and has not failed to undertake any of the provisions under the Bulk Entitlements.

Bulk Entitlement

BE (Westernport)				14.1(a)	14.1(b)	14.1(c)	14.1(d)	14.1(e)
System	Storages	Towns serviced	Bulk Entitlement ML/year	Max rate of extraction ML/d	Water storages ML ¹	Amount taken ML/y ²	Amendment of programs	Entitlement transfer from
Tennent Creek	Candowie Reservoir	Westernport Water region	2,911	13.929	2,263	1,821	Revised metering program ⁴	Nil

14.1(f)	14.1(g)	14.1(h)	14.1(i)	14.1(j)
Entitlement transfer to	Entitlement amendment	New Entitlement	Failure to comply	Difficulties & remedial actions
Nil	Nil	No	Nil	Nil

BE (Westernport – Bass River)				11.1(a)	11.1(b)	11.1(c)	11.1(d)	11.1(e)
				Amount of water taken daily	Daily flow in waterway ⁵	Amendment of programs	Amount Taken ML/y ²	Entitlement transfer from ³
Bass River		Westernport Water region	3,000	13.502	Yes	Revised metering program ⁴	Nil	Nil

11.1(f)	11.1(g)	11.1(h)	11.1(i)	11.1(j)
Entitlement transfer to	Entitlement amendment	New Entitlement	Failure to comply	Difficulties & remedial actions
Nil	Nil	No	Nil	Nil

BE (Melbourne Headworks System – Westernport Water) ³				13.1(a)	13.1(b)	13.1(c)	13.1(d)	13.1(e)
				Amount taken ML/y	Amendment of programs	Restrictions period & degree	Entitlement transfer from	Entitlement amendment
Melbourne Headworks System		Westernport Water region	1,000	Nil	Revised metering program ⁴	Nil	Nil	Nil

13.1(f)	13.1(g)	13.1(h)
New Entitlement	Failure to comply	Difficulties & remedial actions
Nil	No	Nil

(1) Water storage level at 30 June 2012.

(2) Annual amount of water taken in ML demand of system.

(3) New Bulk Entitlement for Melbourne Pool System gazetted 14 October 2010 but will not commence operation until construction of the connection and certified notice is given to the Minister.

(4) Provided revised metering programs for three Bulk Entitlements in June 2012.

(5) Daily flow in waterway exceeded 40 ML/d during any extraction periods.

Recycled Water



During 2011–12, Westernport Water provided around 40ML of Class B recycled water out of the CWWTP. This is nearly 50% less than the volume usually supplied and a direct consequence of the wetter than average conditions experienced.

Did you know?

This year Westernport Water took 1200 samples at its wastewater plants, to ensure optimum quality recycled water is provided to customers, irrigators and the environment.

A major project to install a \$6.057 million Class A plant at the CWWTP with a 2ML storage tank located at Wimbledon Heights and 11.8 km of distribution pipework commenced in 2011-12. The Phillip Island Recycled Water Scheme (PIRWS) was made possible with an Australian Government grant contribution of \$2.85 million on behalf of the Commonwealth's Water for future initiative, through its *National Water Security Plan for Cities and Towns*.

Capable of producing 340 ML each year, the plant will provide Class A recycled water to new residential dual pipe estates, commercial businesses and agricultural customers along the recycled water pipeline on Phillip Island.

Key achievements

- The Corporation met federal government milestones under the terms of its PIRWS Funding Deed.
- Obtaining commercial acceptance for Class A recycled water.
- Completing construction of 11.8 km of recycled water pipework, storage tanks, distribution systems and a fully operational Class A plant.
- The Corporation has mandated dual pipes in two new residential subdivisions, which will add a potential 600 new properties to the system in the next few years.
- All current Class B commercial customers have agreed to convert to Class A.

Challenges

To build the Class A market to both residential and commercial customers to ensure it develops in a sustainable way.

Outlook

Westernport Water has forecast that the number of residential customers with access to Class A recycled water will increase to around 1400 over the next 10 years. To accommodate future growth, the plant has been designed so that it can be easily expanded to deliver up to 680 ML per year and meet the demands of a growing community.

The Corporation has 154 customers ready to connect to Class A recycled water and a further 600 properties have been mandated for dual pipework.

The Corporation's objective is to secure water supplies for future generations.

"Recycled water is a valuable renewable resource that helps towards preserving existing drinking water supplies by providing 'fit for purpose' water."

Murray Jackson, Managing Director.

The Corporation's objective is to secure water supplies for future generations by:

- relieving pressure from drinking water supplies by substituting Class A recycled water for existing and future potable water which is an alternative reliable, fit-for-purpose water source used for non-drinking purposes such as toilet flushing, garden use and irrigation
- reducing wastewater discharge to Bass Strait
- providing commercial customers water security and a safe product
- continually growing business and service opportunities through innovation and alliance building.



Wastewater treatment and sewerage services

Continually improving the sewer network and pump stations



Did you know?

The Corporation maintains 91 sewerage pump stations and 339 km of sewerage pipes, and operates two wastewater treatment plants.

Key achievements

- The Corporation established a framework for improved quality of wastewater treatment at the CWWTP with the completion of a comprehensive operation and maintenance manual and a whole-of-plant Hazard and Critical Control Point (HACCP) study.
- ClearSCADA upgrade was rolled out to the Corporation's 61 sewer pump stations. This is a major milestone marking a significant improvement in the Corporation's ability to monitor and control these critical assets.
- During the busy summer period Westernport Water undertook investigations into the impacts of onsite domestic waste systems in the estate of Silverleaves. This involved drilling a number of groundwater bores and undertaking sampling of groundwater and surface water monitoring. A final analysis showed there was no conclusive evidence of groundwater contamination from household systems. Bass Coast Shire Council and Westernport Water need to agree to a scope for an ongoing monitoring program.
- The Rhyll Road pump station was upgraded and an odour control unit installed, successfully reducing odour and impact on residents in the area. This year there was a 55% reduction in sewer blockages as a result of a focus on preventative maintenance, reducing from 29 in 2011 to 16 in 2012.

Challenges

- Illegal dumping of greasy waste into sewer system was detected a number of times this year. The challenge is to identify the illegal dumpers and respond to these events to minimise any damage to infrastructure. Westernport Water will continue to investigate and educate the community of the potential damaging effects of this kind of activity.
- Wastewater treatment plants were put under pressure this year due to high rainfall and subsequent ingress of stormwater into the system. Like many other utilities across the State, Westernport Water was required to obtain emergency discharge approval from EPA Victoria for the KRWWTP. The Bureau of Meteorology recorded subsequent rainfall in 2011-12 as 41% greater than a one-in-10 wet year, which continues to put pressure on the Corporation to sustainably manage the inflows received at the KRWWTP.
- The intensity and duration of rainfall events also placed pressure on the CWWTP and reticulation system. Preventative measures were examined to mitigate this risk and standard operating procedures were amended or developed to accommodate the increased inflows.
- Illegal stormwater connections entering the sewer network need to be identified.
- Overflow from relief gullies can enter the system via damaged pipes and flood waters and these effects need to be minimised and efficient stormwater control undertaken.

Outlook

- With a shift to preventative maintenance our team will work to identify illegal connections and solutions to minimising storm water entering the sewerage system.

The Corporation updated its Wastewater Futures strategies for Cowes, San Remo and Coronet Bay/Corinella. A \$17 million multi-year upgrade program is planned for the Cowes wastewater reticulation system over Water Plans 3 and 4. The Corporation completed its major upgrade strategy for the Cowes WWTP. A \$6 million multi-year upgrade program will commence in 2012-13 and continue over Water Plan 3 and 4. The upgrade strategy will cater for future growth, help stabilise the plant's operation, and improve the plant's performance through reduced nutrient levels discharged to ocean.

Trade Waste

Westernport Water provides a service to all customers by contracting out the collection of greasy or commercial food waste from interceptor traps.

This waste is then recycled in a plant by an EPA Victoria licensed contractor. This service provides an economically cost-effective strategy by combining all the waste in one or more trips to several customers by the contractor all on the one day. This ensures that the greasy waste does not enter the sewer and cause blockages and disruption to normal operations.

Key Achievements

- Under the Essential Services Commission's guidance, Westernport Water has developed new policies, a customer charter, manuals, and agreements or consents to license the discharge of trade waste into sewers. These documents provide a clearer understanding to all customers who discharge trade waste on the issues and requirements in the area and provide a common base state-wide.
- Successful delivery of this unique service provides the Corporation with many benefits and administration efficiencies. This service ensures greasy waste does not enter the sewer system and cause blockages and disruption to services. This program is a contributing factor in the 50% reduction in sewer blockages recorded this year.

Challenges

- The Essential Services Commission has implemented a new Trade Waste Customer Service Code which provides new ways for the Corporation and its customers to regard trade waste. This Code affects more customers that currently discharge trade waste than had previously been considered. Westernport Water will be working to ensure no customer is disadvantaged or is concerned about the changed conditions of trade waste discharge.
- The implementation of a new Trade Waste Customer Charter provides Westernport Water with the ability to have trade waste agreements or consents with more customers. The Charter provides customers with a better understanding of their rights and responsibilities and the challenge for the Corporation this year will be to explain the agreements to customers so they can comply with the Charter.



Gas

Westernport Water has maintained a small reticulated gas network for customers in San Remo.

Our environment



Part of the Corporation's business objectives are to be an environmentally sustainable organisation and to, wherever possible, reduce environmental footprints. Westernport Water aims to achieve these by:

- increasing investment in sustainable energy sources
- striving for efficient use of natural resources and incorporating environmental efficiencies into business decisions
- recycling and reusing wastewater and biosolids, and minimising ocean outfall
- improving biodiversity.

Ongoing compliance and continued improvements in environmental performance are central to Westernport Water's operations. Environmental management is used in the purchasing and procurement strategy, and the investment gateway process for capital expenditure to ensure energy use, water consumption, waste production and resources are sustainable.

Environment management system

Westernport Water is committed to minimising the impacts of its operations on the environment. The Corporation maintains an Environmental Management System (EMS) in accordance with ISO 14001:2004. The Corporation's office-based activities are considered within the aspects of the business activities, including determining environmentally friendly products through the adoption of the purchasing and procurement policy, transportation types, waste generation, and water consumption. The objectives of the system include separation of office based waste into recyclable, compost and true waste, reducing emissions from vehicle fleet, making environmentally sound purchase decisions and reporting environmental performance to the executive and staff regularly.

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

- EPA Victoria annual performance monitoring against its corporate licence;
- compliance with ESC service standards for sewer systems;
- internal auditing of the Environmental management system;
- the number of environmental incidents; and
- tracking against the Corporation's aspects and impacts register

Interesting Fact

"This year alone Westernport Water environment programs planted close to 20,000 trees"

Environmental Protection and Biodiversity Conservation Act 1999

There was one referral made during the reporting period to the Commonwealth Department of the Environment, Water, Heritage and the Arts for consideration under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*. The outcome of the referral for the Candowie Upgrade Project was that the proposal was not a controlled action and required no further assessment under the Commonwealth Act.

Central Region Sustainable Water Strategy

The Central Region Sustainable Water Strategy (CRSWS) commits to a wide range of actions that aim to protect rivers and aquifers while securing water supplies for cities, towns and farms in the central region of Victoria.

Westernport Water is responsible for several actions outlined in the CRSWS. In order to implement the strategy at a local level the following actions have been completed or remain ongoing: water conservation programs with residential and commercial customers through shower head exchange or, trigger nozzle exchange and are supported through the small business grants scheme; a dedicated Water Conservation Program Coordinator; augmentation of Candowie Reservoir; and bulk entitlement on Bass River and Corinella bore field as well as a connection to the metropolitan pool water supply. Westernport Water is achieving a reduction in per capita water use.

Biosolids management

The EPA Victoria *Guidelines for Environmental Management: Biosolids Land Application* is used as the basis for the sustainable use of biosolids at the CWWTP. The Biosolids Management Strategy outlines the corporate direction for the beneficial reuse of the biosolids for agricultural applications, and the integrated management of future biosolids with a long term strategic vision for the land at the CWWTP.

The Strategy aims to demonstrate the environmentally sustainable management of the sludge (biosolids) by-product from the operation of the CWWTP.

In accordance with the Guidelines the Corporation applied 655 cubic metres (596.1 dry tonnes) biosolids to land during 2011-12. Extensive soil, groundwater and surface water testing was undertaken to monitor the impacts of this process. No detrimental effects have been identified.

The Corporation's intent is to confirm that biosolids can be beneficially reused and then assess potential applications at other sites.

River health strategy and aquifer health

The *Victorian River Health Strategy* is a state-wide initiative aimed at protecting and improving the health of the region's rivers and river ecosystems. In 2011-12 Westernport Water invested in works to Tennent Creek as part of the annual Landcare operational plan, invested in private landholder works on Tozer Creek in the Candowie Catchment and initiated a pilot project for revegetation of Salt Water Creek on Phillip Island to reduce wallaby grazing of new plantings of native vegetation.

Currently Westernport Water does not discharge wastewater into any creeks or streams under its EPA Victoria licence. In 2011-12 however, the Corporation was granted approval to discharge up to 200 ML of treated wastewater into Guys Creek, Corinella, under an emergency discharge approval. The approval resulted in 156.6ML of treated wastewater disposed to Guys Creek Corinella and ultimately Westernport.

During 2011-12 Westernport Water did not extract from the Corinella aquifer.

Regional Catchment Management Strategy

Westernport Water participates in catchment management activities as part of management of water resources, and as required under the *Safe Drinking Water Act 2003*. The Act requires Westernport Water to prepare and implement risk management plans from a 'catchment to tap' perspective.

During the reporting period, the corporation undertook the following activities

- conducted a water quality risk assessment identifying risks within the catchment
- commenced implementing recommendations from an audit into current programs to continue to engage with landholders, Landcare, water industry networks and Melbourne Water on catchment issues
- maintained the relationship with Bass Valley Landcare group, who administers the Lance Creek and Candowie five-year catchment management plan.

Greenhouse gas emissions

The 2011-12 year has seen the Corporation increase its reported greenhouse gas emissions through the inclusion of additional fugitive emissions from wastewater treatment lagoons and the construction of the new Recycled Water Class A plant at CWWTP. Construction of the Class A plant included a second site office and three times the number of personnel during peak times throughout the project. The IBWPP also produced more potable water than the previous year, resulting in increased greenhouse emissions.

	2011-12	% difference	2010-11	2009-10	2008-09	2007-08
Vehicle fleet (t CO _{2-e})	215	9% decrease	234	233	203	266
Wastewater treatment (t CO _{2-e})	4681 ¹	44% increase	2614	2187	2334	2464
Water supply and treatment (t CO _{2-e})	1849	32% increase	1253	1665	1709	1906
Waste disposal (new) (t CO _{2-e})	181	21% increase	143	–	–	–
Other (t CO _{2-e})	355	32% increase	243	232	244	236
Total tonnes CO_{2-e}	7280	38% increase	4487	4317	4490	4872
Offsets Purchased (New)	–	0	–	–	–	–

¹ Inclusion of fugitive emissions in accordance with ESC requirements

² Variance of GHG emissions versus 2010-11

Waste production and paper use

Disposal Destination	Volume Waste disposed (kg per year)	Waste per FTE, (kg)
Landfill	8,800	162.36
Recycling	4,700	103.94
Recycling waste (% of total waste by weight)	35%	–
Paper Use	Units of A4	Units per FTE
Paper use (reams)	439	9.71

Environmental incidents

Environmental incidents are unplanned events that have the potential to impact on the environment or community.

During 2012 there were three sewage overflows reported to EPA as a result of flooding. And as a result of ongoing higher than average rainfall, a section 30A emergency discharge approval was granted by EPA. The Corporation received a total of 20 odour complaints. A reduction in the CWWTP performance during the year resulted in a number of notifications to EPA, and the plant exceeded the licence conditions 5 times. The Corporation is currently working with EPA to address.

Westernport Water released flows of treated wastewater into Guys Creek at Corinella, following approval from EPA Victoria. The treated wastewater from the King Road wastewater treatment plant is stored over winter and applied to land through irrigation in the summer. Due to higher than average rainfalls, the irrigation period of 2010-11 was limited and incoming flows were higher than average. This resulted in Westernport Water's onsite winter storage nearing capacity with little opportunity to irrigate.

Under Section 30A of *The Environment Protection Act 1970*, the emergency discharge approved the release of up to 200 ML of water over a 120 day approval period with a maximum of 2ML a day. Westernport Water undertook a monitoring and sampling program during this period and provided reports to EPA Victoria of the creek conditions. In total 156.6ML was released to the environment under the approval.

Pest plants and animals

Westernport Water develops an annual operational plan through the partnership with Bass Coast Landcare Network to establish an eradication program for pest animals and noxious weeds on our lands such as rabbits, foxes, bridal creeper, asparagus fern, hawthorn, pittosporum, mirror bush, gorse, kikuyu, thistles, boxthorn, blackberry, inkweed and control of willow regrowth. During 2011-12 the programmed works targeted species at Cowes Wastewater Treatment Plant site and Candowie Reservoir, with a dedicated program along Salt Water Creek on Phillip Island funded through the Melbourne Water Stream Frontage program.

Victorian biodiversity strategy

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

The Corporation's activities during 2011-12 to support biodiversity management included:

- maintenance and implementation of environmental operational plans (involving pest and plant management, biodiversity improvement and revegetation) for properties the Corporation owns and manages through a partnership with Bass Coast Landcare Network
- development and maintenance of a biodiversity asset register
- tracking of conservation activities against the biodiversity asset register
- phase one of revegetation on the first two properties available for revegetation works with an initial planting of 10,200 plants and 6.2 kg of seeds disbursed.

In future, a total of 19 hectares surrounding Candowie Reservoir will be revegetated. Other planned revegetation projects will result in the planting of 57,000 plants and 13.8 kg of seeds.



Water Plan 3 initiatives have been developed to address environmental performance

Our people



The Corporation's workforce numbered 70.36 full time equivalent (FTE) employees in 2011-12. The breakdown is set out below compared to 2010-11.

Comparative workforce data

Full time equivalents (FTE) staffing trends from 2008 to 2012

2012	2011	2010	2009	2008
70.36	66.49	66.87	64.23	56.85*

*Excludes Casual and fixed term staff

Statement of workforce data

June 2011 – June 2012

	Ongoing employees				Fixed term & casual employees
	Employees (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
June 2011	61	58	3	59.85	6.64
June 2012	60	58	2	59.35	11.01

The increase in fixed term and casual employees was caused by the introduction of two traineeships positions and a temporary increase in casual labour to support the implementation of new corporate systems.

Westernport Water's objective is to be recognised as an innovative, high performance organisation with a reputation that is valued by current and prospective employees, by:

- continuing investment in the development and safety of its people
- listening and responding to its people to encourage engagement and to improve organisational performance
- embedding a culture where change is anticipated and responded to, responsibility accepted and accountability delivered.

	June 2012			June 2011		
	Ongoing		Fixed term & casual employees	Ongoing		Fixed term & casual employees
	Employees (Headcount)	FTE	FTE	Employees (Headcount)	FTE	FTE
Gender						
Male	41	40.73	4	41	40.54	1.97
Female	19	18.62	7.01	20	19.31	4.67
Age						
Under 25	–	–	3	–	–	0.98
25-34	8	8	–	9	9	0.42
35-44	15	14.35	2.51	17	16.21	2.65
45-54	24	24	2.09	22	22	2.49
55-64	10	10	3.41	11	10.64	0.1
Over 64	3	3	–	2	2	–
Classification						
Broadband 2	11	11	10.01	15	15	5.87
Broadband 3	10	–	–	8	7.31	–
Broadband 4	11	–	–	12	11.54	–
Broadband 5	9	–	–	9	9	–
Broadband 6	8	–	–	4	4	.77
SEO	8	–	–	9	9	–
Executive	3	–	–	3	3	–
Other	–	1	1	1	1	–

Executive officer disclosure

	Ongoing				
	Male	Variation	Female	Variation	Vacancies
Business Services	–	–	1	–	–
Governance	1	–	–	–	–
Operations	1	–	–	–	–
Total Executive	2	–	1	–	–

Employment and conduct principles

All Westernport Water employees work within the Victorian Public Sector *Code of Conduct* that amplifies the values contained in the *Public Administration Act 2004*. They also work within the Victorian Charter of Human Rights and the Corporation's own behavioural charter that values the principles of respect, quality, responsibility and honesty. Employees demonstrate these principles to everyone they do business with, both inside and outside the Corporation.

Merit and equity

Westernport Water complies with the *Public Administration Act 2004* by maintaining a workplace free of discrimination in line with the Victorian Government's merit and equity principles. The Corporation continuously reviews its human resource policies and processes in areas such as equal opportunity and recruitment. Employees are selected and/or promoted for positions on the basis of relative ability, knowledge, experience and skill, in fair and open competition measured against the requirements of the position involved. All employees are treated in a fair and equitable manner without regard to race, religion, gender, political opinions, sexual preference, age, physical or mental disability, family responsibility, pregnancy, national extraction or social origin.

Process improvement

In 2011-12 Westernport Water staff identified 21 process improvement projects that led to significant operational efficiencies and cost reduction opportunities within all departments.

Training and staff development highlights



Training

Westernport Water is committed to the ongoing development of its staff and invests significant resources in employee training and development and welfare programs. This investment ensures its people are well prepared to meet not only the requirements of their roles, but also the challenges of emerging technologies and innovative business practices.

Plumbing apprenticeship

A member of our field maintenance team is in his third year of his general plumbing apprenticeship. We would like to acknowledge both the financial support received from the state government and the on the job training provided by our local plumbers.

Professional development

Nine staff members continued their professional development in 2011-12 attaining qualifications in the following:

- Advanced Diploma of Occupational Health & Safety
- Diploma of Human Resources
- Diploma of Management
- Diploma of Project Management

800 hours invested in the development and safety of our people during 2011-12

Emergency response training

Four staff members completed their Emergency Management Liaison Officer (EMLO) training. The sessions were run by the Victorian Emergency Services Commissioner in the Gippsland Region to ensure that there will be sufficient trained EMLO's from a variety of agencies ready to take on the role of representing their agency in the event of a major emergency incident.

Return to work

Two staff members completed the WorkSafe endorsed Return to Work Coordinator training. Our Return to Work Coordinators assist injured workers stay at work or return to work in a safe and sustainable manner and, wherever possible, back to their pre-injury work.

Our Return to Work Coordinators also ensures that Westernport Water meets its return to work obligations under the *Accident Compensation Act 1985*.

Occupational Health and Safety

Westernport Water's commitment to the continued investment in the development and safety of its people is evident in the Occupational Health and Safety (OH&S) training program delivered during 2011-12. The chart below outlines the key programs conducted during 2011-12.

There were approximately 100 equivalent training days during 2011-12.

All staff and contractors undergo OH&S induction. Staff have also undertaken training in: working safely in confined spaces, manual handling, trenching safety, first aid level 2, class B asbestos removal, resuscitation training, construction induction, all terrain vehicle training, safe use of chainsaws and specific high risk work licences.

Work health checks

Over 90% of staff participated in WorkSafe Victoria's health checks

Influenza inoculations were provided to staff in April 2012.

Screening hearing assessments and spirometry assessments were provided to staff involved in asbestos removal and exposed to noise above 85dB.

Staff welfare program

An externally facilitated employee assistance service is available to employees and their immediate families. This confidential service includes personal counselling, crisis support, debriefing and other training and group programs.

Health & wellbeing program

Staff won the San Remo Corporate Bowls competition for the second year running.

They were also provided opportunities to participate in walking, pilates and a gym based program depending upon their level of fitness. Approximately 50% of all staff enrolled in the program, with significant gains in overall fitness levels.

Blood donations were encouraged and a significant number of staff made donations at the mobile blood bank during February 2012.

Westernport Water people and their families participated in the Relay for Life event for the fifth year, raising money for cancer research.

OH&S Performance Indicators

The OH&S statistics below depict significant results for 2011-12. Consultation across the organisation and improved procedures for contractors reinforced the importance of safety. The Corporation's management team believes ongoing communication and consultation, combined with strong leadership, is the key to an effective safety culture.

Measure	KPI	2009-10	2010-11	2011-12
Incidents	No. of Incidents	17	15	17
	Rate per 100 FTE	11.0	9.7	11.1
Claims	No. of standard claims	0	0	0
	Rate per 100 FTE	0	0	0
	No. of lost time claims	0	0	0
	Rate per 100 FTE	0	0	0
	No. of claims exceeding 13 weeks	0	0	0
	Rate per 100 FTE	0	0	0
Fatalities	Fatality claims	–	–	–
Claim Costs	Average cost per standard claim	0	0	0
Return to Work	Percentage of claims with RTW plan <30 days	–	–	–
Management commitment	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, and OHS plans (signed by MD or equivalent).	completed	completed	completed
	Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel).	completed	completed	completed
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs).	completed	completed	completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs.	completed	completed	completed
Risk Management	Percentage of internal audits/ inspections conducted as planned.	100%	100%	100%
	Percentage of issues identified actioned arising from:			
	• internal audits	100%	100%	100%
	• HSR provisional improvement notices (PINs)	–	–	–
• WorkSafe notices	100%	–	–	
Training	Percentage of managers and staff that have received OHS training:			
	• induction	100%	100%	100%
	• management training	100%	100%	100%
	Percentage of HSRs trained:			
	• acceptance of role	100%	100%	100%
	• re-training (refresher)	100%	100%	100%
• reporting of incidents and injuries.	n/a	n/a	n/a	

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

During 2012-13, Westernport Water will be continuing to enhance the OH&S

management system based on AS/NZS 4801 and will undergo audit against the elements of the system.

ACOSH have been engaged to provide an electronic chemical management system, which will ensure access to appropriate material safety data sheets, and an on-line chemical register and associated risk register.

Social sustainability & our community



As part of its social responsibility and its aims, Westernport Water is proud to be a valued member of the community by:

- adding value to local communities through the provision of resources, expertise and water related education
- fostering strong relationships and partnerships with key stakeholders
- providing timely, friendly reliable service
- engaging with our communities and continually measuring our performance and products from a customer perspective.

Value of community service obligation provided

	2010-11 \$	2011-12 \$
Concessions to pensioners	520,516.82	578,944.68
Rebates for not-for-profit organisations under the water and sewerage rebate scheme	25,220.00	24,960.00
Utility relief grant scheme payments	12,557.86	9,913.43
Water concession for life-support machines	0	0
Hardship relief grant scheme (sewerage connection scheme)	4,410.00	3,125.00
*Living Victoria Rebate Program – Small Business	n/a	7,000.00
*Living Victoria Rebate program – Residential	n/a	9,640.00
*Small Business water conservation grants	n/a	2,224
Total community service obligation provided	562,704.68	633,583.11

Sponsorship

Westernport Water offers a sponsorship program as part of its corporate social responsibility partnership with the community. Sponsorships that support the Corporation's strategic direction and demonstrate relevance to water, wastewater and conservation are viewed favourably, and may cover education, sports, events and the environment.

The Corporation's sponsorship contribution to the local community doubled in 2011-12. The increase in investment was attributable to the installation of four new drinking stations for the community and its visitors to enjoy. This also included the installation of several strategically located water tapplings to enable the community to maximise the use of the hydration station service which has been utilised at the majority of major events providing people with free water. Known by the Corporation as in-kind support. This accounted for 58% of the sponsorship this year.

Promoting conservation and supporting the community through exchange programs, water related education, sustainability programs and events including the partnership contribution to Bass Coast Landcare accounted for 26% of the sponsorship in 2011-12. This excludes our showerhead exchange as stock was provided by the state government.

To further encourage and promote the great work our customers are doing for sustainability and water conservation the Corporation invested 12% of its sponsorship allocation through partnership programs and awards including the savewater! industry awards, Bass Coast Super Pages environment award and Landcare sustainability awards for residential and commercial customers plus National Water Week schools award. The remaining 4% of sponsorship was provided to local not for profit groups.

Late in 2011, Landcare Sustaining Coastal Communities project recognised Rhyll Trout and Bush Tucker Farm for the highest reduction in water use in the commercial category, achieving a whopping 60 per cent reduction in water usage over three years. The residential honour was awarded to Cathy and Rob Gray for the highest reduction in water use, reducing their reliance on mains supply by 100 per cent.



Eliza Neal, Winner Grade 5/6 Poster Competition – San Remo Primary School.

Drinking fountains and contribution to community events

Promoting the health benefits of water, four custom built permanent drinking stations were strategically placed in key locations: the Kilcunda walking trail, Lions Park in San Remo, Erewhon Point in Cowes and the San Remo foreshore jetty precinct.

Hydration and water quality awareness was further raised by the Corporation's own mobile Hydration Station, which was used at 16 community events and provided water for over 30,000 people. The convenience of a refill station also gives people the opportunity to reduce any negative effect that they may have on the environment from purchasing bottled water.

Education

Support for local schools was focussed on giving students opportunities to learn about local water and wastewater through field visits, excursions, visits to schools, the use of the savewater! education trailer and other water related activities.

The National Water Week poster competition received over 250 entries from local primary school students, showing strong awareness of water conservation and local water issues that are important to them. This year both San Remo Primary and Newhaven Primary

School were each awarded a 10,000 litre rainwater tank for having the most finalist posters represented at state judging.

The Corporation has provide all schools with the resource Water Live it Learn it and is currently working with local schools to increase participation in the Schools Water Efficiency Program (SWEP), encouraging schools and teachers to incorporate water management into the curriculum.

Westernport Water also plays an active role in the community, supporting adult education by hosting training courses, and working with community groups and emergency services to provide cost-effective training opportunities. Building partnerships with the community and education providers by providing access to information, resources and technology helps with the development of a sustainable community.

Some Landcare joint education initiatives this year included:

- practical sustainability seminars
- local garden tour and Urban Landcare garden awards
- indigenous planting and organic gardening field day
- healthy soils/importance of soils – Movie night
- urban Landcare members kit information packs

Industry placement program

The Monash University Gippsland's Industry Placement Program provides final year students with the opportunity to get first hand paid work in their field of study.

This year Westernport Water contracted the services of two students in graphic design and journalism for a period of eight months finishing in February 2012. The students took part in several key projects and initiatives including the creation and transition of the new Westernport Water logo, the design of brochures and flyers, work on the customer newsletter, and website and intranet updates.

Engaging with customers

This year Westernport Water trialled a number of different community engagement techniques, proving very successful. When engaging people on Water Plan 3, staff made themselves available in shopping areas, at street stalls and at various community events. Westernport Water staff also attended community group meetings and held community forums and information sessions.

Water Plan 3 uses feedback from over 800 customers



[Incentive offered to customers for feedback.](#)

Participation rates improved by involving customers early in the development of Water Plan 3 and providing fact sheets, presentations, customer surveys and sufficient time for customers to give feedback. Other customer incentives to participate included the chance to win a water saving washing machine or dishwasher plus other water saving products.

Customer Consultative Panel (CCP)

Providing valuable feedback from the community on a wide range of strategic and operational matters, the CCP represent the interests of all water users, providing insights on customer needs and assisting in bringing about the best possible outcomes for the community and the environment.

CCP members represent a cross-section of the communities and geographic segments, including permanent and non-permanent residents, commercial customers, high water users and tourists.

The CCP has been engaged and consulted on all major projects and plans including Water Plan 3 proposals, the Candowie upgrade project, community activities, billing changes, permanent water saving rules, the Water Supply Demand Strategy, whilst continually providing constructive feedback on the effectiveness of the Corporation's communications.

In 2011-12 the CCP members were: Terry Heffernan (Chair), David Pearson (Deputy Chair), Edgar Runge, Frank Adamo, Glenda Salter, Ian Samuel, Neil Beddoe, Pam Lamaro and Phil Dixon.

“We enjoy working with Westernport Water to achieve outcomes for the benefit of all”

Terry Heffernan, Chair CCP.



Hardship Support

Westernport Water offers a range of assistance programs to customers experiencing temporary or chronic financial difficulties. In addition, the customer charter and hardship policy are reviewed each year by the CCP to ensure they continue to meet changing community needs.

The Corporation's Customer Relations Coordinator works with customers to identify appropriate solutions to their unique circumstances, such as alternative payment arrangements, assisting with access to government concessions and financial assistance programs, and referral to free independent accredited financial support services.

Westernport Water's high water usage policy is available for customers who experience a sudden increase in their account as a result of a leak at their property. Under this policy customers can be offered flexible payment plans.

In addition, Westernport Water also offers in-home visits for those community members who find it difficult to discuss sensitive matters over the phone or require assistance in completing the paperwork associated with the government assistance programs.

Community access

Despite having a low proportion of customers with a non-English speaking background, the Corporation provides free access to a telephone interpreter service. This ensures it can effectively assist non-English speaking customers on their water and wastewater services.

Cultural heritage management plans

Westernport Water is obliged to prepare Cultural Heritage Management Plans under the *Aboriginal Heritage Act 2006* in situations where all or part of the activity is listed as high impact, resulting in significant ground disturbance or is an area of cultural heritage sensitivity, which has not been subject to ground disturbance.

When managing major projects during 2011-12, the Corporation worked closely with Aboriginal Affairs Victoria and local indigenous Bunerong people to ensure there was no impact on cultural or heritage areas. The Corporation engages the services of expert consultants to undertake cultural heritage surveys and to build management action plans in order to identify and protect areas of cultural significance.

Statement of performance for 2011-12

Note: **Amber** variance figures reflect a negative trend and figures shown in **green** reflect a positive trend.

	Notes	2010-11 Result	2011-12 Result	2011-12 Target	Variance + / (-)
Service and environmental performance indicators					
Water supply indicator					
No. of customers receiving at least one unplanned interruptions	1	3758	N/A	4,500	-
Interruption time indicators					
Avg. duration of unplanned water supply interruptions (minutes)	10	118	175	170	2.9%
Restoration of water supply					
Unplanned water supply interruptions restored within five hours		100%	95	98.8	3.8%
Reliability of sewerage collection services indicators					
Sewer spills from reticulation and branch sewers – priority 1	9	1	5	0	5
Sewer spills from reticulation and branch sewers – priority 2		15	11	11	0
Containment of sewer spillages					
Sewerage spills contained within five hours	2	88%	88%	100%	12%
Reuse indicators					
Biosolids reuse (dry mass, tonnes)	7	507	596	479.7	24.2%
Effluent Reuse	3	12%	9.2%	18%	48.8%
Sewerage treatment standards					
Number of analyses complying with licence agreements – Cowes & King Road	8	82%	96%	100%	4.0%
Customer complaints indicators (per 1,000 customers)					
Water quality complaints per 1000 customers		1.44	2.54	2.53	0.4%
Sewerage service quality and reliability complaints per 1000 customers	4	0.00	0.1	0.07	42.8%
Billing complaints per 1000 customers	5	0.28	0.195	1.23	-84.1%
Sewerage odour complaints per 1000 customers	6	0.05	1.36	0.71	91.5%

1 Due to system limitations, data is unavailable per individual customer.

2 Two incidents in December 2011 and June 2012. A tree root intrusion in December 2011 and there was a significant rain event on 21 & 22 June 2012, causing significant inflows resulting in multiple spills across the network.

3 Our wastewater treatment plants ability to manage additional wet weather inflows proved challenging. Winter storage lagoons were full with limited irrigation opportunities. As a consequence demand for recycled water was also limited.

4 Two complaints were received. Pump station light flashing and incorrect location of assets.

5 A positive reduction in the number of billing complaints may be attributed to a change in the billing cycle from tri-annually to quarterly.

6 The number of odour complaints increased due to the elevated levels of hydrogen sulfide at a number of sewer pump stations. This is progressively being addressed with the installation of odour control units at primary locations.

7 Biosolids disposed to land included historical stockpiled biosolids.

8 There were five non compliance against EPA licence CL67896 for 1 licence condition.

9 Increase in sewer spills was a result of tree root intrusion and third party damage.

10 The increase in the number of unplanned interruptions compared to 2010-11 can be attributed to; Leaking hydrant ball following air scouring works, supply main burst across sections of the system, stop tap repairs requiring isolation of sections of main, 3rd party damage of WPW assets and broken tapping bands.

Statement of performance for 2011-12 (continued)

Financial Performance Indicators

	Notes	2010-11 Result	2011-12 Result	2011-12 Target	Variance + / (-)
Internal financial ratio	1	90%	77%	58%	33%
<i>(Net operating cash flow – dividends) / Capital expenditure</i>					
Gearing Ratio	2	1.2%	2.6%	3.4%	-24%
<i>Total debt / total assets</i>					
Interest Cover (EBIT)	3	55	28	12	133%
<i>Earnings before net interest and tax expense / net interest expense</i>					
Interest Cover (Cash)	4	199.38	55.69	37.20	50%
<i>Cash flow from operations before net interest and tax payments / net interest payments</i>					

Notes:

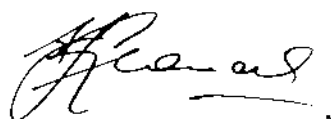
1. Internal financial ratio affected by the deferral of [expected] capital expenditure on major augmentation project (\$3M).
2. Total asset base reduced by \$5.7M (duplicate assets) and lower than forecast borrowings (refer note 1) are contributing factors for the 2011/12 variance reported for gearing ratio.
3. Target interest cover ratio did not include receipt of Federal Government funding (\$2.4M)
4. Interest cover (cash) ratio affected by the lower than expected borrowings – refer Note 1.

Certification of Performance Report for 2011-12

We certify that the accompanying Performance Report of *Westernport Region Water Corporation* in respect of the 2011-12 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

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



Anthony Leonard
Chairman
Westernport Water



Murray Jackson
Managing Director
Westernport Water

Dated this 5th day of September 2012.

VAGO

Victorian Auditor-General's Office

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Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Westernport Region Water Corporation

The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2012 of the Westernport Region Water Corporation comprises the performance indicators, the related notes and the certification.

The Board Members' Responsibility for the Statement of Performance

The Board Members of the Westernport Region Water Corporation are responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the 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. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the 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 judgment, 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 the 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the statement of performance of the Westernport Region Water Corporation in respect of the 30 June 2012 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

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

This auditor's report relates to the statement of performance of the Westernport Region Water Corporation for the year ended 30 June 2012 included both in the Westernport Region Water Corporation's annual report and on the website. The Board Members of the Westernport Region Water Corporation are responsible for the integrity of the Westernport Region Water Corporation's website. I have not been engaged to report on the integrity of the Westernport Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the statement of performance are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited statement of performance to confirm the information contained in the website version of the statement of performance.

MELBOURNE
5 September 2012


D D R Pearson
Auditor-General

Governance



Westernport Water's objective is to maintain the integrity and value of its business through sound governance and financial management by:

- identifying and mitigating risks
- strategic planning
- driving fiscal responsibility
- meeting regulatory requirements
- becoming more efficient

Compliance with building and maintenance provisions

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

EWOV – Energy and Water Ombudsman Victoria

EWOV provides a dispute resolution service for energy and water consumers and has the power to investigate and resolve disputes between Victorian consumers and their water company.

EWOV

Free Call 1800 500 509
 Email: ewovinfo@ewov.com.au
 GPO Box 469 Melbourne 3001
 www.ewov.com.au

Statement of availability of other information

Other information required by the *Financial Management Act* 1994, but not specifically referred to, has been retained by Westernport Water's accountable officer and is available to the relevant Victorian minister, Victorian members of parliament and the public on request, subject to the *Freedom of Information Act* 1982.

Application and operation of Freedom Of Information Act 1982

The *Freedom of Information Act* 1982 allows public access to documents held by government entities, which includes right of access to documents held by the Corporation. A decision to release information is made by an authorised officer. The Corporation has determined that its authorised officer is Christine Hammond – Executive Assistant. A copy of the Act can be found at www.foi.vic.gov.au.

Making a request

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 \$25.10 will apply from 1 July 2012. A written request, outlining the documents required and enclosing the application fee, should be sent to:

Christine Hammond

Freedom of Information Officer
 Westernport Water
 2 Boys Home Rd
 Newhaven Victoria 3925

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

Application and operation of the Whistleblowers Protection Act 2001

The *Whistleblowers Protection Act* 2001 protects people who disclose information about serious wrongdoing within the Victorian public sector and provides a framework for the investigation of these matters.

The Protected Disclosure Coordinator in the Department of Sustainability and Environment acts as an agent for the Corporation to receive disclosures under the Act, and applies Department procedures in managing disclosures.

No disclosures were made under this Act during the reporting period.

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

Jennifer Berensen,

Protected Disclosure Coordinator
 Department of Sustainability & Environment
 PO Box 500
 East Melbourne Victoria 3002
 Telephone – 9637 8697
www.dse.vic.gov.au
 email:
Jennifer.Berensen@dse.vic.gov.au

The Ombudsman Victoria

Level 9, 459 Collins Street
 Melbourne Victoria 3000
www.ombudsman.vic.gov.au
 Telephone – 9613 6222

Summary of financial results

Westernport Water's financial results and financial performance continues to be strong, with solid cash flow from operating activities, net profits, and minimal borrowings maintained to support our investment in long term assets. Westernport Water strives for efficient expenditure on operating activities and capital projects to service our customer base.

The following financial summary information and performance measures are provided as additional support for the financial statements included in the next section.

Financial Results – 5 year summary

	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Core business/operating revenue	11,898	13,646	14,635	15,444	16,866
Government contributions	–	840	382	310	2,566
Developer contributions and gifted assets	877	1,009	763	1,053	1,565
Other revenue	706	1,295	630	864	1,116
Total revenue (refer below for breakdown)	13,481	16,790	16,410	17,671	22,113
Operating Expenditure	4,367	4,671	5,232	5,463	7,925
Depreciation expenditure	3,338	3,500	3,540	3,826	4,929
Finance costs	207	160	89	24	160
Other	4,359	5,474	5,059	6,201	6,071
Total expenditure (refer below for breakdown)	12,271	13,805	13,920	15,514	19,085
Net Profit	1,210	2,985	2,490	2,157	3,028

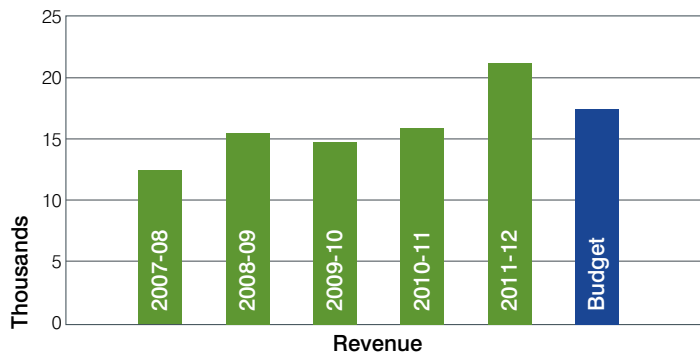
Financial Performance – 5 year summary

	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Current assets	2,028	2,831	2,984	3,421	2,304
Non-current assets	116,747	117,126	118,269	167,432	167,866
Total assets	118,775	119,957	121,253	170,853	170,170
Current liabilities	4,906	3,513	3,725	6,715	5,875
Non-current liabilities	2,016	1,605	200	15,826	17,015
Total liabilities	6,922	5,118	3,925	22,541	22,890
Net cash flow from operations	5,214	5,658	5,597	7,761	8,337
Payments for property, plant and equipment (refer below for breakdown)	6,915	4,268	4,500	8,667	10,784

Financial Indicators – 5 year summary

	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Internal financial ratio					
<i>(Net operating cash flow – dividends) / Capital expenditure</i>	75%	133%	124%	90%	77%
Gearing Ratio					
<i>Total debt / total assets</i>	4%	2%	1%	1%	3%
Interest Cover (EBIT)					
<i>Earnings before net interest and tax expense / net interest expense</i>	10	29	72	54	28
Interest Cover (Cash)					
<i>Cash flow from operations before net interest and tax payments / net interest payments</i>	41	54	82	129	57
Return on Assets					
<i>Earnings before net interest and tax / average total assets</i>	1%	3%	2%	1%	2%
Return on Equity					
<i>Net profit after tax / average total equity</i>	0.5%	1.3%	1.1%	0.8%	1.0%

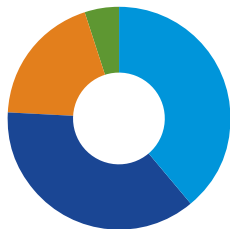
Revenue



In 2011-12 Westernport Water's total revenue increased by \$4.4M (or 25%), as compared to 2011-10. The increase and variance from budget is mainly the result of receiving Federal Government funding for our Phillip Island Recycled Water Scheme (\$2.6M). These funds are classified as 'capital revenue' and effectively offset the capital expenditure that Westernport Water has incurred over the 2010-11 and 2011-12 financial years.

Westernport Water is experiencing a consistent 2% annual growth in properties (average over the last 5 years). The growth in our region is mainly due to residential developments in the Cowes area. Residential developments provide, on average, \$1.0M of capital revenue to our total revenue base each year. Capital revenue from developments relates to contributions (per lot charge and gifted assets from developers), and annually represents 7% of the total revenue recognised. In 2011-12, capital revenue from developments increased by 15% (or \$0.2M).

Other factors contributing to the total revenue reported for 2011-12 is an increase in tariffs of 5.83% (2.5% pricing path and CPI of 3.33%), combined with a slight increase in commercial customer water usage.



2011-12 Revenue Breakdown

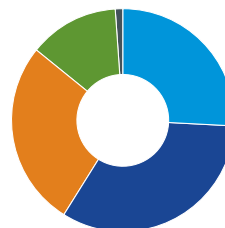
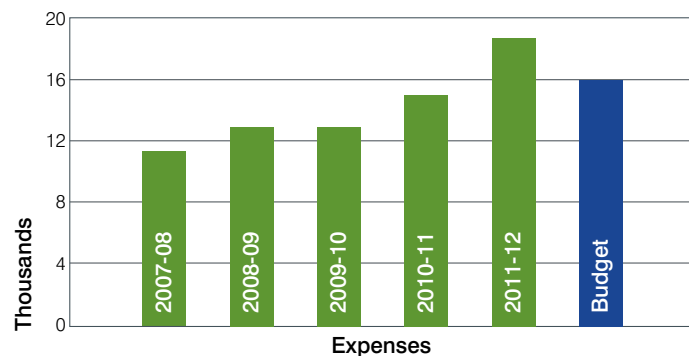
- Water 39%
- Waste 37%
- Capital 19%
- Other 5%

Expenditure

In 2011-12 Westernport Water's total expenses increased by \$3.4M (or 22%), as compared to 2010-11 and is over budget by \$2.4M. The corporation incurred \$0.8M of additional contractor and consultant costs during the year. Westernport Water 'buys in' expertise or services of contractors and consultants, as and when required. This business practice ensures that Westernport Water remains as efficient as possible with regards to fixed costs of operations. The increase in contractor and consultant services in 2011-12 was due to recognising prior year costs for investigations and studies incurred in the development of Water Plan 3, commencing July 2013, and supporting works relating to a business case for our major augmentation project, commencing September 2012. These costs were previously reported as capital expenditure in our work in progress (WIP) account.

Other factors contributing to the increases in expenditure from prior year and budget is the recognition of Westernport Water's defined benefits short fall payment (\$0.7M), as well as recruitment costs for vacant positions.

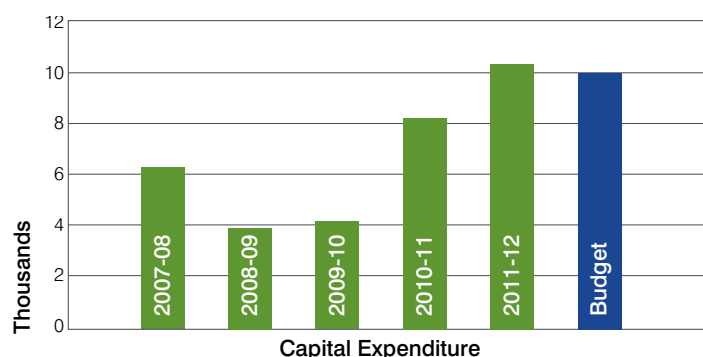
Westernport Water reported an increase in depreciation costs of \$1.1M (or 29%), which has been calculated on the additional fair value assets recognised at 30 June 2011. Total depreciation included in budget estimate was \$0.3M less.



2011-12 Expense Breakdown

- Depreciation 26%
- Employee costs 33%
- Operating 27%
- Other 13%
- Borrowing Costs 1%

Capital Expenditure



Capital Expenditure Breakdown

- Water 27%
- Waste 26%
- Corporate 13%
- Other 34%

In 2011-12 Westernport Water budgeted to spend \$10.6M on capital investments. Total payments for capital projects were slightly higher than budget at \$10.8M. Total payments for the year reflect expenditure on projects and capital purchases. Key 2011-12 project expenditure included:

- Corporate system replacements (\$0.4M). Project costs will be carried over in work in progress (WIP) account. Expected completion of all phases of corporate system replacements will be in 2012-13, with some minor costs carried over into 2013-14.
- SCADA network in our distribution system (\$0.5M). Replacement of some older SCADA systems is planned for 2012-13;
- Preparation works on major augmentation and ancillary works (\$0.6M). Majority of works planned for 2012-13;
- Phillip Island Recycled Water Scheme (\$5.3M).
- Water distribution system and treatment replacement and upgrades (\$2M)
- Water main replacements (\$0.3M)
- Waste distribution and treatment system replacement and upgrades (\$1.9M)

Consultant Costs 2011-12

Westernport Water engaged 10 consultants for the specific purpose of providing goods or services for the implementation of strategic initiative or decision. The following table provides details of consultancy costs relating to these goods or services.

Consultancy expenditure over \$10,000 (exclusive of GST)

Consultant	Purpose of consultancy	Start date	Finish Date	Total approved fee (ex GST)	Expenditure 2011-12 (ex GST)	Future expenditure (estimate – ex GST)
Cee Consultants Pty Ltd	Capacity planning for waste treatment plant, review of ocean outfall studies	1/01/2012	29/02/2012		\$90,510	\$47,000
Enterprise Knowledge	Development of records management strategy	1/01/2012	31/05/2012	\$30,000	\$33,283	0
GHD Pty Ltd	Water Supply Demand Strategy Water Optimisation modelling Functional design review – Candowie Reservoir	1/07/2011	30/06/2012	\$100,000	\$112,734	\$55,000
Hydrological Pty Ltd	Review of treatment plant operations (waste and water)	1/11/2011	31/12/2011	\$20,000	\$19,650	\$10,000
Odysseus-lmc Pty Ltd	Strategic asset management plans Asset management plans	1/07/2011	30/06/2012	\$100,000	\$99,072	\$30,000
PBJ & Associates	Modelling for wastewater futures plan	1/10/2011	31/10/2011	\$3,500	\$3,500	0
Sinclair Knight Merz Pty Ltd	Groundwater impact study TBL assessment	1/01/2012	30/04/2012	\$95,000	\$98,869	\$20,000
Yabbie Pond Pty Ltd	Wastewater quality management plan				\$63,170	\$50,000
CMP Consulting Group Pty Ltd	Geotechnical investigations King Rd storage lagoon design analysis	1/04/2012	30/06/2012	\$85,000	\$89,020	\$10,000
Archaeology At TARDIS Pty Ltd	Cultural heritage study				\$24,305	0
* All figures reported are GST exclusive					\$634,113	\$222,000

Consultant costs of \$0.9M reported in the financial statements reflect the total value of consultants used in 2011-12 for all purposes.

Major changes or factors affecting performance

The net profit figure of \$3M reported for the 2011-12 financial year is influenced by the amount of capital revenue recognised relating to developer contributions of \$1.6M (water and wastewater assets and new customer contributions); and capital funding of \$2.6M received from the Federal Government to support the Phillip Island Recycled Water Scheme PIRWS. An additional [unbudgeted] depreciation of \$0.3M relating to new fair value assets recognised in prior year, and the recognition of the Defined Benefits Superannuation fund shortfall payment of \$0.7M, have significantly affected the Corporation's performance results for 2011-12.

Significant changes in financial position during the year

Revaluation of water and wastewater infrastructure assets recognised at 30 June 2011 included a suite of duplicated assets. These assets and their associated fair values have been processed as a prior year adjustment, and asset balances (and corresponding affected accounts) have been restated as at 30 June 2011. The asset revaluation reserve and deferred liability accounts have been restated to reflect reduced asset balances.

Total prior year adjustment for asset of \$5.8M is reported in note 1 (n) in the accompanying financial statements.

Subsequent adjustments

On 31 July 2012, the Corporation received formal notification of the Vision Defined Benefit Super Fund shortfall. An amount of \$666,091 has been recognised in the Financial Statements, which represents the Corporation contribution to the fund. Refer to Note 22 for further details.

Statement on National Competition Policy

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

Contracts over \$1 million awarded in 2011-12

During 2011-12 the Corporation did not award any single contracts over \$1 million.

Financial statements

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Comprehensive list of all Financial Reporting Directives (FRDs) can be found at:
<http://www.dtf.vic.gov.au/CA25713E0002EF43/pages/bfm-financial-reporting-policy-financial-reporting-directions1>

Comprehensive Operating Statement for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Revenue			
Service charges	1(b), 4(a)	14,337	13,225
Water usage charges	1(b), 4(a)	2,529	2,220
Government grants and contributions	1(b), 4(a)	2,566	310
Interest	1(b)	48	63
Developer Contributions	1(b), 4(a)	1,565	1,053
Net gain / (loss) on disposal of non-financial assets	1(b)	(24)	126
Other Income	4(a)	1,092	675
Total Revenue		22,113	17,672
Expenses			
Borrowing costs	1(c)	160	24
Depreciation and Amortisation	1(c), 4(b)	4,929	3,826
Employee costs	1(c), 4(b)	6,367	4,702
Repairs and maintenance expense	1(c)	857	759
Environmental Contributions	1(c)	547	547
Impairment of assets	1(d)	154	311
Outsourced Services	4(b)	3,791	2,662
Other	4(b)	2,280	2,683
Total expenses		19,085	15,514
Net result before tax		3,028	2,158
Income tax expense/(revenue)	5	–	–
Net result for the period		3,028	2,158
Other comprehensive income			
Net result for the period		3,028	2,158
Revaluation of PP&E	17	–	38,423
Deferred tax on revaluation of PP&E	1(n)	–	(13,656)
Net gain/(loss) on revaluation of PP&E		–	24,767
Total comprehensive income for the period		3,028	26,925

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

Balance Sheet as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	1(d), 6	34	22
Receivables	1(d), 7	1,035	1,953
Inventories	1(d), 8	510	543
Other	1(d), 9	725	903
Total current assets		2,304	3,421
Non-current assets			
Receivables	1(d), 7	111	111
Property, plant, equipment and infrastructure	1(d), 10	166,546	161,060
Intangible assets	1(d), 11	1,109	461
Inventories	1(d), 8	100	–
Total non-current assets		167,866	161,632
TOTAL ASSETS		170,170	165,053
LIABILITIES			
Current liabilities			
Payables	1(e), 12	2,812	4,020
Interest bearing liabilities	1(e), 13	1,940	2,010
Employee benefits	1(e), 14	1,123	862
Total current liabilities		5,875	6,892
Non-current liabilities			
Payables	1(e), 12	666	–
Interest bearing liabilities	1(e), 13	2,500	–
Employee benefits	1(e), 14	193	253
Deferred tax liabilities	1(h), 15	13,656	13,656
Total non-current liabilities		17,015	13,909
TOTAL LIABILITIES		22,890	20,801
NET ASSETS		147,280	144,252
EQUITY			
Contributions by owners	1(f), 16	51,323	51,323
Reserves	17	31,865	31,865
Accumulated funds	18	64,092	61,064
TOTAL EQUITY		147,280	144,252

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

Statement of Changes in Equity for the reporting period ended 30 June 2012

	Notes	Contributions by owners \$'000	Reserves \$'000	Accumulated funds \$'000	Total \$'000
Balance at 1 July 2010		51,323	7,099	58,906	117,328
Total comprehensive income for the year as reported in the 2011 financial report		–	28,826	2,158	30,984
Fair value adjustment – infrastructure (*)	1(n)	–	(5,799)	–	(5,799)
Deferred tax liability on fair value adjustment – infrastructure	1(n)	–	1,739	–	1,739
Restated Comprehensive Income		–	24,766	2,158	26,924
Balance at 30 June 2011		51,323	31,865	61,064	144,252
Total comprehensive income for the year		–		3,028	3,028
Balance at 30 June 2012		51,323	31,865	64,092	147,280

(*) duplicate assets identified in fair value assessment.

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

Cash Flow Statement for the reporting period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Cash Flows from Operating Activities			
Receipts			
Service and usage charges		17,712	14,542
Interest received		3	63
Developer contributions		918	621
Funding		2,444	382
GST Received from ATO		1,662	714
		22,739	16,322
Payments			
Payments to suppliers and employees		(13,612)	(7,947)
Interest and other costs of finance paid		(147)	(23)
GST paid to the ATO		(97)	(547)
Environmental contributions		(547)	(44)
Net cash (outflow) / inflow from operating activities	24	8,337	7,761
		(0)	
Cash Flows from Investing Activities			
Payments for infrastructure, property, plant & equipment		(10,784)	(8,667)
Proceeds from sale of infrastructure, property, plant & equipment		29	139
Net cash (outflow) / inflow from investing activities		(10,755)	(8,528)
Cash Flows from Financing Activities			
Proceeds from borrowings		7,940	6,340
Repayment of borrowings		(5,510)	(5,730)
Net cash (outflow) / inflow from financing activities		2,430	610
Net increase / (decrease) in cash and cash equivalents		12	(157)
Cash and cash equivalents at the beginning of the financial year		22	179
Cash and cash equivalents at the end of the financial year	6	34	22

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 2012

Note 1 Significant Accounting Policies

(a) Basis of Accounting

The financial report includes separate financial statements for Westernport Region Water Corporation as an individual reporting entity. This financial report is a general purpose financial report, that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the Financial Management Act 1994 and applicable Ministerial Directions. Westernport Region Water Corporation is a not for-profit entity for the purpose of preparing the financial statements.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The annual financial statements were authorised for issue by the Board on 17 August 2012.

The principal address is:

*Westernport Region Water Corporation
2 Boys Home Road
Newhaven VIC 3925*

Accounting policies

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

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which Westernport Region Water Corporation

operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Westernport Region Water Corporation's functional and presentation currency.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Corporation's operational cycle – see 1(e) for a variation in relation to employee benefits.

Rounding

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

Historical cost convention

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.

Accounting estimates

The preparation of financial statements in conformity with AAS's requires the use of certain accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

Financial statement presentation

The entity has applied the revised AASB 101 Presentation of Financial Statements which became effective for reporting periods beginning on or after 1 July 2011, and AASB 1054 Australian Additional Disclosures which became effective for reporting periods beginning on or after 1 July 2011.

(b) Revenue

Service and usage charges

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

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year, and unbilled water usage is recognised at the end of the year. Unbilled water usage is calculated from last meter reading in June each year.

Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004, whichever is the sooner, and disclosed in the comprehensive operating statement as government grants and contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners.

Interest

Interest income is recognised as revenue when earned, using the effective interest rate method.

Developer contributions

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

Note 1 Significant Accounting Policies (continued)

(c) Expenses

Borrowing Costs

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

Depreciation and Amortisation of Non-current Assets

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

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

Intangible assets with finite useful lives are amortised as an expense on a straight-line basis, commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined in Note 1(d).

Major depreciation periods used are listed below and are consistent with the prior year and fair value assessment conducted 30 June 2011:

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

Employee benefits

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

Superannuation

The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

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.

Environmental contributions

The *Water Industry (Environmental Contributions) Act 2004* (the Act) 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 contribution period has been extended to cover the period 1 July 2008 until 30 June 2016.

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.

Resources provided free of charge

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

Other expenses

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Note 1 Significant Accounting Policies (continued)

(d) Assets

Cash and cash equivalents

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

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 14 days for other debtors.

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

Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis. Inventories include goods held for distribution at no or nominal cost in the ordinary course of business operations.

In addition, the Corporation recognises cattle as inventory, and is measured at market value. Valuation is conducted by a registered stock valuer.

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Investment properties

Westernport Water holds two properties that are currently rented. Both properties are not held for investment purposes with the intent to derive rental income or capital appreciation. These properties are held to meet service delivery objectives of the Corporation.

Change in accounting policy

No major changes in accounting policy.

Infrastructure property plant and equipment

i. Recognition and Measurement of Assets

Property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage (including reuse) infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations.

Items with a cost or value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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

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

ii. Measurement of Non-Current Physical Assets

All non-current physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103D.

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

Plant, equipment and motor vehicles are measured at fair value. For the plant, equipment and vehicles asset class, where the Corporation is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exist for these assets, depreciated replacement cost is used to represent a reasonable approximation of fair value.

Water infrastructure assets, at both the entity reporting level and whole of government reporting level, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103D. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

The initial fair value assessment for water infrastructure in the prior period was undertaken with involvement from Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise is provided in Note 10.

Note 1 Significant Accounting Policies (continued)

iii. Revaluation of non-current physical assets

Revaluation increments are credited directly to equity in the revaluation surplus/(deficit), except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset. Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same asset, they are debited to the revaluation reserve.

Impairment of Assets

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

- inventories;
- deferred tax assets;
- financial instrument assets;

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

revaluation reserve amount applicable to that class of asset.

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

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

Assets Classified as Held for Sale

The Corporation does hold assets for the purpose of sale.

(e) Liabilities

Payables

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 28 days of recognition.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

Borrowings

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

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

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 at 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, liabilities 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 (LSL)

Current Liability – unconditional LSL (representing 7 or more years of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

Present value – component that the Corporation does not expect to settle within 12 months; and

Nominal value – component that the Corporation expects to settle within 12 months.

Note 1 Significant Accounting Policies (continued)

Non-Current Liability – conditional

LSL (representing less than 7 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

In calculating present value, 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.

Superannuation

The amount charged to the comprehensive 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, adjusted by the movement in the defined benefit plan liability or surplus. A one off defined benefits unfunded liability top up payment of \$666,091 was recognised at year end as a non-current commitment. Payment is due and payable 1 July 2013.

Superannuation contributions are made to the plans based on the relevant rules of each plan.

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.

Performance payments

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

Provisions

Provisions are recognised when the Corporation, as a result of a past event, has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(f) Equity

Contributions by owners

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

(g) 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. Subsequent to initial recognition, the financial instruments are measured as set out below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or designated at fair value through profit and loss on initial recognition when doing so results in more relevant information. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Gains and losses arising from changes in fair value are recognised in the Comprehensive Operating Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and other receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the comprehensive operating statement. Impairment losses are recognised in the comprehensive operating statement. Impairment losses recognised in the comprehensive operating statement on equity instruments classified as available for sale are not reversed through the comprehensive operating statement.

Note 1 Significant Accounting Policies (continued)

(h) Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The Corporation is likely to make ongoing tax losses and the Corporation's deferred tax liabilities exceed their deferred tax assets, therefore no deferred tax assets or liabilities have been recognised, other than the net deferred tax liability relating to revaluation of assets, and disclosed in the balance sheet.

(i) Commitments

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

(j) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 21) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

(k) Dividend Policy

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer under the *Public Authorities (Dividend) Act 1983*. The Corporation's preliminary estimate of the dividend payment for the reporting period is nil.

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

Note 1 Significant Accounting Policies (continued)

(m) New Accounting Standards and Interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. As at 30 June 2012, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2012. The Corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements [entity to amend as appropriate]
AASB 9 <i>Financial Instruments</i> , AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	AASB 9 <i>Financial Instruments</i> addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The derecognition rules have been transferred from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed. The group has not yet decided when to adopt AASB 9.	1 January 2013	The entity is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> , AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i> , AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> and AASB 2011-6 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i>	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. <i>Tier 1 are the Australian Accounting Standards as currently applied and Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of Australian Accounting Standards but with reduced disclosure requirements.</i> <i>AASB 2011-6 extends the relief for intermediate parent entities from consolidation, equity accounting and proportionate consolidation to parent entities that report under tier 2, where the parent higher up the group is reporting either under tier 1 or tier 2.</i>	1 July 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to the entity. The entity will assess its impact once DTF has provided guidance on this standard.
AASB 13 <i>Fair Value Measurement</i> , AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> and AASB 2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i>	<i>The standard explains how to measure fair value and aims to enhance fair value disclosures.</i>	1 January 2013 / 1 July 2013	The entity is yet to assess its full impact. The group will apply amended standard from 1 January 2013.
AASB 119 <i>Employee Benefits</i> , AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119</i> and AASB 2011-11 <i>Amendments to AASB 119</i> (September 2011) <i>arising from Reduced Disclosure Requirements</i> .	These standards require the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removed of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	1 January 2013 / 1 July 2013	The entity is yet to assess its full impact. The group will apply amended standard from 1 January 2013.
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i> [AASB 112]	In December 2010, the AASB amended AASB 112 <i>Income Taxes</i> to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1 January 2012	The entity will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

Note 1 Significant Accounting Policies (continued)

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements [entity to amend as appropriate]
AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i> [AASB 2009-11 & AASB 2010-7]	AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities.	1 January 2013	This amendment will not affect the financial statements of the group.
AASB 2011-3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</i>	<i>The amendments clarify the definition of the ABS GFS Manual, facilitate the orderly adoption of changed to the Manual and improve related disclosures.</i> <i>Applicable only to not-for-profit entities and/or public sector entities.</i>	1 July 2012	The group will apply the amended standard from 1 July 2012. When the amendments are applied, the group will need to disclose (in the note containing the summary of accounting policies) a statement of compliance to this standard, a reference to the version of the ABS GFS Manual used or that the last version has not been used and the impact of this.
AASB 2011-4 <i>Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements</i>	<i>Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporation Act 2001.</i> <i>The amendments cannot be adopted early.</i>	1 July 2013	This amendment is expected to have a limited impact.
AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i>	<i>Requirement for entities to group items presented in other comprehensive income on the basis of whether they may be recycled to profit or loss in the future.</i>	1 July 2012	The group will apply this amendment from 1 July 2012. This will only have an impact on disclosure and presentation.
AASB 2011-12 <i>Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]</i>	The interpretation provides guidance on the accounting for waste removal (stripping) costs in the production phase of a mine. Such tripping costs can only be recognised as an asset if they generate a benefit of improved access to an identifiable component of the ore body, it is probable that the benefits will flow and the costs can be measured reliably.	1 January 2013	This amendment does not affect the financial statements of the group.
AASB 2011-13 <i>Amendments to Australian Accounting Standards – Improvements to AASB 1049</i>	<i>The amendments clarify some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting and will improve the harmonisation of the financial reporting requirements of the Commonwealth, State and Territory Governments.</i> <i>Applicable only to not-for-profit entities and/or public sector entities.</i>	1 July 2012	This amendment is expected to have a limited impact.

(n) Prior year adjustments

During the year the Corporation identified \$5.7M of duplicated asset records included in the fair valuation assessment of assets recognised at 30 June 2011. An adjustment has been processed, resulting in a:

- Decrease in water infrastructure assets – \$0.792M
- Decrease in waste infrastructure assets – \$5.007M
- Decrease in asset revaluation reserve – \$4.059M
- Decrease in deferred tax liability – \$1.740M

These adjustments are reflected in the restatement of the 2011 balances for each of the affected financial statement line items, as described above.

The calculation methodology for recognising current and non current Long Service Leave (LSL) has been adjusted to correctly reflect the proportion of current liability relating to years of service greater than 7 years. The effect of calculation increases current liability for LSL and reduced the non-current LSL liability, with no change to total LSL liability reported for the 2011 year.

Note 2 Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. 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 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 and ageing analysis for credit risk to determine market risk.

Risk management is carried out by the finance department under policies developed in conjunction with Treasury Corporation Victoria, approved by the Board of Directors.

The main risks the Corporation is exposed to through its financial instruments are as follows:

(a) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is no exposure to foreign exchange risk and insignificant exposure to other price risks.

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

(i) Interest Rate Risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's short term (on call) borrowings.

The Corporation minimises its exposure to interest rate changes by holding a mix of fixed and floating rate debt. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

(ii) Foreign Exchange Risk

The Corporation is not exposed to changes in the foreign exchange rate.

(iii) Other Price Risk

The corporation may be affected by changes in building price index on the costs incurred for goods and services.

The following table(s) summarise the sensitivity of the interest and other price risks:

30-Jun-12	Interest rate risk				
	Carrying amount	-1%		+1%	
		Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash	34	0.3	0.3	0.3	0.3
Financial liabilities					
Payables	3,478	-	-	-	-
Short term (on call) borrowing	1,940	19.4	19.4	19.4	19.4
Fixed term borrowings	2,500	-	-	-	-
Net increase/ (decrease)		(19.1)	(19.1)	19.1	19.1

30-Jun-11	Interest rate risk				
	Carrying amount	-1%		+1%	
		Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash	22	0.2	0.2	0.2	0.2
Financial liabilities					
Payables	3,450	-	-	-	-
Short term (on call) borrowing	2,010	20.1	20.1	20.1	20.1
Fixed term borrowings	-	-	-	-	-
Net increase/ (decrease)	5,482	(19.9)	(19.9)	19.9	19.9

Note 2 Financial risk management objectives and policies (continued)

b) Credit risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Corporation's receivables.

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on a monthly basis to ensure that exposure to bad debts is not significant. The Corporation has in place a policy and procedure for the collection of overdue receivables.

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 7.

(c) Liquidity risk

Liquidity Risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 28 days.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The Corporation's financial liability maturities have been disclosed in Note 19.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Note 4 Operating Statement – disclosures

	2012 \$'000	2011 \$'000
(a) Revenue		
Service Charges (Water)	6,052	5,600
Service Charges (Waste)	8,285	7,625
Usage Charges (Water)	2,529	2,220
Contributions – Developers	918	621
Contributed Assets - Water	186	40
Contributed Assets – Waste (inc Reuse)	462	391
Tradewaste	58	139
Government grants	2,566	310
Net gain / (loss) on disposal of non-financial assets	(24)	126
Recoverable Works	570	–
Other income	511	600
Total Revenue	22,113	17,672
(b) Expenses		
Depreciation & Amortisation:		
Buildings	66	109
Water Infrastructure	2,004	1,501
Wastewater Infrastructure	1,774	1,309
Gas	6	6
Plant & Equipment	699	758
Intangibles	381	143
	4,929	3,826
Employee costs:		
Annual leave benefits	304	292
Long service leave benefits	85	22
Super contributions	435	513
Other employee costs	4,877	4,538
Defined Benefits Super contribution	666	–
	6,367	5,365
Other costs:		
Repairs and maintenance expense	857	759
Environmental Contributions	547	547
Impairment of assets	154	311
Computer expenses	257	288
Contractors	2,308	2,037
Consultants	894	341
Electricity	521	490
Training & Travel	201	300
Bad & Doubtful Debts	334	162
Other	1,716	1,089
	7,789	6,323
Total expenses	19,085	15,514

Note 5 Income tax

The Corporation is likely to make ongoing tax losses and the Corporation's deferred tax liabilities exceed their deferred tax assets, therefore no deferred tax assets or liabilities have been recognised, other than the net deferred tax liability relating to revaluation of assets, and disclosed in the balance sheet.

	Notes	2012 \$'000	2011 \$'000
Net result before income tax		3,028	2,157
Prima facie tax payable on the net result (@30%) (2011:30%)		908	647
Reduction in tax payable due to carrying amounts of deferred tax liabilities	1(h), 15	(908)	(647)
Net tax payable		–	–

Note 6 Cash and cash equivalents

	2012 \$'000	2011 \$'000
Cash at bank	34	22

The above figure is reconciled to the cash balance at the end of the financial year as shown in the cash flow statement.

Note 7 Receivables

	2012 \$'000	2011 \$'000
Current		
Trade receivables	931	964
Other receivables	361	1,042
Provision for doubtful debts	(257)	(53)
	1,035	1,953
Non Current		
Trade receivables	167	111
Provision for doubtful scheme debts	(56)	–
	111	111
Total Receivables	1,147	2,064

(a) Provision for doubtful debts

As at 30 June 2012, **total trade receivables** of the Corporation were \$1,461,164 (2011: \$2,116,773). The amount of the provision was \$313,091 (2011: \$53,451). Difference in total trade receivables balance and note details due to rounding. Increase in provision for uncollectable debts is due to changes to the *Water Act 1989* from 1 July 2012, which removes the ability of the Corporation to sell properties where no payment has been received for greater than 3 years.

Note 7 Receivables (continued)

	2012 \$'000	2011 \$'000
Aging of receivables balance is as follows:		
Not due	248	329
3 to 6 months	422	888
Over 6 months	789	900
Total trade receivables	1,459	2,117

(b) Movements in the provision

Balance as at 1 July 2011	(53)	–
Provision for doubtful debts recognised at 30 June 2012	(334)	(161)
Receivables written off during the year as uncollectible	74	108
Balance as at 30 June	(313)	(53)

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

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

All carrying amounts of the Corporation's current and non-current receivables are denominated in AUD\$

(d) Fair Value and credit risk

Due to the short-term nature of current receivables (due within 28 days), their carrying value is assumed to be approximate fair value less any impairment (provision for doubtful debts) recognised.

Note 8 Inventories

	2012 \$'000	2011 \$'000
Current		
Stores and consumables – at cost	349	478
Cattle – at fair value	79	–
Chemicals on hand	82	65
Non Current		
Stores – at fair value	100	–
Total current inventories	610	543

Note 9 Other financial assets

	2012 \$'000	2011 \$'000
Prepayments	139	183
Accrued Income	586	720
Total	725	903

Note 10 Property, Plant, Equipment and Infrastructure

	2012 \$'000	2011 \$'000
(a) Classes of property, plant and equipment		
Land		
At cost	793	–
At fair value	8,242	8,242
	9,035	8,242
Buildings		
At cost	12	–
At fair value 30 June 2011	2,448	2,448
Less: accumulated depreciation	(66)	–
	2,394	2,448
Water infrastructure		
At cost	3,362	–
At fair value 30 June 2011	64,040	64,040
Less: accumulated depreciation	(2,004)	–
	65,398	64,040
Wastewater infrastructure		
At cost	8,175	–
At fair value 30 June 2011	73,548	73,548
Less: accumulated depreciation	(1,774)	–
	79,949	73,548
Infrastructure – Other		
At fair value 30 June 2011	270	270
Less: accumulated depreciation	(12)	(6)
	258	264
Equipment and motor vehicles		
At cost	8,570	7,404
Less: accumulated depreciation	(4,397)	(3,948)
	4,173	3,456
Under Construction		
	5,340	9,062
Total Property Plant & Equipment	166,546	161,060

Land was valued at 30 June 2011 on behalf of the Valuer-General by Egan National Valuers (Vic). Fair value was determined using local sales to determine a per hectare rate, and applying a discounted factor to take into consideration community service obligation of holding land by water corporations.

Buildings were valued at 30 June 2011 on behalf of the Valuer-General by Egan National Valuers (Vic). Fair value was determined using the depreciated replacement cost, and applying condition based assessments to determine remaining useful life.

Infrastructure assets were valued at 30 June 2011 on behalf of the Valuer-General by AECOM. Current replacement of infrastructure assets was determined based on the valuer's assessment of a representative sample size of assets, their condition, inspected assets, age, performance history, and specialist knowledge of water industry assets. Fair value was determined by AECOM by applying their assessment of sample of assets to all infrastructure assets to determine useful lives, remaining useful lives and depreciated replacement cost.

Note 10 Property, Plant and Equipment and Infrastructure (continued)

(b) Movements during the reporting period

2011-12	Opening WDV 1 Jul \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment \$'000	Transfers \$'000	Depreciation \$'000	Closing WDV 30 Jun \$'000
Land	8,242	786	–	–	–	7		9,035
Buildings	2,448		–	–	–	12	(66)	2,394
Water infrastructure	64,040	186	–	–	–	3,176	(2,004)	65,398
Wastewater infrastructure	73,548	462	–	–	–	7,713	(1,774)	79,949
Other infrastructure – Gas	264		–	–	–	–	(6)	258
Plant & equipment	3,456		(50)	–	–	1,466	(699)	4,173
Under construction	9,062	8,977		–	–	(12,699)		5,340
Total movements in assets 2011-12	161,060	10,411	(50)	0	0	(325)	(4,549)	166,546

2010-11	Opening WDV 1 Jul \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment \$'000	Transfers \$'000	Depreciation \$'000	Closing WDV 30 Jun \$'000
Land	8,989		–	(1,874)	–	1,127	–	8,242
Buildings	4,218		–	(158)	–	(1,503)	(109)	2,448
Water infrastructure	43,154	40	–	19,607	–	2,740	(1,501)	64,040
Wastewater infrastructure	52,312	391	–	20,844	(300)	1,610	(1,309)	73,548
Other infrastructure – Gas	270		–	–	–	–	(6)	264
Plant & equipment	2,481		(29)	–	–	1,756	(751)	3,456
Under construction	6,225	8,568	–	–	–	(5,731)	–	9,062
Total movements in assets 2010-11	117,649	8,999	(29)	38,419	(300)	(0)	(3,676)	161,060

Note 11 Intangible assets

2011-12	Opening WDV 1 Jul \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment \$'000	Transfers \$'000	Depreciation \$'000	Closing WDV 30 Jun \$'000
Software	257	857	–	–	(154)	325	(379)	906
Licences	204	–	–	–	–	–	(1)	203
Total movements in assets 2011-12	461	857	0	0	(154)	325	(380)	1,109

2010-11	Opening WDV 1 Jul \$'000	Additions \$'000	Disposals \$'000	Revaluation \$'000	Impairment \$'000	Transfers \$'000	Depreciation \$'000	Closing WDV 30 Jun \$'000
Software	304	105	–	–	(10)	–	(142)	257
Licences	205	–	–	–	–	–	(1)	204
Total movements in assets 2010-11	509	105	0	0	(10)	0	(143)	461

Note 12 Payables

	2012 \$'000	2011 \$'000
Current		
Trade creditors	1,291	2,845
Accrued expenses	1,150	389
Unearned revenue	236	570
Other	135	216
Total Current Payables	2,812	4,020
Non Current		
Payables – Defined Benefits contribution	666	–
Total Non Current Payables	666	–

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

The carrying amounts of the Corporation's payables are denominated in \$AUD.

For an analysis of the sensitivity of payables to foreign currency and interest rate risk, refer Note 2.

Note 13 Interest bearing liabilities

	2012 \$'000	2011 \$'000
Current		
Other Loans [<i>Treasury Corporation of Victoria</i>]	1,940	2,010
Total current interest bearing liabilities	1,940	2,010
Non Current		
Fixed term loans [<i>Treasury Corporation of Victoria</i>]	2,500	–
Total non current interest bearing liabilities	2,500	–
Total interest bearing liabilities	4,440	2,010

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The fair values of non-current borrowings equals their carrying amount due to the timing of borrowing (29 June 2012) and no material movement in interest rates

Risk exposures

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

	2012 \$'000	2011 \$'000
At call	1,940	2,010
6 to 12 months	–	–
1 to 5 years	2,500	–
Over 5 years	–	–
Total interest bearing liabilities	4,440	2,010

The carrying amounts of the Corporation's borrowings are denominated in \$AUD

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 2

Note 14 Employee benefits

	2012 \$'000	2011 \$'000
Current		
Annual leave and unconditional long service leave entitlements, representing 7 years of continuous service:		
Short term benefits that fall due within 12 months, measured at nominal value	543	409
Other long term benefits that do not fall due within 12 months, measured at present value	580	453
Total Current	1,123	862
Non Current		
Conditional Long Service Leave	193	253
Total Non Current	193	253
Total Employee Benefits	1,316	1,115

	2012 \$'000	2011 \$'000
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.31%	4.60%
Weighted average discount rates	2.94%	5.3%
Weighted average settlement period	10 yrs	10 yrs

Note 15 Deferred tax liabilities

	2012 \$'000	2011 \$'000
The balance comprises temporary differences attributable to:		
Land	214	214
Infrastructure	13,060	13,060
Buildings	382	382
Total deferred tax assets	13,656	13,656
Total deferred tax liabilities expected to be settled after 12 months	13,656	13,656

Note 16 Contributed capital

	2012 \$'000	2011 \$'000
Opening balance at 1 July	51,323	51,323
Owner capital contributions in the year	–	–
Closing balance at 30 June	51,323	51,323

Note 17 Reserves

	2012 \$'000	2011 \$'000
Asset Revaluation Reserve:		
Opening balance at 1 July:	31,865	7,099
Land (net of tax)	–	(2,256)
Buildings (net of tax)	–	(372)
Infrastructure (net of tax)	–	27,394
Closing balance at 30 June	31,865	31,865

Note 18 Accumulated funds

	2012 \$'000	2011 \$'000
Opening balance at 1 July	61,064	58,906
Net result for the period	3,028	2,158
Closing balance at 30 June	64,092	61,064

Note 19 Financial Instruments

Interest rate risk exposures

The following table sets out the Corporation's exposure to interest rate risk, including the contractual re-pricing 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 fixed rate liabilities to maturity.

2011-12	Non interest bearing	Floating interest rate	Fixed 1 year or less	Fixed Over 1 to 2 years	Fixed Over 2 to 3 years	Fixed Over 3 to 4 years	Fixed Over 4 to 5 years	Fixed Over 5 years	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets									
Cash	–	34	–	–	–	–	–	–	34
Trade debtors	1,460	–	–	–	–	–	–	–	1,460
Other receivables	586	–	–	–	–	–	–	–	586
Total financial assets	2,046	34	–	–	–	–	–	–	2,080
Financial Liabilities									
Payables	3,478	–	–	–	–	–	–	–	3,478
Bank overdrafts and loans	–	1,940	–	–	–	–	–	–	1,940
Other Loans	–	–	–	500	1,250	750	–	–	2,500
Total financial liabilities	3,478	1,940	–	500	1,250	750	–	–	7,918
Weighted average interest rate		3.5%							

2010-11	Non interest bearing	Floating interest rate	Fixed 1 year or less	Fixed Over 1 to 2 years	Fixed Over 2 to 3 years	Fixed Over 3 to 4 years	Fixed Over 4 to 5 years	Fixed Over 5 years	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets									
Cash	–	22	–	–	–	–	–	–	22
Trade debtors	2,116	–	–	–	–	–	–	–	2,116
Other receivables	903	–	–	–	–	–	–	–	903
Total financial assets	3,019	22	–	–	–	–	–	–	3,041
Financial Liabilities									
Payables	3,450	–	–	–	–	–	–	–	3,450
Bank overdrafts and loans	–	2,010	–	–	–	–	–	–	2,010
Other Loans	–	–	–	–	–	–	–	–	–
Total financial liabilities	3,450	2,010	–	–	–	–	–	–	5,460
Weighted average interest rate		4.5%							

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form and therefore the carrying value represents fair value. 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 20 Commitments

The following commitments are not currently recognised in the financial statements, but represent contractual commitments by the Corporation as at 30 June:

	2012 \$'000	2011 \$'000
Significant Capital Commitments		
<i>At 30 June the Corporation had the following capital commitments (ex GST):</i>		
Various projects under contract	157	1,474
Bulk Entitlement Payment	373	
Outstanding capital commitments are to be paid as follows:		
within one year	157	1,474
one to five years	373	–
	530	1,474

Significant Operating Commitments

At 30 June the Corporation had the following significant operating commitments (ex GST):

Various projects under contract	304	–
Environmental Contribution commitments	2,929	547
Outstanding capital commitments are to be paid as follows:		
within one year	851	547
one to five years	2,382	–
	3,233	547

Note 21 Contingent Liabilities and Contingent Assets

No contingent liabilities or assets are reported for the period ending 30 June 2012.

Note 22 Superannuation

Post-employment Benefit

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

Accumulation Plan

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation).

No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Plan

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under AASB 119, Westernport Water does not use defined benefit accounting for these contributions.

Westernport Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at

31 December 2011, a funding shortfall of \$406 million was determined. Westernport Water was made aware of the expected shortfall through the year and was formally notified of their share of the shortfall on 31 July 2012, which amounted to \$666,091, including the Federal Government super contributions tax of \$99,913. Payment of unfunded defined benefits liability is due by 1 July 2013 and has been recognised in the 2011-12 comprehensive operating statement in Employee Benefits (see Note 4) and in the Balance Sheet non current payables (see Note 12).

Westernport Water makes the following contributions:

- 9.25% of members' salaries;
- the difference between resignation and retrenchment benefits paid to any retrenched employees.

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the then requirements of Australian Accounting Standard AAS 25 as follows:

	31-Dec-11 \$'000
Net Market Value of Assets	4,315,324
Accrued Benefits (per accounting standard)	4,315,324
Difference between Assets and Accrued Benefits	-326,809
Vested Benefits	4,838,503

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category were:

- Net Investment Return 7.50%pa
- Salary Inflation 4.25%pa
- Price Inflation 2.75%pa

The corporation made contributions to the following funds:	2012 \$'000	2011 \$'000
Defined Benefits (Vision)		
Employer contributions to Local Authorities Superannuation fund (Vision Super)	47	42
Employer contributions payable to Local Authorities Superannuation fund (Vision Super)	666	-
	713	42
Accumulation funds (Vision)		
Employer contributions to Local Authorities Superannuation fund (Vision Super)	148	179
Employer contributions payable to Local Authorities Superannuation fund (Vision Super)	-	15
	148	194
Accumulated funds (Other)		
Employer contributions to other nominated funds	240	292
Employer contributions payable to other nominated funds	8	25
	248	317
Total contributions paid to all funds	435	513
Total contributions payable to all funds	674	40

Note 23 Responsible Persons and Executive Officer Disclosures

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994 (FMA)*, the following disclosures are made regarding responsible persons for the period ending 30 June 2012.

a) Responsible persons

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

• The Hon Peter Walsh MP, Minister for Water	1 Jul 2011 to 30 Jun 2012
• Anthony Leonard (Chairperson)	1 Jul 2011 to 30 Jun 2012
• Jane Bell (Deputy Chairperson)	1 Jul 2011 to 30 Jun 2012
• Murray Jackson (Managing Director)	1 Jul 2011 to 30 Jun 2012
• Leah Young (Director)	1 Jul 2011 to 30 Jun 2012
• Trevor Nink (Director)	1 Jul 2011 to 30 Jun 2012
• Alison Von Bibra (Director)	1 Jul 2011 to 30 Sep 2011
• Leigh Hocking (Director)	1 Jul 2011 to 30 Sep 2011
• Barbara Wagstaff (Director)	1 Oct 2011 to 30 Jun 2012
• Hon. Geoff Coleman (Director)	1 Oct 2011 to 30 Jun 2012
• Roland Lindell (Director)	1 Oct 2011 to 30 Jun 2012

b) Remuneration of responsible persons

	2012 \$'000	2011 \$'000
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.		
Remuneration received, or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid).	365	336

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

Income band (\$)			2012 No.	2011 No.
0	–	9,999	2	–
10,000	–	19,999	6	6
20,000	–	29,999	–	–
30,000	–	39,999	1	1
220,000	–	229,999	–	–
230,000	–	239,999	1	1
TOTAL AMOUNT			10	8

Note 23 Responsible Persons and Executive Officer Disclosures (continued)

c) Executive officers' remuneration

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

Income Bands	Total Remuneration		Base Remuneration	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
0 – 119,999				
120,000 – 129,999				1
130,000 – 139,999				
140,000 – 149,999		1		1
150,000 – 159,999		1	1	
160,000 – 169,999	1			
170,000 – 179,999			1	
180,000 – 189,999	1			
Total annualised employee equivalent (AEE)	2	2	2	2
Total number of executives	2	2	2	2
TOTAL AMOUNT	346	300	328	289

Note 24 Reconciliation of net result to cash flows from operations

	2012 \$'000	2011 \$'000
Net result for the period after income tax	3,028	2,158
Add/(less) Non Cash flows in net result		
(Profit)/Loss on disposal of non current assets	24	(126)
Depreciation and amortisation	4,929	3,826
less Contributed Assets	(648)	(432)
Receivables impairment expense	260	53
Bad Debt write off	74	108
Impairment of non current assets	154	311
	7,821	5,898
Changes in Assets and Liabilities		
Decrease / (increase) in trade receivables	(203)	(845)
Decrease / (increase) in inventories	(67)	10
Decrease / (increase) in other current assets	179	(55)
Decrease / (increase) in other receivables	859	242
(Decrease) / Increase in payables	(453)	2,330
(Decrease) / Increase in employee benefits	201	181
	516	1,863
Net Cash (outflow) / inflow from Operating Activities	8,337	7,761

Note 25 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related audit firms:

	2012 \$'000	2011 \$'000
(a) Victorian Auditor-General's Office (VAGO)		
Audit and other assurance services		
Audit of financial statements	42	32
Total remuneration for audit services	42	32
(b) Non-VAGO audit firms		
Audit and other assurance services		
Other assurance services (internal audit)	43	37
Audit of regulatory returns (OH&S, Tax, ESC, DoH, Gas)	136	87
Total remuneration for other audit services	179	124
Total auditors' remuneration	221	156

Note 26 Events occurring after the balance date

The Corporation received formal notification on 31st July 2012 of a requirement to make a further contribution to the Vision defined benefits scheme of \$0.7M. This notice represents a formal notification of a position that existed at 31 Dec 2011, and as a result has been recognised in the operating result and non current liabilities of the Corporation as at 30 June 2012.

There are no other post 30 June 2012 events that will materially affect Westernport Water's 2011-12 financial statements.

Appendices

Westernport Region Water Corporation Statutory Certification

We certify the attached financial statements for Westernport Region Water Corporation have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2012 and the financial position of the Corporation as at 30 June 2012.

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



Anthony Leonard
Chairman
Westernport Water



Murray Jackson
Managing Director
Westernport Water



Kylie White
Chief Finance & Accounting Officer
Westernport Water

5 September 2012

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Westernport Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of the Westernport Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the Westernport Region Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Westernport Region Water Corporation as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Westernport Region Water Corporation for the year ended 30 June 2012 included both in the Westernport Region Water Corporation's annual report and on the website. The Board Members of the Westernport Region Water Corporation are responsible for the integrity of the Westernport Region Water Corporation's website. I have not been engaged to report on the integrity of the Westernport Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
5 September 2012

for 
D D R Pearson
Auditor-General

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Responsible Minister

The Hon. Peter Walsh, MLA
Minister for Water

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Thompson Avenue
Cowes VIC 3922

Auditors

Auditor General, Victoria
By Agent UHY Haines Norton (Vic) P/L

Insurers

Marsh & McLennan Companies

Solicitors

Russell Kennedy

Industry Associations

Victorian Water Industry Association

Australian Water and Wastewater
Association

Institute of Water Administration

Water Services Association of Australia

Water Industry Operators Association

Design

Jayne Melville

Salt Marketing and Design

Glossary

Terms	Meaning
AS/NZS	Australian and New Zealand Standard
AWA	Australian Water Association
CCP	Customer Consultative Panel
CRSWS	Central Region Sustainable Water Strategy
CUP	Candowie Upgrade Project
CWWTP	Cowes Waste Water Treatment Plant
DoH	Department of Health
DPI	Department of Primary Industry
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
EMLO	Emergency Management Liaison Officer
EMS	Emergency Management System
EPA	Environment Protection Authority
ESC	Essential Services Commission
EWOV	Energy and Water Ombudsman Victoria
FOI	Freedom of Information
GIS	Graphical Information System
HACCP	Hazard and Critical Control Point
IPP	Industry Placement Program
IBWPP	Ian Bartlett Water Purification Plant
KRWWTTP	King Road Waste Water Treatment Plant
Metropolitan Pool	Water supplied from the Melbourne supply system including desalinated water
MSDS	Material Safety Data Sheet
OH&S	Occupational Health and Safety
PMT	Project Management Team
SCADA	Supervisory Control and Data Acquisition
SoO	Statement of Obligations
WaterMAP	Water Management Action Plan
WSAA	Water Services Association of Australia
Units	Meaning
ML	megalitre = one million litres
KL	kilolitre = one thousand litres
t	metric tonne
CO ₂ -e	carbon dioxide equivalent

Disclosure Index

The Annual Report of Westernport Water is prepared in accordance with all relevant Victorian Legislation and pronouncements. This index has been prepared to facilitate identification of Westernport Water's compliance with statutory disclosure requirements.

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