



# Annual Report 2017



**Report of Operations**

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Westernport Region Water Corporation (the Corporation), trading as Westernport Water, is a regional water corporation whose core function is to provide drinking water, recycled water and wastewater services, wherever economically, environmentally and socially practicable, to properties and communities throughout its district.

It is acknowledged that Westernport Water provides services on the traditional lands of the Bunurong people, who managed our natural resources over thousands of years. We acknowledge our Traditional Owners as we continue to manage these resources today.

Westernport Water is responsible for water and wastewater performance, servicing over 19,964 customers across an area covering 300 square kilometres encompassing Millowl (Phillip Island) and mainland communities from The Gurdies to Archies Creek.

Water is accessed from a number of different sources. The primary water supply is from the Tennent Creek catchment via the Candowie Reservoir, with additional water entitlements from the Bass River, Corinella Aquifer and a connection to the Melbourne water supply system.

Drinking water is produced at Ian Bartlett Water Purification Plant (IBWPP) at Candowie Reservoir, then pumped to waterline communities and the San Remo Basin, for distribution to customers within Westernport Water's service area.

Westernport Water operates two wastewater treatment plants and supplies wastewater services to approximately 90 per cent of properties that receive drinking water. Effluent collected from the townships of Kilcunda and Dalyston is treated under an agreement with South Gippsland Water at its Wonthaggi Treatment Plant.

Westernport Water provides the following services:

- the production and sale of Class-A recycled water for residential, recreational, commercial and agricultural purposes in specific areas of Phillip Island
- removal of commercial trade wastes (greasy wastes)
- a liquid waste disposal facility
- reticulated gas in specific areas in San Remo
- specialist advice on infrastructure and facility design for new developments
- biosolids for agriculture purposes
- catchment programs aimed at improving raw water quality.

## Our values

All Westernport Water employees are responsible and accountable for the work that they do, and the way that they do it. The Westernport Water values are:

- **we help each other** – we focus on teamwork, collaboration and empowering each other to succeed
- **people are engaged** – there is two-way communication and people are consulted on and involved in decisions that affect them
- **contributions are valued** – people are recognised for their abilities, qualities and achievements
- **we are accountable** – we learn from and accept responsibility for our decisions and actions
- **people are treated with respect** – we focus on positive relationships and we are prepared to stand up for our values
- **we are honest with each other** – we are open and honest, trust each other and we are transparent.

## Manner of establishment

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

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

## 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.

## Responsible Minister

Westernport Region Water Corporation is established under the *Water Act 1989*. The responsible Victorian Minister for the reporting period was from 1 July 2016 to 30 June 2017, the Hon. Lisa Neville MP, Minister for Water.

## Statement of Obligations

Statement of Obligations (SoO) was issued by the Victorian Minister for Water under section 41(2) of the *Water Industry Act 1994* on 20 December 2015. The new SoO revokes and replaces all previous Statement of Obligations. The purpose of the SoO is to clarify the obligations of Westernport Water in relation to the performance of its functions, provision of its services and the exercising of its powers.

## Vision

Westernport Water leads through collaboration and innovation to deliver sustainable water and wastewater services that improve the health and liveability of our community.



We are pleased to present the Chair & Managing Director reports as part of the Westernport Water 2016-17 Annual Report.

## Chairperson's Report

I'm pleased to report Westernport Water delivered on all aspects of our Corporate Plan by providing high quality, and reliable, water and wastewater services. This coincided with the development of plans to address key Victorian Government objectives outlined in Water for Victoria.

The Corporation's financial position remains strong, recording a net profit of \$0.9M. Consistent cash flow resulting from operating activities and revenue from core business services has resulted in lower borrowing costs, ensuring retention of the Corporation's AA credit rating.

The Corporation has gone through a significant period of change over the past two years, and I am pleased to report we have successfully aligned the Corporation's structure to our key Corporate Plan objectives. The appointment of a new leadership team for the three divisional structure, Customer & Community, Assets & Operations and Corporate & People, provides a solid foundation and clear focus for the future that is supported by our Diversity and Inclusion Action Plan. The organisational realignment and Organisational Improvement Plan have addressed past constraints and allowed the Board to continue to look ahead to develop the Corporation we aspire to be.

The wellbeing of our staff and customers, the resilience of our natural environment and the success of local industry relies on the effective management of our water resources.

During the year, we developed and delivered a number of initiatives that contribute to a more sustainable and liveable community and they are outlined in our Corporate Social Responsibility Strategy, which was endorsed during the year. Working together with staff, customers and the wider community we developed various strategies and plans to protect our environment, support community health and wellbeing and put in place measures to provide affordable and accessible services.

A significant step forward for the Corporation is the development of our first Reconciliation Action Plan (RAP) which commits to a number of actions aimed at strengthening relationships, respect and opportunities for Aboriginal and Torres Strait Islander peoples. The RAP represents 12 months of progress, further developing meaningful relationships and partnerships with Indigenous groups and Traditional Owner Organisations.

Our Climate Change Strategy reflects the priorities identified by customers during 2016-17 pricing submission engagement, and presents our commitment to the environment. Our Climate Change Strategy sets out clear actions for Westernport Water to meet its 2025 Emissions Reduction Pledge and achieve net-zero emissions by 2050.

I would like to thank and acknowledge my fellow Directors for their hard work and guidance whilst representing Westernport Water, not just the past 12 months, but for the entirety of their term with the Corporation. I'd also like to extend my thanks to the Westernport Water staff for their ongoing commitment and tireless work to provide essential water and wastewater services.



In accordance with the *Financial Management Act 1994*, I am pleased to present Westernport Water's Annual Report for the year ending 30 June 2017.

**Roland Lindell**

Chair

28th September 2017

## Managing Director's Report

It has been an incredibly productive year for Westernport Water. A year filled with customer and community engagement, a year that strengthened new and existing partnerships, and a year that put in place plans to continue to meet customer expectations for high quality water and wastewater services.

With a continued focus on our people, I'm pleased to report that we continue to build a positive workplace culture that helps to attract, and retain skilled people. Our improvements have been evidenced through the annual staff engagement results, which provided us with a health check and positive insight into how we are performing.

In principle agreement was reached for Westernport Water's Enterprise Agreement (EA) through collective bargaining in good faith. The modernised EA was lodged with the Department of Land, Water and Planning (DELWP) for approval in June 2017.

Westernport Water embarked on an ambitious customer engagement program in support of our 2018-23 Pricing Submission. We spoke with customers to understand their preferences, concerns and priorities for the Corporation. I'm delighted and confident that we are on the right path in shaping our plans for the future.

Despite low rainfall, the Corporation is well placed to meet the future water and wastewater needs of our growing communities and the challenges associated with climate change. During the year, we developed a number of future focused strategic plans, including a Urban Water Strategy, Corporate Social Responsibility Strategy, Diversity and Inclusion Plan, Climate Change Strategy and a Reconciliation Action Plan. Thanks to our dedicated team, our customers, the customer advisory group and community members who helped provide information and feedback to shape these important plans.

Pressures of population growth, tourism and climate variability will continue to present challenges for Westernport Water, but we are confident in long term plans to secure supplies for the region through increased access to water, secure bulk entitlements and a connection to Melbourne's water grid.

Strengthening partnerships, both local and in the water industry, have also provided many benefits during the year. Partnership initiatives included the delivery of programs with local stakeholders, sharing of resources, training activities and joint procurement through the Gippsland Regional Water Alliance and customer engagement. Partnerships have provided mutual benefits and are valuable in helping the Corporation achieve our objective of adding value to our community.

I would like to acknowledge the continuous perseverance, commitment and substantial effort of our employees to maintain quality water and wastewater services for our community. Their dedication has ensured we are well positioned to deliver improved outcomes for our people, our customers and our environment.



**Peter Quigley**  
Managing Director

28th September 2017

# Financial Review

## Five-year Financial Summary

| Profit and loss – summary                 | 2016-17<br>\$ 000 | 2015-16<br>\$ 000 | 2014-15<br>\$ 000 | 2013-14<br>\$ 000 | 2012-13<br>\$ 000 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Core revenue                              | 20,086            | 19,454            | 18,856            | 18,402            | 17,877            |
| Government contributions                  | –                 | –                 | 45                | 61                | 151               |
| Developer contributions and gifted assets | 1,261             | 1,151             | 1,902             | 1,267             | 3,564             |
| Other revenue                             | 806               | 593               | 384               | 663               | 608               |
| <b>Total revenue</b>                      | <b>22,153</b>     | <b>21,198</b>     | <b>21,187</b>     | <b>20,393</b>     | <b>22,200</b>     |
| Operating expenditure                     | 8,383             | 8,484             | 7,319             | 7,074             | 8,342             |
| Depreciation <sup>1</sup>                 | 6,518             | 6,118             | 5,780             | 5,476             | 5,086             |
| Finance costs                             | 350               | 431               | 453               | 501               | 216               |
| Other                                     | 5,957             | 6,370             | 5,386             | 5,864             | 5,816             |
| <b>Total expenditure</b>                  | <b>21,208</b>     | <b>21,403</b>     | <b>18,938</b>     | <b>18,915</b>     | <b>19,460</b>     |
| <b>Net profit before tax</b>              | <b>945</b>        | <b>(205)</b>      | <b>2,249</b>      | <b>1,478</b>      | <b>2,740</b>      |

### Notes

1. Depreciation reflects higher level of asset values resulting from 2015-16 revaluation and recognition of activities throughout 2016-17 and \$0.281M of impaired intangible assets.

## Current Year Financial Review

### Net profit

Net profit before tax for the year was \$0.9M which was ahead of budget expectation. The key drivers of the improved result were slightly higher revenue income and consistent and strong cost control over the financial year. Water consumption remained above forecast levels leading to revenue in-line with the prior year.

### Revenue

Total revenue for the year was \$22.2M, an increase of \$1M on the prior year. This revenue increase is inclusive of the full remittance to customers of the Government Fairer Water Bills initiative. The anticipated decrease in water usage from the 2015-16 year did not eventuate, hence revenue exceeded budget and was at a consistent level with the prior year.

The underlying tariffs were increased in line with Essential Services Commission (ESC) approved guidelines of 1.3%. Capital revenue representing new developments were in line with budget expectation and remained flat in comparison to the previous year amounts.

### Expenditure

Expenditure levels were carefully managed throughout the year with a strong focus on cost management and provision of high quality service to customers and the community. Realised benefits from capital expenditure projects over the previous years, combined with high quality raw water collection has allowed for the containment of cost whilst increasing water output quality.

Depreciation levels have remained consistent with the prior years following the revaluation process undertaken in 2015-16, with engineering assessment of plant useful life driving depreciation charges. The maintenance of the AA credit rating has resulted in lower borrowing costs.

# Financial Position

## Balance Sheet

| Balance Sheet – Summary         | 2016-17<br>\$ 000 | 2015-16 <sup>1</sup><br>\$ 000 | 2014-15<br>\$ 000 | 2013-14<br>\$ 000 | 2012-13<br>\$ 000 |
|---------------------------------|-------------------|--------------------------------|-------------------|-------------------|-------------------|
| Current assets                  | 6,681             | 4,907                          | 4,121             | 4,253             | 3,117             |
| Non-current assets <sup>2</sup> | 207,331           | 207,811                        | 178,851           | 177,583           | 178,268           |
| <b>Total assets</b>             | <b>214,012</b>    | <b>212,718</b>                 | <b>182,972</b>    | <b>181,836</b>    | <b>181,385</b>    |
| Current liabilities             | 6,941             | 6,754                          | 4,770             | 5,235             | 10,269            |
| Non-current liabilities         | 40,410            | 40,237                         | 34,437            | 35,106            | 30,655            |
| <b>Total liabilities</b>        | <b>47,351</b>     | <b>46,991</b>                  | <b>39,207</b>     | <b>40,341</b>     | <b>40,924</b>     |
| <b>Net assets</b>               | <b>166,661</b>    | <b>165,727</b>                 | <b>143,765</b>    | <b>141,495</b>    | <b>140,461</b>    |

Notes:

1. 2015-16 restated figures refer Note 9.8.

2. Land, Buildings & Infrastructure assets revalued as at 30 June 2016.

The balance sheet remains in a healthy and strong position. Debt levels remain low, consistent with the approach to funds management undertaken in prior years. The Corporation has good quality fixed assets designed to meet peak customer demand. The annual revaluation process completed in the previous financial year confirmed the asset quality and expected useful life. Accounts receivable levels are in line with prior year levels, inclusive of conservative provisioning for doubtful debts.

Management of accounts payable is undertaken to ensure strong supplier relationships are maintained whilst also preserving cash flows.

## Cash flows

Cash flows throughout the year reflect the cyclical nature of operations, with strong cash inflows following the tourist season. The capital program payments are based on the achievement of project milestones. Cash flow has been strong throughout the year in line with the business objectives to maintain the AA credit rating.

## Capital projects

The capital expenditure program for the year was \$5.8M against a target spend \$6M and is in line with the Water Plan 3 capital initiatives. Key projects for the year are described in more detail in later pages of the report with a highlight being the commencement a project to install UV filtering at the Ian Bartlett Water Purification Plant to provide a further enhancement in the provision of high quality water to our customers.

Information on the new and existing capital projects for Westernport Water and the broader Victorian public sector is contained in the most recent Budget Paper No.4 State Capital Program (BP4). This is available on the Department of Treasury and Finance website.

There were no capital projects completed during the 2016-17 financial year that had a total capital value or total economic impact in excess of \$10m.

## Prior year adjustments

The Corporation identified a prior year error as detailed in Note 9.8. Adjustments have been made for the error and restated Financial Statements for the 2016 financial year have been provided.

## Grants and transfer of payments

Nil grants were received or paid during the 2016-17 financial year.

## Subsequent events

There were no events occurring after the balance date that would significantly affect Westernport Water's reported financial position for 2016-17 financial year.

## Major changes or factors affecting performance

There were no major changes or factors affecting performance during the reporting period.

# Operational Highlights and Future Initiatives

*Innovation, Liveability, Sustainability*



## Our Business

**Intent:** *Maintain the integrity and value of our business through sound governance and financial management*

### Highlights

- Completed a full review of the Corporation's Delegations Manual to ensure appropriate instruments were in place, to ensure efficient and accountable operations.
- Undertook a review of the Corporate Governance Framework and implemented a number of improvement initiatives aimed at enhancing governance knowledge across the organisation.
- Completed the Risk Management Improvement Plan resulting in an improved Risk Management Framework and associated processes and reporting enhancements.
- Submitted the Corporation's five year Corporate Plan for 2017-22 to the Victorian Minister for Water and the Victorian Treasurer in May 2017.
- Participated as a member of the Gippsland Regional Water Alliance to identify and deliver opportunities for shared value and services across local water corporations.

### Future initiatives

- The Corporation plans to commence Phase Two of the ICT Systems and Service Plan, titled the "Business Transformation Project". The initiative aims to improve stability and performance of the Managed Network Services platform and the functionality of core business systems.
- In the 2017-18 financial year, Westernport Water is committed to identifying opportunities for collaboration and innovation through the Gippsland Regional Water Alliance to drive efficiencies and business improvements that will ultimately benefit staff, customers and the Gippsland community.



## Our Customers

**Intent:** *Provide products and services that meet our customers' expectations for quality, accessibility and affordability*

### Highlights

- Engaged with over 1,000 customers in developing Westernport Water's 2018 Pricing Submission, which details the proposed prices for the five years from 2018-23.
- Achieved fifth straight year of full compliance with water quality standards.
- Finalised Family Violence Policy, identifying key ways in which to manage and support customers experiencing domestic violence.
- Undertook annual customer satisfaction survey, resulting in a 92 per cent overall satisfaction rate.
- Adoption of a Corporate Social Responsibility Strategy to positively contribute to the health and wellbeing of our people, our environment and our community.
- Created a new online community engagement platform to provide customers with improved access and a greater level of involvement in decisions that may impact them.

### Future initiatives

- Finalise and lodge the 2018 Price Submission following engagement with stakeholders, customers and community on the final draft.
- Develop a three year Customer Service Strategy to better understand and meet growing customer expectations.
- Implement year two of the Water Quality Continuous Improvement Plan to improve taste and odour characteristics of the water produced from Ian Bartlett Water Purification Plant.



## Our People

**Intent:** *Be an innovative organisation with a reputation that is valued by current and prospective employees*

### Highlights

- Reached in principal agreement for the Enterprise Agreement in May 2017 following successful negotiations.
- Undertook an organisational realignment to align service functions with strategic focus areas to effectively deliver the Corporate Plan and remove barriers to success.
- Developed a Diversity and Inclusion Plan (DIP) for the next five years.
- Water Industry Operators Association's (WIOA) Victorian Operator of the Year, was awarded to an employee of Westernport Water for his outstanding contribution, performance and initiative.

### Future initiatives

- Implement actions identified in the DIP.
- Develop and commence implementation of an Organisational Development Strategy 2017-20 and align the vision with a strategic approach towards continuous improvement and growth. This initiative will detail a program of specific commitments to Leadership, People and Culture, Diversity and Inclusion and Employee Health, Safety and Wellbeing.





## Our Community

**Intent:** Be a valued member of the community we serve

### Highlights

- Developed a Corporate Social Responsibility Strategy providing a clear commitment to community wellbeing and sustainable development.
- Engaged with Traditional Owners and Aboriginal organisations to build relationships, respect and partnerships as we worked to develop the Corporation's first Reconciliation Action Plan (RAP) which will be considered by Reconciliation Australia for endorsement.
- Installed two custom drink fountains in partnership with the Bass Coast Shire Council to support a more liveable community and help promote tap water quality.

### Future initiatives

- Following endorsement of the Corporation's RAP, the Corporation will shift focus to implementation of initiatives and actions designed to recognise and support Aboriginal cultural values and economic inclusion in the water sector.
- Investigate options and initiatives that support social and recreational benefits from our land and assets, inline with the Victorian Government Water Plan.
- Implement the Corporate Social Responsibility Strategy to support a more liveable and resilient community.



## Our Assets

**Intent:** Enable the sustainable delivery of products and services to our customers

### Highlights

- Commenced construction to install a UV disinfection unit at the Ian Bartlett Water Purification Plant. The UV disinfection unit provides a multi barrier approach to ensure safe drinking water is assured to customers.
- Undertook a comprehensive review of our Asset Management Framework against the Asset Management Accountability Framework, in preparation for attestation in 2017-18.

### Future initiatives

- Develop an Integrated Water Management Plan, to provide a framework to improve the liveability and enhance the resilience of communities through greater collaboration between government agencies in water planning.
- Develop a Recycled Water Strategy for management and development of our recycled water supplies.



## Our Environment

**Intent:** Be an environmentally sustainable organisation

### Highlights

- Adopted a Climate Change Strategy (CCS) that provides a clear statement of our commitment to reduce our impact and prepare for the associated challenges.
- Pledged to reduce greenhouse gas emissions by 8% by 2025, as part of the Victorian Governments TAKE2 Pledge.
- Achieved significant advancement of on-the-ground works on private land within the Candowie catchment through land management partnerships with Bass Coast Landcare Network and Melbourne Water to improve raw water quality. This resulted in revegetation works covering 3.1km of waterways, installation of 2.27km of fencing and 23,500 trees.

### Future initiatives

- Implement the CCS and develop Mitigation and Adaptation Plans to meet the objectives set out in the CCS.
- Develop a Farm Management Plan for wastewater treatment plants to optimise environmental and financial outcomes from cattle, crops and wastewater irrigation and reuse.

# Key projects and initiatives

## Capital projects/asset investment programs

Westernport Water delivered a range of capital projects during the 2016-17 reporting period, and reports that no project exceeded \$10M.

## Diversity and Inclusion Plan (DIP)

The Corporation's DIP outlines what Westernport Water aims to achieve over the next five years with regard to diversity and inclusion, taking into account water industry targets. The DIP commits to developing a Diversity & Inclusion Policy, together with a detailed list of actions designed to achieve the project objectives.

Within the plan is an initial data analysis which identifies opportunities for improvement for Westernport Water when compared to the Victorian Water Industry, Victorian Public Sector, Bass Coast local community and the wider Victorian community statistics (where data is available).

## Reconciliation Action Plan (RAP)

Developed through a process of meaningful and respectful engagement, Westernport Water's first ever RAP outlines how the Corporation seeks to acknowledge and build strong and respectful relationships with the local Aboriginal community. The RAP provides a summary of activities currently underway and outlines the everyday initiatives and partnerships the Corporation has committed to as it progresses on its journey towards reconciliation. Our Reflect RAP has been submitted to Reconciliation Australia for endorsement. A Reflect RAP is for organisations just starting out on their reconciliation journey, assisting them to build the foundations for relationships, respect and opportunities.

## Corporate Social Responsibility Strategy (CSRS)

As a deliverable of the Corporate Plan 2016-21, Westernport Water committed to the development of a CSRS to provide a clear statement of the Corporation's commitment to community wellbeing and sustainable development. The Strategy presents Westernport Water's commitment to our people, our planet and our community. The strategy also outlines our actions and performance in key areas and establishes clear targets to drive performance over the next five years.

## Climate Change Strategy (CCS)

Westernport Water has adopted a CCS to provide a clear statement of the Corporation's commitment to Climate Change 2017-22. The strategy has been developed to build on Westernport Water's emissions reduction pledge, future projects, community engagement and consultation and takes into account the potential impacts to Westernport Water's operations, people and community.



Customer engagement activities

## Urban Water Strategy (UWS)

The UWS governs the provision of services to customers for the next 50 years and determines how Westernport Water will meet demand, enhance its water supply, integrate water cycle management and meet customers expected level of service. The strategy looks at climate change scenarios when managing supply and demand and considers feedback from customers and the community, as well as key stakeholders and the Board of Directors.

## Wastewater Futures – Cowes Reticulation Project

The Wastewater Futures – Cowes Reticulation Project is a multi year initiative to improve the collection and transfer of sewage from Cowes East and West catchments in Phillip Island. The construction of 2.6km of sewer rising main along Church Street commenced in 2016-17 and will be completed in 2017-18 at an approximate cost of \$0.8M. The total investment for the Wastewater Future – Cowes Reticulation Project is estimated at \$4M.

## The Water Main Replacement Program

In 2016-17 the Water Main Replacement Program included the replacement of 1350m of cast iron cement lined pipeline in Corinella and 173m of asbestos cement pipeline in Bass. The total cost of the Water Main Replacement Program for 2016-17 is \$0.425M.

### Pricing Submission 1

Every five years water corporations are required to submit a Pricing Submission to the ESC in support of its prices for water and wastewater services. Westernport Water's draft submission for the five years from 2018-23 has been developed following a lengthy period of engagement with customers and community and aims to identify and implement the approach that will deliver the best possible outcomes for customers. Feedback was compiled from approximately 1000 customers from September 2016 to May 2017 and will be lodged with the ESC by 29 September 2017.

### Water Quality Continuous Improvement Plan

Westernport Water implemented year one of the five year Water Quality Continuous Improvement Plan in 2016-17. This involved the planning and design of three major projects. Two of the projects are based at IBWPP, being the installation of ultraviolet disinfection and installation of filter to waste. The third project is improving the chloramination disinfection and mixing process at the San Remo Basin. Westernport Water has invested \$0.6 million for the Water Quality Continuous Improvement Plan in 2016-17. Construction is on schedule and will be due for completion in December 2017.

### Building Asset Management Plan

This project was initiated to renew and maintain the Corporation's buildings, maximise available work space and position the Corporation to deliver future Corporate Plan objectives with a fit for purpose facility. Forecasted expenditure for this project was \$500K. Expenditure during the year was \$350K and future spend in 2017-18 is estimated at \$150K.

### Corporate Governance Framework Review

The objective of this review was to ensure the Corporation had an effective Corporate Governance Framework to drive enhanced organisational performance while at the same time aiding compliance with regulatory requirements. The initiative resulted in a new Corporate Governance Framework, and a clear plan to achieve best practice corporate governance.

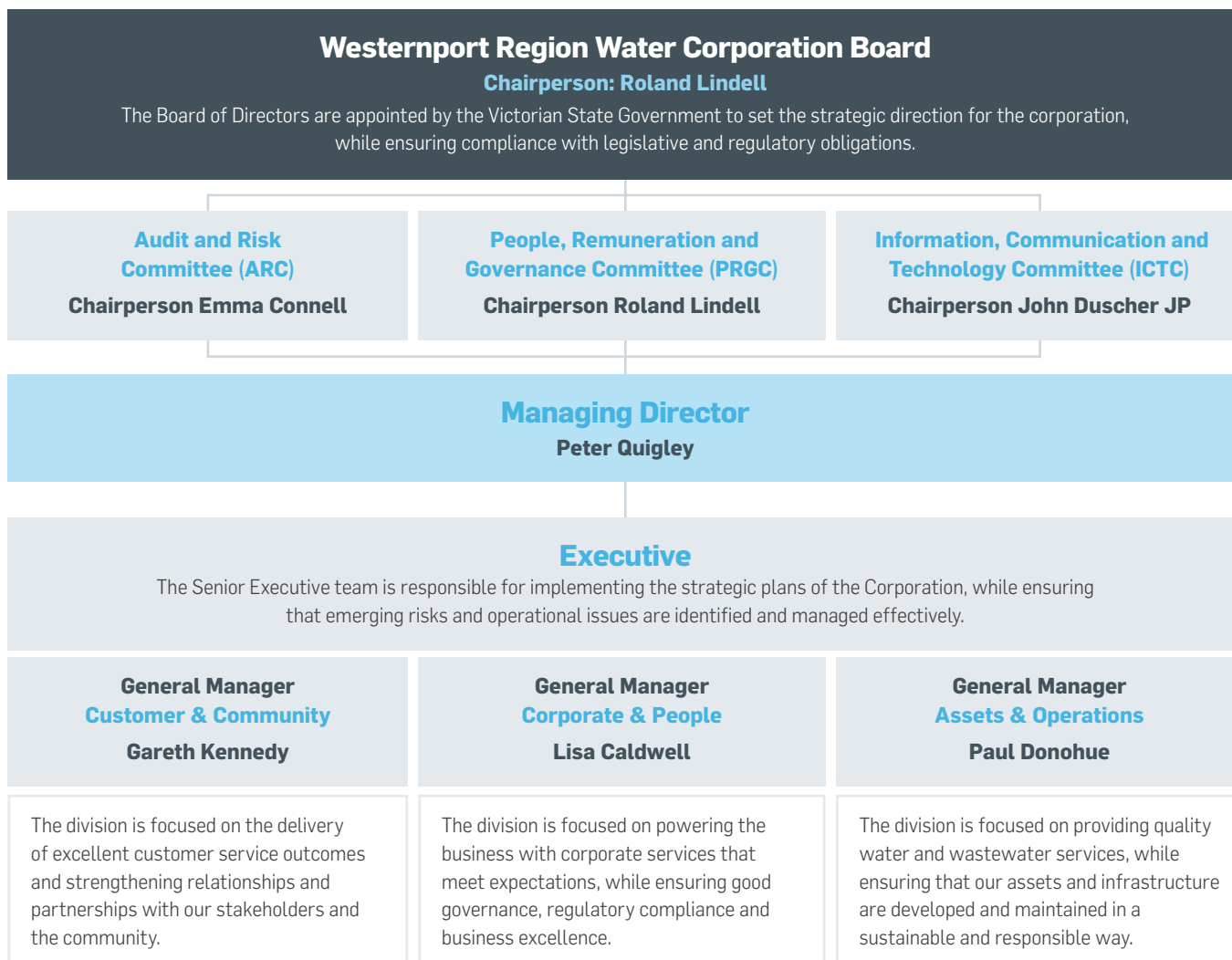
### Organisational Improvement Plan

Throughout the 2016-17 financial year, Westernport Water undertook an organisational realignment as phase two of the Organisational Improvement Plan. The aim of the organisational realignment was to align structure to strategy and ensure that the structure of the organisation is resourced to support our strategic goals and deliver improved outcomes for our people, customers and community. The new structure was derived over a period of 12 months after significant employee consultation and input. The new structure will support the Corporation to ensure a future focus on efficiencies, innovation, business improvement and leadership capability. The Organisational Improvement Plan will be developed into an Organisational Development Strategy (2017-2020) in the 2017-18 financial year.

### Negotiate Enterprise Agreement

The Enterprise Agreement negotiation arrived at 'in-principle agreement' on 22 May 2017 with documentation submitted to DELWP for endorsement on 8 June 2017. This process resulted in a modernised document with improved terminology in a number of clauses in particular; parental leave and provision for gender neutrality in related clauses.





*The executive group was responsible for implementing the Corporation's strategic direction, while leading change, managing risk and responding to emerging operational issues. To deliver the strategy, the Corporation completed an organisational realignment to ensure it had the right structure and skills to deliver in future priority areas.*

## Structural changes

Westernport Water has an objective to strengthen leadership capability and strategically build a culture of excellence through the delivery of an Organisational Development Strategy. To support the delivery of this strategy, the Corporation transitioned from a four to a three divisional structure, informed by the Corporate Plan Objectives and priority areas. The new divisions are Corporate & People, Customer & Community and Assets & Operations.

The Board of Directors consists of six members appointed by the Victorian State Government whose key functions include:

- Setting the strategic direction and policy framework by adopting, implementing and resourcing the Corporate Plan 2017-22
- Ensuring compliance with legislative and regulatory obligations
- Setting service standards and monitoring achievements
- Establishing measurable goals and objectives
- Establishing Board and Committee charters
- Evaluating Board and executive performance to ensure integrity of corporate governance practice and ethical conduct.

## Board of Directors

**Roland Lindell (Chairperson)** has extensive experience in public relations policy and government relations, including 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.

**Hon. Professor Jennifer Acton (Deputy Chair)** has worked at leadership levels in both the private and public sectors and is an experienced Director. She is currently an Adjunct Professor of Law at Monash University, Chair of State Trustees Limited and a Director of the Port of Hastings Development Authority. She was until recently a Senior Deputy President of the Fair Work Commission and President of the Road Safety Remuneration Tribunal. She has a Master and Bachelor of Economics, Master and Bachelor of Laws and is a Graduate of the Australian Institute of Company Directors.

**Peter Quigley (Managing Director)** has significant leadership and management experience in public and private sector organisations, across complex environments such as government, utilities and health. He has held senior positions with several organisations, including Gippsland Primary Health Network, Latrobe City Council, Gippsland Water and the Department of Human Services. His qualifications and professional associations include a Master of Business Administration, a Graduate Diploma in Business Administration, a Graduate of the Australian Institute of Company Directors, Associate Fellow of the Australian Institute of Management and Graduate of the Gippsland Community Leadership Program.

**John Duscher JP** has over 43 years' experience in education and extensive experience in local government across the Bass Coast Region. He remains heavily involved in a wide range of community and sporting organisations in leadership roles and has a high level of knowledge, skills and experience in strategic development, governance, financial, business and emergency management, community engagement and planning. He is a Fellow of the Royal Victorian Association of Honorary Justices and a member of the Australian Institute of Company Directors.

**Dr. Emma Connell** is employed at RPS Group as a Senior Executive – Environment where she provides technical and strategic advice to the Victorian government on large State significant projects and leads the environment team for south eastern Australia. Emma has over 20 years' experience in the field of environmental management in the public and private sectors and a proven track record in strategic planning and delivering environmental approvals for major infrastructure projects. She has a PhD in Marine Biology and is a Graduate of the Australian Institute of Company Directors.



Committed to reconciliation

Custom surfboard artwork designed by Steve Ulula Parker descendant of the Yorta Yorta Boon Wurrung Erub (TSI).

Pictured: Hon. Jennifer Acton (Deputy Chair), Peter Quigley (Managing Director), Steve Ulula Parker (Artist), Roland Lindell (Chairman), Geoff Russell (RAP Project Manager) and Rueben Berg (Board Director)

**Rueben Berg** is the Founder and Managing Director of RJHB Consulting Pty Ltd. He is also a Director at Indigenous Architecture and Design Victoria and a member on various boards including National Trust of Australia (Victoria) Indigenous Advisory Board, Melbourne Sustainable Society Institute Advisory Board, and Monash University Indigenous Advisory Council. He is the Founder and Director at Indigenous Ultimate Association and the Chair at the Ultimate Rules Committee of the World Flying Disc Federation. He has a Bachelor of Architecture.

# Board Committees

## The Audit & Risk Committee (ARC)

ARC is a committee of the Board consisting of three Directors and an independent member. Directors in 2016-17 comprised:

- Dr. Emma Connell, Chairperson
- Roland Lindell
- Rueben Berg

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

During the year, five (5) meetings were held. The main responsibilities of the ARC include the oversight of:

- financial performance
- the financial reporting process, including annual financial accounts
- scope of work, performance and independence of the internal auditor
- ratification of the engagement and dismissal by management of the internal audit provider
- operation and implementation of the risk management framework
- matters of accountability and internal control affecting the operations of the Corporation
- the acceptability, disclosure of and correct accounting treatment for significant transactions that are not part of the Corporation's normal course of business
- sign off of accounting policies.

## The People, Remuneration and Governance Committee (PRGC)

PRGC is a committee of the Board. It consists of four members and meets as required to review the performance and remuneration of the Managing Director and Executives, as well as to examine other delegated governance issues that may arise. In 2016-17 the PRGC membership comprised:

- Roland Lindell, Chairperson
- Hon. Jennifer Acton
- John Duscher JP
- Rueben Berg.

The Committee ensures compliance with the requirements of the Government Sector Executive Remuneration Panel (GSERP). During the year, four meetings were held where the committee, discussed and reviewed the following:

- senior executive performance
- salaries and bonuses
- organisational realignment
- EA negotiations.

## Information, Communication & Technology Committee (ICTC)

ICTC is a committee of the Board consisting of three members including a Chairperson. ICTC Membership in 2016-17 comprised:

- John Duscher JP, Chairperson
- Hon. Jennifer Acton
- Rueben Berg.

The purpose of the Committee is to consider and provide effective and informed oversight on all aspects of information, communication and technology enabled activity and initiatives undertaken or proposed by the Corporation that may have strategic or high risk impacts.



A recommendation from the annual Board performance review resulted in a change to Board Committees effective December 2016. The tables below indicate Board & Committee meetings held and Director attendance for the periods both before and after the change in Committees.

| <b>Board /Committee meetings</b>   |                 |   |  |  |
|--|-----------------|---|--|--|
|  | <b>Board</b>    | <b>Audit &amp; Risk Committee (ARC)</b> | <b>Remuneration &amp; Governance Committee (RGC)</b> | <b>Project Steering Committee(PSC)<sup>1</sup></b> |
| <b>1 July 2016 – 30 November 2016</b>  | <b>Held –4</b>  | <b>Held – 3</b>                         | <b>Held – 2</b>                                      | <b>Held – 2</b>                                    |
| <b>Member</b>  | <b>Attended</b> | <b>Attended</b>                         | <b>Attended</b>                                      | <b>Attended</b>                                    |
| <b>Roland Lindell</b> – Board & RGC Chair  | 4/4             | –                                       | 1/2  | –  |
| <b>Jennifer Acton</b> – Deputy Chair   | 4/4             | –                                       | 2/2  | 2/2  |
| <b>Peter Quigley</b> – Managing Director   | 4/4             | –                                       | –  | 2/2  |
| <b>Emma Connell</b> – Chair ARC <sup>2</sup>                                     | 4/4             | 3/3                                     | –  | 2/2  |
| <b>Rueben Berg</b> <sup>3</sup>  | 4/4             | 1/3                                     | –  | 2/2  |
| <b>John Duscher</b>  | 3/4             | 1/3                                     | 2/2  | –  |
| <b>Carol Pagnon</b>  | 3/4             | 2/3                                     | –  | 2/2  |
| <b>Barbara Wagstaff</b> <sup>4</sup> – ARC Chair<br>1 July 2016 – 15 August 2016 | 1/1             | 1/1                                     | –  | –  |

Notes:

1. Committee disestablished effective 30 November 2016
2. Appointed 20 September 2016
3. Appointed ARC Member 20 September 2016
4. Resigned 15 August 2016

|   | <b>Board</b>    | <b>Audit &amp; Risk Committee (ARC)</b> | <b>People, Remuneration &amp; Governance Committee<sup>1</sup></b> | <b>Information &amp; Technology Committee<sup>2</sup></b> |
|---|-----------------|---|--|---|
| <b>1 December 2016 – 30 June 2017</b>                               | <b>Held –5</b>  | <b>Held – 2</b>                         | <b>Held – 1</b>  | <b>Held – 3</b>   |
| <b>Member</b>   | <b>Attended</b> | <b>Attended</b>                         | <b>Attended</b>  | <b>Attended</b>   |
| <b>Roland Lindell</b> <sup>3</sup> – Board & PRGC Chair             | 4/5             | 1/1                                     | 1/1  | –   |
| <b>Jennifer Acton</b> <sup>4</sup> – Deputy Chair                   | 4/5             | –                                       | 1/1  | 3/3   |
| <b>Peter Quigley</b> – Managing Director                            | 5/5             | –                                       | –  | –   |
| <b>Emma Connell</b> – ARC Chair                                     | 5/5             | 2/2                                     | –  | –   |
| <b>Rueben Berg</b> <sup>4</sup>                                     | 4/5             | 2/2                                     | 1/1  | 2/3   |
| <b>John Duscher</b> <sup>5</sup>                                    | 3/5             | –                                       | 1/1  | 2/3   |
| <b>Carol Pagnon</b> <sup>6</sup>                                    | 1/1             | 1/2                                     | –  | –   |
| <b>Christopher Edwards</b> –<br>Independent ARC Member <sup>7</sup> | –               | 2/2                                     | –  | –   |

Notes:

1. Change to Committee name effective 1 December 2016
2. New Committee established effective 1 December 2016
3. Appointed to ARC 18 April 2017
4. Appointed to ITCT effective 1 December 2016
5. Appointed ITCT Chair effective 1 December 2016
6. Resigned 13 April 2017
7. Appointed to ARC as an Independent External Member 20 February 2017

*Determined to build a culture of excellence, the Corporation engaged with employees to develop an Organisational Development Strategy. Continuous improvement in human resource management practices and organisational development has supported the strategy, and helped create a sustainable culture to be proud of.*

**Organisational Development Strategy 2017-20** will coordinate and focus effort on the critical priority areas influencing organisational effectiveness and excellence. It will provide the vision and the pathway to ensure the Corporation attracts and retains talent, and builds motivation, commitment and capability of its workforce. It will ensure Westernport Water remains focused on implementation of a best practice HR approach, integrated with a systems, governance and service/performance excellence framework.

**Employment and conduct principles** apply to all employees as stated in the *Public Administration Act 2004*. Annual compliance training, updates to key performance indicators, adoption of new employment policies and a revised onboarding program have all assisted in enhancing our compliance culture in 2016-17. All employment procedures and practices reflect and are consistent with the public sector code of conduct, public sector employment principles and the public sector values.

**Employment merit and equity principles** are proud commitments of Westernport Water upheld throughout the employment lifecycle. Employment selection processes ensure applicants are assessed, evaluated fairly and equitably, and are based on key selection criteria as well as other accountabilities without discrimination.

**Workforce inclusion** is highly regarded by Westernport Water, which is committed to building an organisational culture where diversity and inclusion principles are embraced in everyday work. The Corporation's commitment to diversity and inclusion recognises the benefits of diversity within the workplace and ensures that we can capture and utilise the diverse skills and perspectives of people regardless of their gender, age, cultural, religious or sexual orientation. Westernport Water has a strong focus on gender equity across leadership levels and in non-traditional roles where female participation is low. The Corporation has committed to gender balanced shortlists and selection panels for leadership roles through the Diversity and Inclusion Plan. It also has a focus on inclusion of different cultural backgrounds, with the creation of trainee positions targeted at Aboriginal Australians.

**Industrial Relations** is the management of work related obligations and entitlements between Westernport Water and their employees. Historically Westernport Water enjoyed a good bargaining relationship with staff and unions and reached mutually agreeable outcomes avoiding any form of industrial action. No lost time from industrial action occurred this year.

**Training and development** of employees was a focus for Westernport Water in 2016-17. The Corporation conducted a broad range of training programs, with a key highlight being the opportunities provided for higher education.

During the year:

- all employees attended annual Awareness, Compliance and Expectations training as a commitment to uphold the improved compliance culture
- all field maintenance employees were provided mandatory training covering Confined Space, Working at Heights, First Aid/CPR, Forklift, Shoring and Trenching
- 13 per cent of staff completed or are currently completing higher education partly funded by Westernport Water
- 11 female employees were invited to attend a Gippsland Women's Workshop where they were given the skills to move to a curious and bold mindset and have free and open conversations with other women in the corporate environment
- all female staff and managers were invited to a Women in Water event where they were given the opportunity to network and learn with other women within the water industry across Gippsland.

Recognition of employee's abilities, qualities, achievements and years of service is regularly celebrated at Westernport Water. In 2016-17, Westernport Water congratulated one staff member who reached an outstanding 30 years of service and another who completed 10 years of valuable service to the Corporation.

## Diversity and inclusion targets and progress towards our targets

|                              | June 2017   | June 2018   | June 2020  |
|------------------------------|---|---|--|
| <b>Gender equity</b>         | <b>Target:</b> 33% Senior Management will be female<br><b>Achieved:</b> 47% in 2017   | <b>Target:</b> 4 placements of females in non-traditional roles                       | <b>Target:</b> 50% Senior Management will be female  |
| <b>Flexible &amp; Carers</b> | <b>Target:</b> 10% increase in part time, job share, & flexible work arrangements<br><b>Achieved:</b> 12% increase in 2017 People Matter Survey       | –   | <b>Target:</b> 25% of our workforce under flexible arrangements<br><b>Target:</b> 35% of our workforce will have caring responsibilities |
| <b>LGBTI</b>                 | <b>Achieved:</b> 10% of staff chose to identify as LGBTI in 2017 People Matter Survey   | –   | <b>Target:</b> 7% of our workforce will identify as belonging to the LGBTI communities   |
| <b>ATSI</b>                  | <b>Target:</b> We will employ two ATSI employees (one youth traineeship)<br><b>Amended Target:</b> We will employ two ATSI employees by December 2017 | –   | <b>Target:</b> 2.5% of the workforce will identify as Aboriginal or Torres Strait Islander   |
| <b>Disability</b>            | –   | <b>Target:</b> We will employ two people with a long term disability or special needs | <b>Target:</b> 10% of our workforce will have an identified disability   |
| <b>CALD</b>                  | –   | –   | <b>Target:</b> 20% of our workforce will speak a language other than English at home   |

\*There is currently an odd number of manager positions available at Westernport Water, making 50/50 impossible to achieve.





### Comparative workforce data

Full time equivalent (FTE) employee trends from 2013-17

| 2017               | 2016  | 2015  | 2014  | 2013  |
|--------------------|-------|-------|-------|-------|
| 71.44 <sup>1</sup> | 74.77 | 63.94 | 68.79 | 67.81 |

Notes

1. Due to the finalisation of the Organisational Realignment, staff exits and vacancies remained vacant in the final quarter.

### Statement of workforce data

Summary of employment levels in June 2016 and 2017

|                        | Full time ongoing  |       | Part time ongoing  |      | Fixed Term <sup>2</sup> |       | Casual             |      | Total              |       |
|------------------------|--------------------|-------|--------------------|------|-------------------------|-------|--------------------|------|--------------------|-------|
|                        | Number (Headcount) | FTE   | Number (Headcount) | FTE  | Number (Headcount)      | FTE   | Number (Headcount) | FTE  | Number (Headcount) | FTE   |
| June 2016 <sup>1</sup> | 57                 | 56.5  | 4                  | 3.44 | 15                      | 14.28 | 1                  | 0.55 | 77                 | 74.77 |
| June 2017              | 53                 | 51.63 | 7                  | 4.2  | 16                      | 15.61 | 1                  | 0    | 77                 | 71.44 |

Notes

1. All figures reflect employment levels during the last full pay period in June of each year, and does not include employees on long term leave without pay or unpaid maternity leave.

2. Fixed Term figures includes employees engaged on a GSERP contract.

### Details of employment in June 2016 and 2017<sup>1</sup>

|                        | June 2017             |       |                                 |      | June 2016             |       |                                 |      |
|------------------------|-----------------------|-------|---------------------------------|------|-----------------------|-------|---------------------------------|------|
|                        | Ongoing               |       | Fixed term and casual employees |      | Ongoing               |       | Fixed term and casual employees |      |
|                        | Employees (Headcount) | FTE   | Employees (Headcount)           | FTE  | Employees (Headcount) | FTE   | Employees (Headcount)           | FTE  |
| <b>Gender</b>          |                       |       |                                 |      |                       |       |                                 |      |
| Male                   | 39                    | 38.63 | 9                               | 6.61 | 40                    | 40.00 | 10                              | 8.28 |
| Female                 | 19                    | 17.20 | 10                              | 9.00 | 21                    | 19.94 | 6                               | 6.55 |
| <b>Age</b>             |                       |       |                                 |      |                       |       |                                 |      |
| Under 25               | 4                     | 2.00  | 3                               | 1.98 | 3                     | 3.00  | 1                               | 1.00 |
| 25-34                  | 4                     | 2.68  | 5                               | 5.00 | 8                     | 7.50  | 3                               | 3.00 |
| 35-44                  | 16                    | 15.84 | 7                               | 7.00 | 16                    | 15.68 | 6                               | 6.20 |
| 45-54                  | 12                    | 11.63 | 2                               | 2.00 | 20                    | 20.00 | 2                               | 1.00 |
| 55-64                  | 20                    | 19.68 | 2                               | 1.63 | 13                    | 12.76 | 4                               | 3.63 |
| Over 64                | 2                     | 2.00  | -                               | -    | 1                     | 1.00  | 0                               | 0.00 |
| <b>Classification</b>  |                       |       |                                 |      |                       |       |                                 |      |
| Broadband 2            | 13                    | 12.68 | 2                               | 1.98 | 15                    | 14.60 | 3                               | 2.55 |
| Broadband 3            | 13                    | 12.89 | 5                               | 3.00 | 10                    | 11.84 | 3                               | 3.00 |
| Broadband 4            | 12                    | 11.66 | 4                               | 3.63 | 13                    | 13.00 | 4                               | 3.63 |
| Broadband 5            | 7                     | 5.60  | 2                               | 2.00 | 10                    | 7.50  | 2                               | 2.00 |
| Broadband 6            | 5                     | 5.00  | 2                               | 1.00 | 5                     | 5.00  | 1                               | 0.65 |
| SEO <sup>2</sup>       | 8                     | 8.00  | -                               | -    | 8                     | 8.00  | 1                               | 1.00 |
| Executive <sup>3</sup> | -                     | -     | 4                               | 4.00 | -                     | -     | 1                               | 1.00 |
| Other                  | -                     | -     | -                               | -    | -                     | -     | 1                               | 1.00 |

Notes:

1. All figures reflect employment levels during the last full pay period in June of each year, and does not include employees on long term leave without pay or unpaid maternity leave.

2. SEO – Senior Executive Officers full time or under contract.

3. Executive – Government Sector Executive Remuneration Panel (GSERP) contracted employee.





### Reconciliation of executive numbers

|      |   | 2017     | 2016           |
|------|---|----------|----------------|
|      | Executives with total remuneration over \$100,000           | 4        | 1              |
| Add  | Vacancies   | 0        | 3 <sup>1</sup> |
|      | Executives employed with total remuneration below \$100,000 | 0        | 0              |
|      | Accountable Officer (Secretary)                             | 0        | 0              |
| Less | Separations   | 0        | (2)            |
|      | <b>Total executive numbers at 30 June</b>                   | <b>4</b> | <b>1</b>       |

Notes:

- At the beginning of the 2016-17 reporting period, three new executives were appointed to new roles in the structure as a result of the OIP Phase 1 structure changes. The Corporation moved to a three division structure.

### Number of EOs for Westernport Water<sup>1</sup>

| Divisions            | Total    |            | Vacancies | Male     |            | Female   |            |
|----------------------|----------|------------|-----------|----------|------------|----------|------------|
|                      | No.      | Var        | No.       | No.      | Var        | No.      | Var        |
| Corporate & People   | 1        | (1)        | 0         | 0        | (0)        | 1        | (1)        |
| Customer & Community | 1        | (0)        | 0         | 1        | (1)        | 0        | (0)        |
| Assets & Operations  | 1        | (1)        | 0         | 1        | (0)        | 0        | (0)        |
| <b>Total</b>         | <b>3</b> | <b>(2)</b> | <b>0</b>  | <b>2</b> | <b>(1)</b> | <b>1</b> | <b>(1)</b> |

Notes:

- At the beginning of the 2016-17 reporting period, three vacant executive roles were filled following the Corporation's move to a three divisional structure.

### Annualised total salary, by \$10 000 bands, for executives and other senior non-executive staff

| Income band (salary) <sup>1</sup> | Executives | SEO       |
|-----------------------------------|------------|-----------|
| <\$160,000                        | 2          | 10        |
| \$160,000 – \$169,000             | 1          |           |
| \$170,000 – \$179,000             |            |           |
| \$180,000 – \$189,000             |            |           |
| \$190,000 – \$199,000             |            |           |
| \$200,000 – \$209,000             |            |           |
| \$210,000 – \$219,000             |            |           |
| \$220,000 – \$229,000             | 1          |           |
| <b>TOTAL</b>                      | <b>4</b>   | <b>10</b> |

Notes:

- Base salary only, amounts do not include superannuation.

### Occupational Health and Safety

Workplace safety and wellbeing is an ongoing focus for all levels of staff and management, with a key emphasis on attracting and retaining talented people in order to strengthen our safety capability and performance. Whilst maintaining and delivering services to customers, the Corporation is striving to deliver continuous safety improvements through reviewing and streamlining OHS systems and processes.

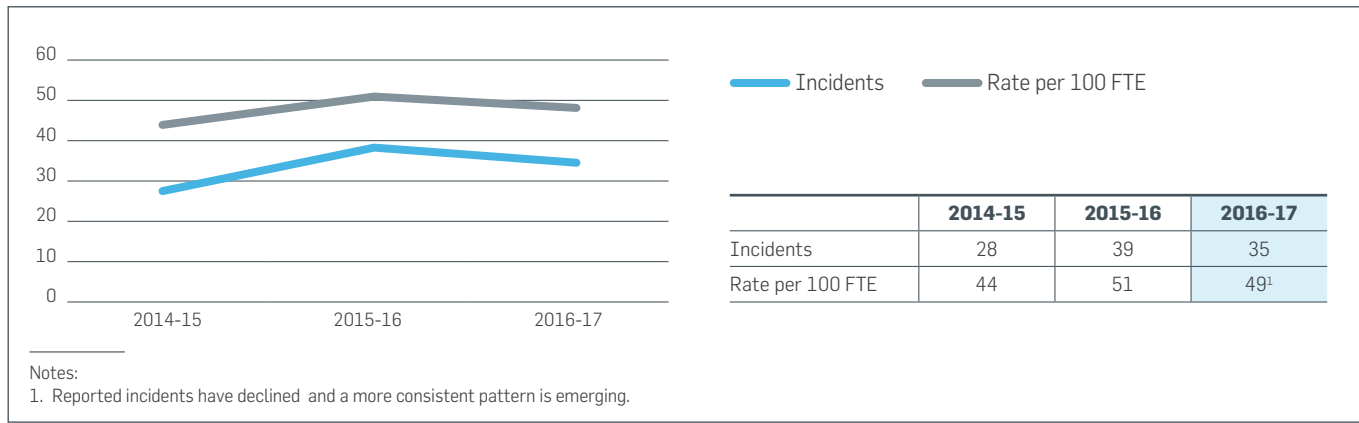
The preceding 12 months has seen the development of a new online hazard and incident reporting tool which enables real time data collection, corrective action workflows and hierarchical escalations. This improved reporting tool will reduce barriers to incident reporting and strengthens the safety culture across the Corporation.



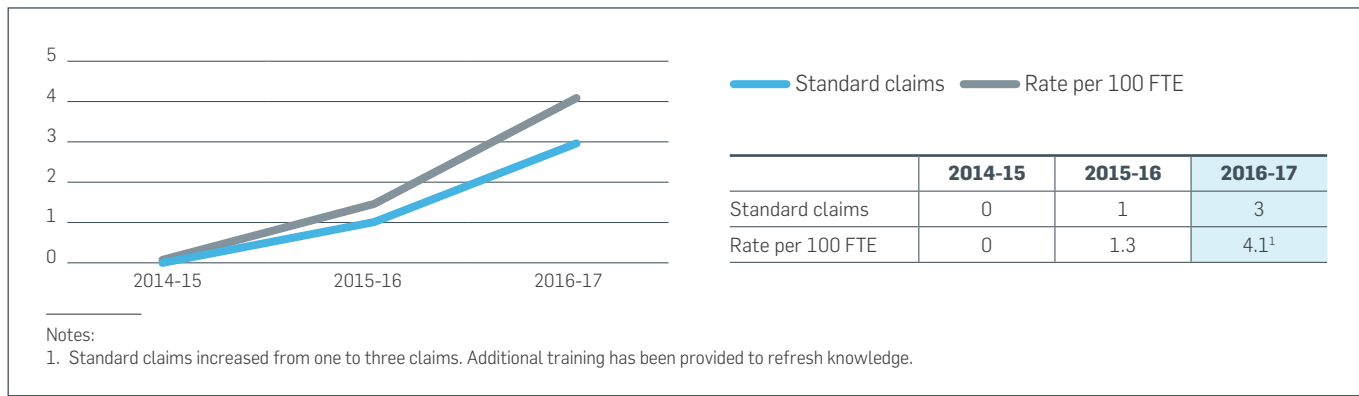
## Incident management

The total number of incidents reported across all disciplines decreased by 11.4 per cent in the 2016-17 period from 39 incidents to 35 incidents, while the total number of OHS related incidents increased by 13 per cent. In 2016-17 there were 23 OHS incidents reported, three more incidents than the previous year.

**Figure 1: Total number of incidents and rate per 100 FTE**



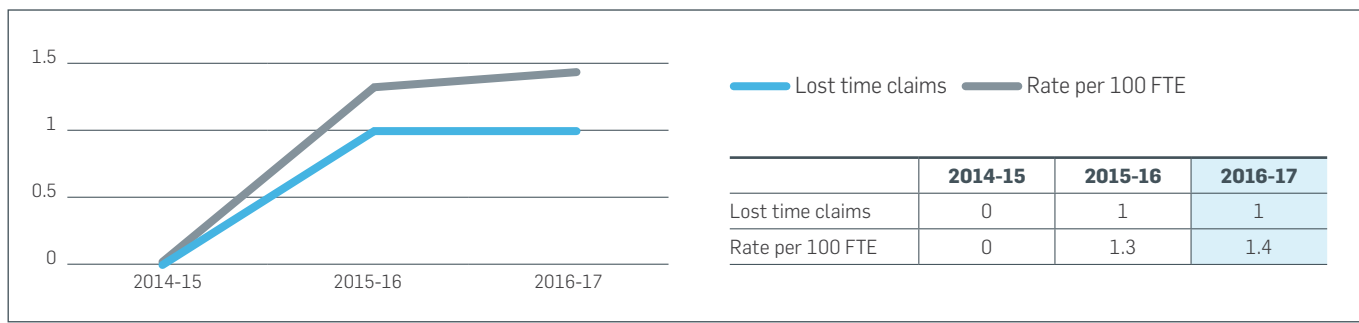
**Figure 2: No. of standard claims and rate per 100 FTE**



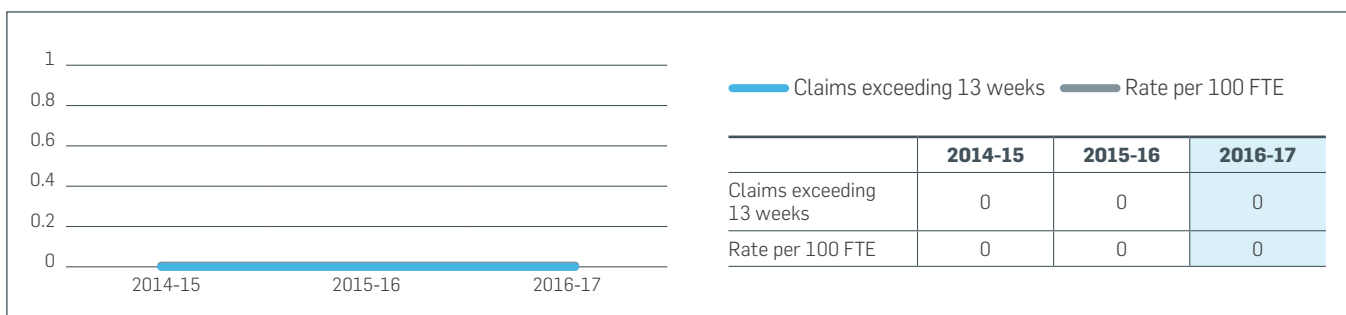
## WorkCover

Standard claims increased from one single claim to three claims compared to the previous year. Early intervention strategies enabled timely return to work and contributed to low average claims costs.

**Figure 3: Lost time claims and rate per 100 FTE**



Although the number of standard claims increased in 2016-17, the number of lost time claims remained steady with just one claim in 2015-16 and one claim in 2016-17. In response to the root cause of our lost time claims, manual handling refresher training was provided to physical job streams and those staff in high risk areas.


**Figure 4: Claims exceeding 13 weeks and rate per 100 FTE**

**OHS Performance Indicators**

| Measure                               | KPI  | 2014-15   | 2015-16   | 2016-17   |
|---------------------------------------|--|-----------|-----------|-----------|
| <b>Incidents</b>                      | No. of Incidents <sup>1</sup>  | 6         | 20        | 23        |
|                                       | Rate per 100 FTE   | 9.3       | 26.7      | 32.1      |
| <b>Claims</b>                         | No. of standard claims <sup>2</sup>  | 0         | 1         | 3         |
|                                       | Rate per 100 FTE   | 0         | 1.3       | 4.1       |
|                                       | No. of lost time claims  | 0         | 1         | 1         |
|                                       | Rate per 100 FTE   | 0         | 1.3       | 1.4       |
|                                       | No. of claims exceeding 13 weeks <sup>3</sup>  | 0         | 0         | 0         |
|                                       | Rate per 100 FTE   | 0         | 0         | 0         |
| <b>Fatalities</b>                     | Fatality claims  | 0         | 0         | 0         |
| <b>Claim costs</b>                    | Average cost per standard claim  | 0         | \$408     | \$5822    |
| <b>Return to work (RTW)</b>           | Percentage of claims with RTW plan <30 days  | 0         | 100%      | 100%      |
| <b>Management commitment</b>          | Evidence of OH&S policy statement, OH&S objectives, regular reporting to senior management of OH&S, and OH&S plans (signed by Managing Director or equivalent) | completed | completed | completed |
|                                       | Evidence of OH&S criteria(s) in purchasing guidelines (including goods, services and personnel)  | completed | completed | completed |
| <b>Consultation and participation</b> | Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs)                 | completed | completed | completed |
|                                       | Compliance with agreed structure on DWGs, HSRs, and IRPs   | completed | completed | completed |
| <b>Risk Management</b>                | Percentage of internal audits/inspections conducted as planned   | 100%      | 100%      | 100%      |
|                                       | Percentage of issues identified actioned arising from:   |           |           |           |
|                                       | – internal audits  | 100%      | 100%      | 100%      |
|                                       | – HSR provisional improvement notices (PINs)   | –         | –         | –         |
| – WorkSafe notices                    | –  | –         | –         |           |
| <b>Training</b>                       | Percentage of managers and employees that have received OH&S training:   | 100%      | 100%      | 100%      |
|                                       | – induction  | 100%      | 100%      | 100%      |
|                                       | – management training  | –         | –         | –         |
|                                       | – contractors, temps, visitors   | –         | –         | –         |
|                                       | Percentage of HSR's trained:   |           |           |           |
|                                       | – acceptance of role   | 100%      | 100%      | 100%      |
|                                       | – re-training (refresher) <sup>4</sup>   | 100%      | 100%      | 50%       |
| – reporting of incidents and injuries | 100%   | 100%      | 100%      |           |

**Notes**

- The number of OHS incidents increased marginally in 2016-17, and this year on year consistency is further evidence of the entrenchment incident reporting requirements when compared to the 2014-15 reporting period.
- The number of standard claims increased from one to three in the 2016-17 period and as a direct result of this the average claims cost also experienced an increase.
- Three year trend of zero WorkCover claims exceeding the 13 week threshold, which demonstrates our emphasis on return to work consultation, planning and coordination.
- Over half of total employees attended the one day refresher training session.



# Water consumption and drought response

Westernport Water satisfies customer water demand from Tennent Creek the main water supply source, and supplements this with water from Bass River or the Metropolitan Pool. During periods of low rainfall the use of groundwater from Corinella Aquifer can also be accessed. An Urban Water Strategy (UWS) was updated during the year to manage these water supply sources and advance other water programs.



## Water supply sources

| Source            | Volume         | Type                          |
|-------------------|----------------|-------------------------------|
| Tennent Creek     | 2,911ML        | Surface Water                 |
| Bass River        | 3,000ML        | Surface Water                 |
| Corinella Aquifer | 490ML          | Ground Water                  |
| Metropolitan Pool | 1,000ML        | Melbourne Water Supply System |
| <b>Total</b>      | <b>7,401ML</b> |                               |

## Water consumption report

| District Name                     | Residential customers                          |   |   |  |  | Non-residential customers |                  |   |   |  | Total Number of Customers |
|-----------------------------------|--|---|---|--|--|---------------------------|------------------|---|---|--|---------------------------|
|                                   | Potable No.                                    | Recycled No.  | (1)<br>Potable Water volume (ML)        | (2)<br>Recycled Wastewater Volume (ML) | (3)<br>Recycled Stormwater Volume (ML) | Potable No.               | Recycled No.     | (4)<br>Potable Water volume (ML)                    | (5)<br>Recycled Wastewater Volume (ML)  | (6)<br>Recycled Stormwater Volume (ML) |                           |
| <b>Candowie Reservoir 2016-17</b> | 15,228   | 377   | 1,168                                   | 11                                     | -1                                     | 1,092                     |                  | 683   | 64                                      | -                                      | 16,320                    |
| <b>Candowie Reservoir 2015-16</b> | 14,916   | 282   | 1,151                                   | 10                                     | -1                                     | 1,056                     | 6                | 668   | 60                                      | -                                      | 15,972                    |
|                                   | (7)<br>Total potable water volume (1)+(4) (ML) | (8)<br>Total recycled water volume (2)+(3)+(5)+(6) (ML) | (9)<br>Total consumption (7) + (8) (ML) | Average annual consumption (ML)        | <b>Non-revenue water (ML)</b>          |                           |                  | (13)<br>Total non revenue water (ML) (10)+(11)+(12) | Total water all sources (ML) (9) + (13) |  |                           |
|                                   |  |   |   |  | (10) Leakage                           | (11) Firefighting         | (12) Other       |   |   |  |                           |
| <b>Candowie Reservoir 2016-17</b> | 1,851  | 75  | 1,926                                   | 2,015 <sup>2</sup>                     | 91                                     | -                         | 0.4              | 91  | 2,017                                   |  |                           |
| <b>Candowie Reservoir 2015-16</b> | 1,819  | 70  | 1,933 <sup>2</sup>                      | 1,852 <sup>2</sup>                     | 319.2                                  | -                         | 1.8 <sup>3</sup> | 321   | 2,210                                   |  |                           |

- Notes
- Westernport Water does not manage recycled stormwater.
  - Average annual consumption calculated using five years.
  - Includes known water loss, mains break and system maintenance.



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

|   | Week 1 | Week 2 | Week 3 | Week 4 | Monthly total    |
|---|--------|--------|--------|--------|------------------|
| <b>Jul-16</b>                                     | 19,606 | 19,606 | 19,606 | 19,606 | 78,424           |
| <b>Aug-16</b>                                     | 19,606 | 19,606 | 19,606 | 19,606 | 78,424           |
| <b>Sep-16</b>                                     | 19,606 | 19,606 | 19,606 | 19,606 | 78,424           |
| <b>Quarter 1</b>                                  |        |        |        |        | <b>235,270</b>   |
| <b>Oct-16</b>                                     | 29,690 | 29,690 | 29,690 | 29,690 | 118,760          |
| <b>Nov-16</b>                                     | 29,690 | 29,690 | 29,690 | 29,690 | 118,760          |
| <b>Dec-16</b>                                     | 29,690 | 29,690 | 29,690 | 29,690 | 118,760          |
| <b>Quarter 2</b>                                  |        |        |        |        | <b>356,282</b>   |
| <b>Jan-17</b>                                     | 27,163 | 27,163 | 27,163 | 27,163 | 108,652          |
| <b>Feb-17</b>                                     | 27,163 | 27,163 | 27,163 | 27,163 | 108,652          |
| <b>Mar-17</b>                                     | 27,163 | 27,163 | 27,163 | 27,163 | 108,652          |
| <b>Quarter 3</b>                                  |        |        |        |        | <b>325,954</b>   |
| <b>Apr-17</b>                                     | 10,941 | 10,941 | 10,941 | 10,941 | 43,764           |
| <b>May-17</b>                                     | 10,941 | 10,941 | 10,941 | 10,941 | 43,764           |
| <b>Jun-17</b>                                     | 10,941 | 10,941 | 10,941 | 10,941 | 43,764           |
| <b>Quarter 4<sup>2</sup></b>                      |        |        |        |        | <b>131,292</b>   |
| <b>Total annual residential consumption total</b> |        |        |        |        | <b>1,048,798</b> |

#### Notes

1. Quarterly consumption data has been used to determine monthly and weekly breakdowns.
2. Meters are read monthly across three areas and billed on a quarterly basis, water consumption for quarter four is incomplete as meter reads for this period extended beyond June 2017.

**Per capita drinking water consumption** in 2016-17 was 174 litres per day. While this appears to be high in comparison to other service areas, approximately 50 per cent of Westernport Water customers are non-permanent residents that are not represented in this calculation. Additionally, the area experiences huge short term visitors numbers which are not represented in this daily consumption figure. Typically, household water consumption for Westernport Water customers is less than half of the State average.

**Major non-residential** users are defined as "a non-residential customer consuming greater than 100ML". During the reporting period no non-residential customers consumed greater than 100ML.

**Water quality** is determined by undertaking a sampling and analysis program against a set of targets. These targets are derived from the Safe Drinking Water Regulations 2015 and administered under the *Safe Drinking Water Act 2003*. Targets have been met for the last five consecutive years. The monitoring program to address compliance with the regulations included analysis from Candowie Reservoir, all storage basins, 87 customer taps in nine separate localities and numerous strategic test points in the distribution system. Water quality indicators were fully compliant with targets quoted in the table below.

Two water samples analysed returned an *Escherichia coli* above the target of zero millilitres of drinking water. However, thorough investigations ensued including a multitude of resamples and visual inspections. The samples were deemed to have been a false positive by our regulator, the Department of Health and Human Services. All resamples analysed throughout the investigations returned a zero millilitre reading. Therefore 100 per cent compliance with standards was maintained for 2016-17.

### Water quality performance against target 2016-17

| Water quality indicator   | 2016-17 Actual % | 2016-17 Target % | Target met | 2015-16 | 2014-15 | 2013-14 | 2012-13 |
|---|------------------|------------------|------------|---------|---------|---------|---------|
| <b><i>E. coli</i> (% samples containing zero organisms per 100ML)</b> | 100              | 100 <sup>1</sup> | Yes        | 100     | 100     | 100     | 100     |
| <b>Turbidity (Nephelometric Turbidity Units, NTU)</b>                 | 100              | >95 <sup>2</sup> | Yes        | 100     | 100     | 100     | 100     |
| <b>Trihalomethanes (ug/L)<sup>3</sup></b>                             | 100              | 100              | Yes        | 100     | 100     | 100     | 100     |

#### Notes

1. Target is derived from the Safe Drinking Water Regulations 2015, which states "all samples of drinking water collected are found to contain no *Escherichia coli* per 100 millilitres of drinking water, with the exception of any false positive sample".
2. Target is derived from the Safe Drinking Water Regulations 2015, which states "95th percentile of results for samples in any 12 month period must be less than or equal to 5.0 Nephelometric Turbidity Units".
3. Target is derived from the Safe Drinking Water Regulations 2015, which states "less than or equal to 0.25 milligrams per litre of drinking water".



**Seasonal challenges** of managing water supply are generally related to naturally occurring algal blooms, especially the blue-green algae that can lead to taste and odour issues. Process improvements, coupled with excellent treatment plant management led to no disruption to water supply or taste and odour issues associated with algae during the reporting period. However, algae remain an ever present risk in Candowie Reservoir and is a constant challenge regardless of weather conditions.

**Urban Water Strategy** was developed in 2016-17 using the guidelines issued by Department of Environment, Land and Water Planning (DELWP) and allows for future climate change by utilising the Guidelines for Assessing Climate Change on Water Availability in Victoria. The strategy was adopted by the Board and is used to manage the various water sources available to Westernport Water and demand reduction management to maintain the balance between the demand for water and the supply.

Candowie Reservoir reached its maximum level of 91 per cent or 4,066ML on 27 October 2016 due to good spring rains in the catchment. The reservoir catered for the demand recording the highest year on record, 2,183ML due to a large increase in usage in August 2016. The demand continued to be higher than in previous years though keeping pace with the record demand of last year. The previous five years (from 2009 to 2015) were well below the long term trend. The increase in demand will be monitored to determine if this is a new increased trend or if demand will return to the long term demand trend.

**A water supply security outlook** is published in November each year by Westernport Water to estimate the peak summer demand and available water held in storage. Westernport Water uses this information and Bureau of Meteorology outlooks to ensure the available water supply is adequate to meet this demand. The storage levels were monitored during this high demand period, but no water restrictions were needed during 2016-17.

## Bulk entitlements

The standard reporting template for Westernport Water for its three Bulk Entitlements (BE's) for Westernport Tennent Creek, Bass River and the Greater Yarra System – Thomson River Pool, referred to as Melbourne Pool throughout this document, is shown in the next table.

**Westernport Tennent Creek Bulk Entitlement** conditions and requirements were complied with by Westernport Water during the reporting period, according to the BE and the operating arrangements in place between Westernport Water and the waterway manager, Melbourne Water.

Since 1 July 2016, Candowie Reservoir did not spill due to the lower annual rainfall therefore downstream flow from Tennent Creek was not available through natural overflow. 634ML was, however, released into Tennent Creek as environmental flow, in accordance with the conditions of the BE. This represents 214ML more environmental flow than the previous year due to more uniform and even rainfall patterns in 2016-17, with lower intensity but for longer periods. The environmental flow enhances the downstream creek environments, assisting the flora and fauna to remain healthy.

**Annual dam safety** inspections and regular surveillance enabled Westernport Water to meet all safety requirements according to the Australian National Committee on Large Dams (ANCOLD) guidelines as required by the Statement of Obligations, issued by the Minister for Water. Ongoing attendance at the VicWater Dam Working Group and attendance at the ANCOLD annual conference equipped staff with knowledge of the latest trends and requirements. During the reporting period minor works were undertaken on the dam spillway to improve access to the spillway for maintenance.



**Bass River Bulk Entitlement** was used for the first time in three years due to the low initial flows into the reservoir during July to September 2016. The pumps were installed and recalibrated for the river flows at the gauging station at Glen Forbes South and used for a period of 10 days, topping up the reservoir by 129 ML. The outlook for the next period predicted above average rainfall so this source of water was not required any further for this year.

**Greater Yarra System – Thomson River Pool Bulk Entitlement** was not used during 2016-17 therefore Westernport Water complied with all conditions and requirements for this BE. Westernport Water receives a water allocation on a monthly basis from the water resource manager, Melbourne Water, who also provides an update on any carryover water and spills from the Melbourne system storages.

The latest information from the resource manager is that Westernport Water has a remaining water allocation of 826ML, a carryover of 1,532ML and an available balance of available water of 2,358ML. Westernport Water contributes to the formulation of the system management rules and the operating arrangements to manage the BE. Westernport Water has been negotiating a Bulk Water Supply Agreement with Melbourne Water for this water supply and the agreement is to be signed when the operating parameters are finalised.



The Bulk Entitlement (Greater Yarra System – Thomson River Pool – Westernport Water) Order 2014 was amended on 1 June 2017, to account for the creation of an additional 3.9 per cent share of inflows environmental entitlement in Thomson Reservoir. The water for this environmental entitlement was transferred from the three Melbourne retailers Greater Yarra System – Thomson River Pool bulk entitlements, and the amendment to Westernport Water's bulk entitlement was required to reflect the change in the size of the Greater Yarra System – Thomson River Pool.

A water extraction bore licence enables Westernport Water to take and use 490ML of ground water from the Corinella Aquifer for urban water supply. During the year, the licence expired for this source of water but after discussions with the resource manager, Westernport Water applied for and was granted a ground water licence until 30 June 2031. Under the revised urban water strategy, the long term strategy for this ground water source has been revised and this source will only be used during low rainfall events after other sources have been fully utilised.

### Bulk Entitlements, Transfer of Waste Entitlements, Allocations And Licences, And Irrigation Water Usage

| <b>BE (Westernport Conversion Order 1997)<sup>4</sup></b> |                    |                          | 14.1(a)                        | 14.1(ab)                          | 14.1(b)                        | 14.1(c)                        | 14.1(ca)                   | 14.1(d)                           |
|---|--------------------|--------------------------|--------------------------------|-----------------------------------|--------------------------------|--------------------------------|----------------------------|-----------------------------------|
| System  | Storages           | Bulk entitlement ML/year | Max. rate of extraction ML/day | Daily flow to environment ML/day  | Water storages ML <sup>1</sup> | Amount taken ML/y <sup>2</sup> | Annual environment flow ML | Amendment of programs             |
| Tennent Creek   | Candowie Reservoir | 2,911                    | 11.7                           | 5.0, winter 0.1, summer 7.5 fresh | 2,416                          | 2,054                          | 643 <sup>5</sup>           | Nil                               |
|   |                    |                          | 14.1(e)                        | 14.1(f)                           | 14.1(g)                        | 14.1(h)                        | 14.1(i)                    | 14.1(j)                           |
|   |                    |                          | Entitlement transfer from      | Entitlement transfer to           | Entitlement amendment          | New entitlement                | Failure to comply          | Difficulties and remedial actions |
|   |                    |                          | Nil                            | Nil                               | Nil                            | Nil                            | No                         | Nil                               |

| <b>BE (Westernport – Bass River) Order 2009<sup>4</sup></b> |          |                          | 11.1(a)                     | 11.1(b)                             | 11.1(c)               | 11.1(d)                           | 11.1(e)                   | 11.1(f)                 |
|---|----------|--------------------------|-----------------------------|-------------------------------------|-----------------------|-----------------------------------|---------------------------|-------------------------|
| System  | Storages | Bulk entitlement ML/year | Amount of water taken daily | Daily flow in waterway <sup>3</sup> | Amendment of programs | Amount taken ML/y <sup>2</sup>    | Entitlement transfer from | Entitlement transfer to |
| Bass River  |          | 3,000                    | 14.0                        | Yes                                 | Nil                   | 129                               | Nil                       | Nil                     |
|   |          |                          | 11.1(g)                     | 11.1(h)                             | 11.1(i)               | 11.1(j)                           |                           |                         |
|   |          |                          | Entitlement amendment       | New entitlement                     | Failure to comply     | Difficulties and remedial actions |                           |                         |
|   |          |                          | Nil                         | Nil                                 | Nil                   | Nil                               |                           |                         |

| <b>BE (Greater Yarra system – Thomson River Pool - Westernport Water) Order 2014<sup>4</sup></b> |          |                          | 13.1(a)           | 13.1(b)                           | 13.1(c)                           | 13.1(d)  | 13.1(e)          | 13.1(f)  |
|--|----------|--------------------------|-------------------|-----------------------------------|-----------------------------------|--|------------------|--|
| System   | Storages | Bulk entitlement ML/year | Amount taken ML/y | Water allocation and carryover ML | Entitlement volume compliance     | Entitlement transfer                           | Metering program | Entitlement amendment  |
| Greater Yarra System – Thomson River Pool  |          | 1,000                    | Nil               | 2,358                             | Yes                               | Nil  | Yes              | Amendment for environmental entitlement & reduction in pool. |
|  |          |                          | 13.1(g)           | 13.1(h)                           | 13.1(i)                           | Comment  |                  |  |
|  |          |                          | New entitlement   | Failure to comply                 | Difficulties and remedial actions |  |                  |  |
|  |          |                          | Nil               | No                                | No                                | Major amendment for environmental entitlement. |                  |  |

Notes:

1. Water storage level at 30 June 2017.
2. Annual amount of water taken in ML demand of system.
3. Daily flow in waterway must exceed 40ML/d during any extraction periods.
4. All BE's service the entire region.
5. Environmental flow released through the environmental flow pipeline.





**Community engagement** was a focus for the Corporation during the reporting period as it looked to review its prices and service offering for the next five years for Pricing Submission 1. Undertaking meaningful engagement with customers was a priority, getting out in the community at events with its water café, holding workshops, forums and engaging with customers online, by phone and through its Customer Advisory Group.

Focused on providing better value to customers, the Corporation compiled feedback from approximately 1000 customers and developed a range of models and pricing approaches to deliver the best possible service outcomes for customers. The final Pricing Submission is due to be lodged with the Essential Services Commission by 29 September 2017.

**Target Your Water Use (TYWU)** is the regional Victorian water efficiency program which highlights a number of common programs across Victoria, including the Permanent Water Saving Rules and school education programs.

The program is designed to provide useful information to regional Victorians and encourages them to save, and use, water wisely. TYWU is an overarching program for all regional Victorians to access water efficiency information, products and services.

Residential programs and initiatives common across Victoria are:

- community water station programs
- standardised website messaging
- school education
- comparative consumption data – on bills and website
- Choose Tap campaign
- Permanent Water Saving Rules (PWSR)
- National Water Week

**Victorian Water Efficiency Strategy (VWES)** has been developed to enhance the water efficiency of all Victorian water customers using innovative and collaborative practices between water corporations. The VWES has been developed by water corporations to help deliver on the vision for water management in Victoria. The strategy encourages the identification of and participation in opportunities for Victoria's water corporations to work collaboratively to deliver water efficiency initiatives, including potential state-wide initiatives. The VWES complements Westernport Water's Strategic Plans such as the Urban Water Strategy, Corporate Social Responsibility and Corporate Plan.

**Permanent Water Saving Rules (PWSR)** are a common set of easy to remember, ongoing rules that remain in place across Westernport Water's entire service area. The PWSR guide the efficient use of drinking water and were in effect for the entire 2016-17 reporting period.

**Water restrictions** promote the efficient use and conservation of drinking water. Water Restriction By-law 105, sets out the four stages of restrictions and specifies what must not be done at each restriction stage. During the reporting period no restrictions were imposed in any of the water supply districts that Westernport Water services.

## Sustainable and resilient water sensitive systems

Westernport Water supports sustainable use of all water resources through increased access to recycled water, building community awareness and strong inter-agency relationships that support sustainable initiatives, providing educational opportunities and promoting water awareness campaigns.

**The Recycled Water Grant Program** was made available to help business and not-for-profit organisations invest in connecting to the recycled water network on Phillip Island. The program sought expressions of interest from businesses and not-for-profit organisations to deliver water savings, support economic growth and help customers and the community prepare for climate variability. During the reporting period four applicants were approved to support local projects to utilise an estimated additional 13ML of recycled water annually. During the financial reporting period, two connections were completed and one connection reimbursed, with a total sum of \$3,696 of reimbursements paid in 2016-17, with \$18,877.50 forecast reimbursements for next financial year when the additional connections are finalised.



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

Since 1 July 2016, 83 ML of water was transferred through the Class-A recycled water network to residential properties, commercial customers, and for irrigation of community sport and recreation reserves.

Overall, across Westernport Water's two effluent treatment facilities, it reused 288 ML of treated effluent, which is over 7ML less than the previous year. This equates to 20 per cent reuse of treated effluent, a

reduction from the 22 per cent reuse achieved in 2015-16. This reduced reuse volume was due to the late start to the irrigation season from wetter than average months in October and November 2016.



## Sustainable and resilient communities

### Value of community service obligation provided

|   | Notes | 2016-17 (\$)   | 2015-16 (\$)   | 2014-15 (\$)   | 2013-14 (\$)   | 2012-13 (\$)   |
|---|-------|----------------|----------------|----------------|----------------|----------------|
| Concessions to pensioners   | 1     | 751,328        | 707,344        | 667,510        | 646,701        | 606,125        |
| Rebates for not-for-profit organisations under the water and sewerage rebate scheme |       | 28,695         | 28,748         | 29,297         | 26,585         | 25,350         |
| Utility relief grant scheme payments  |       | 16,743         | 18,720         | 12,428         | 15,824         | 14,764         |
| Water concession for life-support machines  |       | 0              | 0              | 0              | 0              | 0              |
| Victorian Government Rebate Program – Small Business (ended 30 June 2015)           | 2     | –              | 10,900         | 17,403         | 28,448         | 14,543         |
| Victoria Government Rebate Program – Residential (ended 30 June 2015)               |       | –              | 9,330          | 7,380          | 9,370          | 13,600         |
| Community Rebate Program  | 3     | 0              | 3,400          | –              | –              | –              |
| Industry and community sponsorship including exchange programs and in-kind support  | 4     | 63,247         | 39,167         | 52,075         | 49,092         | 57,430         |
| <b>Total community service obligation provided</b>                                  |       | <b>860,013</b> | <b>817,609</b> | <b>791,093</b> | <b>791,020</b> | <b>746,235</b> |

#### Notes

1. Concession to pensioners is attributable to an increase in concessions which mirror trends in customer growth and an ageing population.
2. Vic Government Rebate Program ended in 2015 and was no longer available to customers in 2016-17.
3. No community rebates were provided during 2016-17 to vulnerable and hardship customers for water efficiency. The program is to be re-established in 2017-18.
4. Two community drink fountains purchased in 2016-17 to be installed for community benefit in 2017-18, hence the increase in commitment.

**Telephone interpreter services** are offered by Westernport Water to its customers despite having a low proportion of customers with a non-English speaking background. This free service is provided to ensure Westernport Water can effectively assist non-English speaking customers with their water and wastewater product and service enquiries.

**Customer assistance programs** are available to help customers in need find solutions to their individual circumstances. Assistance can include payment plans, alternative payment arrangements, helping customers with paperwork, applying for government concessions, financial assistance programs, utility relief grants, water rebates and exchange programs.

Customers who experienced unexpected high water usage were provided with support and options under the Victorian Water Industry's Guideline for Unexplained High Usage and Undetected Leak program.

**Sponsorship and community support** was provided to over 49 community events and activities during 2016-17. Sponsorship support was provided both financially and in-kind through the provision of goods and services. Applications that aligned with the Corporation's strategic direction and demonstrated relevance to water, wastewater, health, environment and conservation were considered in line with the policy.

The Corporation also invested time to support and strengthen a number of key community partnership initiatives, including:

- installation of a further two water refill stations in partnership with Bass Coast Shire Council, taking the total to nine fountains installed in partnership under this program
- formation of a partnership with the Bunurong Land Council to investigate opportunities for employment
- supporting the South Coast Water Alliance H30 Challenge and education program
- Bass Coast and Phillip Island Landcare sustainability initiatives
- Bass Coast business awards
- Australian Junior Surfing Titles.



**Education** programs and campaigns in 2016-17 built on previous years by continuing to improve community awareness of Westernport Water's products and services. Education programs were delivered in line with the Corporation's education strategy, focusing on strengthening stakeholder partnerships and driving positive behavioural change.

Three particular initiatives of 2016-17 were the continuation of the "Choose Tap" and "Stop it. Don't block it" campaigns, as well as National Water Week activities. In addition to these ongoing programs, Westernport Water was also involved with the following education activities:

- installation of an interactive education facility at IBWPP
- pricing submission engagement
- H30 challenge - South Coast Water Partnership
- Choose Tap – Grade prep water bottle initiative
- field days and tours with the support of partners
- Bass Coast Business Awards - Environment and sustainability category
- Phillip Island Community Orchard educational events and agricultural workshops on recycled water and sustainable gardening.

**Schools Water Efficiency Program (SWEP)** enables schools to analyse their water consumption and be smarter about water use and sustainability. The program provides data loggers to schools to continue the education and demonstration of water efficiency in practice. The online portal provides students and teachers with access to real-time data and helps schools identify unexpected leaks and faulty appliances. Westernport Water is proud to report six out of eight school campuses in its service area are benefiting from the program. During 2016-17 two schools were notified of major leaks via the SWEP program, with estimated savings of 1.2ML.

**ResourceSmart AuSSI Vic** is a Victorian Government initiative that helps schools benefit from embedding sustainability in everything they do. Six of eight schools from the Westernport Water service area continue on their sustainability journey under this program.

**Learning opportunities for the community** were made available to local secondary students on a case by case basis. During 2016-17 Westernport Water offered two students work experience placements. One staff member completed the last six months of their Water Industry Traineeship (Certificate II) before being offered a further six month contract as a Maintenance Officer, and six staff completed their Certificate III in Water Industry Training. Four staff also participated in further Higher Education (Tertiary and Diplomas) in 2016-17. This training equates to approximately 13 percent of the workforce. All expenses associated with further education are partly funded by Westernport Water in addition to the salary paid.

During the year, our scholarship student graduated from Monash University and has enjoyed working on a number of projects including, a water main replacement program in Corinella and Bass, Church St Rising Main upgrade and also worked closely with the environment team on the development of the Corporation's Climate Change Pledge.

During 2017-18 Westernport Water will again offer a scholarship opportunity to a local student looking to enter university in 2018. The scholarship includes contribution to university fees and three months' employment each year for three years. It also includes one year of guaranteed employment upon the successful completion of the course.

**The Customer Advisory Group (CAG)** represents the interests of water users and provides valuable feedback on a wide range of strategic and operational matters, offering insight into customer needs and expectations in relation to water and wastewater services.

This year the CAG was engaged in a number of activities and topics including:

- assessment of support systems and programs for vulnerable customers
- consultation on products and services as well as customer and community campaigns
- Pricing Submission five year strategy - including prices, tariffs and major projects.

During 2016-17 the following people actively participated in the advisory group: Neil Beddoe (Chairperson), Linda Cuttriss (Vice Chair), Phil Dixon, Viviane Verwey, Gene Isaacs, Malcolm Percy and James Graham who resigned in January 2017.

**Customer satisfaction** was measured through a telephone survey in September 2016. Gippsland, South Gippsland, East Gippsland and Westernport Water worked together to gather information and obtain benchmarking data from customers on their products and services. This year's survey drew attention to performance across a number of categories including customer perceptions and priorities, customer service, brand awareness, service delivery, environment and community awareness, and overall customer satisfaction. The Executive Summary Report of the 2016 CSS can be found online at [www.westernportwater.com.au](http://www.westernportwater.com.au).



# 94%

of respondents say that  
**Westernport Water is  
easy to deal with**



## Other statutory obligations

**The Port Phillip & Western Port Regional Catchment Management Strategy** objective is to maintain and enhance the environmental values of waterways and wetlands. This is indicated by the health and resilience of fish, frogs, platypus, birds, macroinvertebrates, vegetation and amenity.

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

During 2016-17, Westernport Water:

- Continued the land management partnership with catchment partners, Bass Coast Landcare Network and Melbourne Water, to promote opportunities to local landholders for on-the-ground works for farm, land and waterway improvements
- Conducted revegetation works covering 3.1km of waterways, instillation of 2.27km of fencing and planting of 23,500 trees in the Candowie catchment
- Undertook pest plant and animal programs on land managed by the Corporation
- Continued year three of the three year program of works downstream of the spillway on Tennent Creek, to protect a significant stand of remnant vegetation and provide protection to fauna moving along the creek edge
- Worked to identify future program works within the region and land managed by the Corporation to ensure it is contributing to the priorities within the strategy.

Westernport Water works with regional partners and Melbourne Water on projects and programs that enhance and protect waterway values, including protection and improvement of riparian vegetation which is crucial to the environmental and social values of waterways. During 2016-17 Westernport Water participated in the Bass Coast Biodiversity Biolinks Plan development project, aiming to identify critical vegetation and revegetation corridors within the Bass Coast Shire Council boundary.

**The Victorian Biodiversity Strategy 2017** provides direction for biodiversity conservation and management in Victoria. The strategy complements national strategies and the *Victorian Flora and Fauna Guarantee Act 1988*.

During 2016-17, Westernport Water continued to work with Bass Coast Landcare Network to monitor biodiversity on the Corporation's managed lands. The assessment measures the impacts of activities on the natural environment and any successes the programs are having on the upkeep and improvement of biodiversity assets.



Activities during 2016-17 to support biodiversity management included:

- Continued pest plant and animal programs to address key target species and revegetation opportunities to improve biodiversity outcomes.
- Management and maintenance of the major revegetation works surrounding the Candowie Reservoir.
- Continued implementation of five year land management plans focusing on pest and plant management, and biodiversity improvement through protection and improvement works.
- Provision of support to key catchment partners, Bass Coast Landcare Network and Melbourne Water, to identify and promote works in high risk riparian sites on private land.
- Participation in the development of a Biodiversity Biolinks Plan for Bass Coast Shire Council to highlight linkages to provide environmental corridors. The plan will highlight the importance of these passageways that are vital to increasing the amount of habitat in the region and allow flora and fauna to move from place to place.

Through its partnership with the Bass Coast Landcare Network, Westernport Water is working on an eradication program for pest animals and noxious weeds. This covers threats such as rabbits, foxes, bridal creeper, asparagus fern, hawthorn, pittosporum, mirror bush, gorse, kikuyu, thistles, boxthorn, blackberry, inkweed and control of willow regrowth. The 2016-17 program continued to address pest animal concerns by engaging a specialist contractor to target species and complement the existing baiting programs at each of the Corporation's sites.

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

All of the actions in the CRSWS pertaining to alternative supplies for Westernport Water have been enacted. Other actions are ongoing: permanent water saving rules, use and expansion of Class-A recycled water to residential developments, and the expansion of water recycling for irrigation. During 2016-17 the corporation developed and approved an Urban Water Strategy to determine future water supply demand and incorporated demand for alternative supplies, such as Class A residential water supply.

**Victorian Waterway Management Strategy and Regional Waterway Strategy** are in place to protect and improve the health of the region's rivers and river ecosystems. The marine ecosystem within Western Port is of regional, national and international importance and includes a Ramsar listed site, with a range of habitats and associated mangrove, salt marsh, seagrass, reef and soft seabed communities.

The Port Phillip and Western Port Regional River Health Strategy identify Bass River in our region as a major river in the strategy along with small creeks on Phillip Island. The five year objectives of the strategy identify increases in environmental flow regimes across the region which includes the Tennent Creek Bulk Entitlement. The strategy identifies land management activities as a key way to minimise impacts to water quality and reduce direct impacts to the local rivers and creek environments.



In 2016-17, Westernport Water continued to invest in works on Tennent Creek downstream of the Candowie Reservoir as part of the annual Landcare Land Management Plan. Additionally, Westernport Water works closely with catchment partners Bass Coast Landcare Network and Melbourne Water to educate landholders on the impacts of land activities on the health of waterways and water quality.

A Salt Water Creek rehabilitation program has been a focus on Phillip Island, but wallaby grazing on new native vegetation plantations continues to impact the program. In 2016-17 Westernport Water partnered with Phillip Island Nature Parks and a PHD student to investigate and understand the population density of the swamp wallaby on Phillip Island. Extended fencing for protection of tree plantings and stream protection measures along Salt Water Creek within the Phillip Island Wildlife Corridor continue to be a priority for revegetation works at the site.

**State Environment Protection Policy (SEPP)** Waters of Victoria (WoV) aims to protect and rehabilitate Victoria's surface water environments. Following the successful completion of the Cowes Wastewater Treatment Plant upgrade, plus the addition of a mixing zone condition in the Corporation's EPA licence to discharge to Bass Strait, Westernport Water has been compliant with the SEPP (WoV) clause. The mixing zone was assessed for compliance through a marine study covering toxicity testing, discharge water quality analysis and a marine survey, with analysis identifying a mixing zone of 200 metres from the outfall discharge point.

During 2016-17, Westernport Water participated in the DELWP engagement sessions for the SEPP (WoV), providing commentary and attending workshops on particular clauses impacting Westernport Water's operations and compliance.

**Environmental Protection and Biodiversity Conservation Act 1999**  
There were no referrals made during this reporting year.

**Cultural heritage management plans** are prepared by Westernport Water as a way of protecting and managing Aboriginal cultural heritage. During the reporting period, Westernport Water made one application to Aboriginal Victoria in relation to the upgrade of a rising main in the Cowes area. The site survey discovered Aboriginal cultural artefacts comprising a quartz medial flake. A further test pit was excavated at the location and a second stone artefact comprising a quartzite medial flake was identified and registered.

**Environmental incidents** are unplanned incidents that have the potential to impact on the environment or community. During 2016-17, four sewer spills were reported to EPA Victoria as a result of a number of factors:

- A spill to the environment resulted from tree root intrusion into a sewer manhole, with sewerage flowing to the stormwater drains nearby. Spilt material was removed, with no discharge to waterways and no impact to the surrounding environment.
- Two spills occurred from sewer pump stations as a result of dislocated pipework after an upgrade of pumps within the pump station. In the first instance material spilt to the area surrounding the pump station, with no material leaving the site. In the second instance from a second pipe movement, material was spilt to the area surrounding the pump station, with some material entering the roadside drain surrounding the pump station. There were no discharges to waterways and the incidents were assessed as having a low impact to the environment.

- The fourth incident occurred during a planned shut down of a sewerage pump station with a recently installed valve failing, resulting in approximately 30,000 litres of sewerage entering surrounding farmland. Investigation determined a low impact to the environment with no material entering waterways and the impacted landholder was engaged throughout the incident and clean up activity.

### **Environmental management**

Westernport Water is committed to minimising the impacts of its operations on the environment. The Corporation maintains an Environmental Management System (EMS) in accordance with ISO 14001:2004. The objectives of the system are:

- separation of office-based waste into recyclables
- separation of compost waste generated from office based activity from general landfill waste
- drive a decrease in overall greenhouse gas emissions from Westernport Water's operations
- making environmentally sound purchase decisions
- reporting on environmental performance.

The Corporation's office and business activities consider:

- when environmentally friendly products can be used
- adoption of the purchasing and procurement policy
- transportation types
- waste generation
- water consumption
- energy consumption.

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

- annual performance monitoring against EPA Victoria's corporate licence, guidelines and regulatory requirements
- checking compliance with ESC service standards for sewer system performance
- internal auditing of the EMS, and
- recording the number of environmental incidents against the Corporation's Aspects and Impacts Register.

### **Resource recovery and waste minimisation**

Biosolids are managed in accordance with Westernport Water's EPA Victoria-approved Regional Environmental Improvement Plan (EIP). Biosolids are a by-product from the wastewater treatment process, which can be used as a soil conditioner making nutrients and organic carbon available to improve crop yields and agricultural land.

Westernport Water's biosolids program continued to be utilised in 2016-17 on neighbouring farmland with further assessment of the use of aged biosolids as a means of remediating severely salt affected land and contributions to soil carbon content. It has proven to be a sustainable and effective reusable resource capable of improving soil characteristics and pasture growth.



## Office based environmental impacts

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

**Energy** used within the corporate office building during 2015-16 and 2016-17 is presented below. The small increase in electricity consumption during 2016-17 can be attributed to weekend maintenance and renewals activities. The Corporation has identified a number of projects to address electricity consumption at the Newhaven head office during 2017-18, including investigating the replacement of the current air conditioning system as it nears its end of life and a review of the associated building monitoring system for improved building energy efficiency.

| Indicator  | 2016-17     |             |             | 2015-16     |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | Electricity | Natural gas | Green power | Electricity | Natural gas | Green power |
| Total energy usage segmented by primary source (MJ)  | 533,239     | –           | –           | 530,049     | –           | –           |
| Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO <sup>2</sup> e) | 161         | –           | –           | 166         | –           | –           |
| Percentage of electricity purchased as green power   | 0           | –           | –           | 0           | –           | –           |
| Units of energy used per FTE (MJ/FTE)  | 7,441       | –           | –           | 7,089       | –           | –           |
| Units of energy used per unit of office area (MJ/m <sup>2</sup> )  | 550         | –           | –           | 547         | –           | –           |

### Notes

1. During 2016-17 there was a slight increase in energy usage as a result of weekend works which addressed maintenance and renewals activities.

**Waste** generated by the Corporation is divided into three general classes: landfill, compost and recycling. The recycling system is working well, and employees are supportive of initiatives. The increase in waste disposal during the year can be attributed to office based renewals, with a disposal of used, broken and redundant office based materials from the Newhaven office, resulting in an additional 2.7 tonnes of general waste going to landfill after alternative options were explored. During 2016-17, the Corporation reviewed its waste audit to more accurately account for waste disposal from office based activities, resulting in an increase in waste directed to landfill and a decrease in waste recycled. The audit presents an opportunity to review waste management from office based activities to ensure maximisation of waste recycling.

| Indicator   | 2016-17  |                      |         | 2015-16  |                      |         |
|---|----------|----------------------|---------|----------|----------------------|---------|
|   | Landfill | Commingled recycling | Compost | Landfill | Commingled recycling | Compost |
| Total units of waste disposed of by destination (kg/yr)                       | 16,588   | 2,210                | 26      | 11,781   | 2,688                | 20      |
| Units of waste disposed of per FTE by destinations (kg/FTE) <sup>1</sup>      | 231      | 31                   | 0.4     | 158      | 36                   | 0       |
| Recycling rate (percentage of total waste)                                    |          |                      | 13      |          |                      | 22      |
| Greenhouse gas emissions associated with waste disposal (t CO <sup>2</sup> e) |          |                      | 20      |          |                      | 13      |

### Notes

1. Increase in waste disposal from office refurbishment and a revised audit of waste management in 2016-17.

**Paper** usage saw an increase in reams of paper used in 2016-17, in total and per FTE which can be attributed to the inhouse production of collateral for a number of communications and engagement activities undertaken during the year, including the Pricing Submission 1 engagement program.

| Indicator  | 2016-17                                |     | 2015-16 |     |
|--|--|-----|---------|-----|
|  | Total units of copy paper used (reams) | 440 |         | 390 |
| Units of copy paper used per FTE (reams/FTE)             | 6                                      |     | 5       |     |
| Percentage of 100% recycled content copy paper purchased | 100                                    |     | 100     |     |

### Notes

1. Increase attributed to increasing inhouse printing and production of paper collateral.



**Water** data is based on water meter readings at the Newhaven office and the operations depot. During 2015-16, there was a significant increase in water usage at the Newhaven site as a result of a number of activities that occurred, including but not limited to: a building clean including roof, windows and outside surfaces; a change in vehicle washing practice; and a leaking cistern which was replaced. The 2016-17 water usage returned to lower than the previous year as a result of a review of corporate water efficiency and usage.

| Indicator   | 2016-17 | 2015-16 |
|---|---------|---------|
| Units of metered water consumed in offices per FTE (kilolitres/FTE)                             | 7.0     | 18.14   |
| Units of metered water consumed in offices per unit of office area (kilolitres/m <sup>2</sup> ) | 0.5     | 1.29    |
| Total Corporate water consumption in offices (kilolitres)                                       | 500     | 1,247   |

#### Notes

1. Significant decrease in water usage in 2016-17, represents high consumption in the previous year and improved water efficiency.

**Vehicle emissions** are generated from the Corporation's fleet comprising of 31 vehicles in total. In 2016-17 the fleet reduced total energy consumption by five per cent. The fleet is made up of 22 per cent unleaded fuel vehicles, including two hybrid electrical unleaded fuel driven vehicles, and 77 per cent are powered by diesel fuel with a combination of 2WD and 4WD to meet operational requirements.

During 2016-17, eleven return flights were required by employees to attend training, professional development, water industry forums and business development activities.

| Operational vehicles   | 2016-17    |             |            |                     | 2015-16      |
|--|------------|-------------|------------|---------------------|--------------|
|  | Diesel 4WD | Diesel 4cyl | Petrol 4WD | Petrol 4cyl         | All Vehicles |
| Total energy consumption by vehicles (MJ)  | 2,126,877  | 427,974     | 265,204    | 487,646             | 3,478,246    |
| Total vehicle travel associated with entity operations (km)                            | 595,085    | 119,744     | 82,305     | 151,338             | 973,188      |
| Total greenhouse gas emissions from vehicle fleet (t CO <sub>2</sub> e)                |            |             |            | 232                 | 233          |
| Greenhouse gas emissions from vehicle fleet per 1000km travelled (t CO <sub>2</sub> e) |            |             |            | 0.24                | 0.24         |
| Total distance travelled by aeroplane (km)   |            |             |            | 24,432 <sup>1</sup> | 2,070        |

#### Notes

1. The increase in flights in 2016-17 for employees to attend training, professional development, water industry forums and business development activities.

**Greenhouse gas emissions and net energy consumption** are generated from a number of different activities and sources: wastewater treatment plants (69 per cent), water treatment plant (21 per cent), office facilities (2.6 per cent) and other uses such as remote pumping stations.

Greenhouse Gas Emissions (GGE) during 2016-17 increased by four per cent from 2015-16 emissions through increases in emissions from wastewater and water treatment. Overall this can be attributed to an increase by ten per cent in wastewater treated through both wastewater treatment plants and an increase by 2.1 per cent of water treated and supplied to customers in 2016-17.

| Greenhouse Gas Emissions (GGE)                                 |      |         |              |         |         |         |         |
|--|------|---------|--------------|---------|---------|---------|---------|
|  | Note | 2016-17 | % difference | 2015-16 | 2014-15 | 2013-14 | 2012-13 |
| Vehicle fleet (t CO <sub>2</sub> -e)                           |      | 232     | -1%          | 233     | 190     | 221     | 216     |
| Wastewater treatment (t CO <sub>2</sub> -e)                    | 1    | 4,545   | 12%          | 4,074   | 4,512   | 4,230   | 3,779   |
| Water supply & treatment (t CO <sub>2</sub> -e)                |      | 1,353   | 5%           | 1,283   | 1,351   | 1,599   | 1,832   |
| Waste disposal (new) (t CO <sub>2</sub> -e)                    | 2    | 178     | -40%         | 295     | 195     | 158     | 158     |
| Other (t CO <sub>2</sub> -e) <sup>5</sup>                      |      | 167     | 0%           | 168     | 224     | 246     | 274     |
| Total (t CO <sub>2</sub> -e)                                   |      | 6,475   | 7%           | 6,053   | 6,473   | 6,455   | 6,260   |
| Offsets purchased (new)  |      | 0       | 0            | 0       | 0       | 0       | 0       |
| Total net energy consumption for Water and Wastewater systems. |      |         |              |         |         |         |         |
| Water Supply KWh/ML  | 3    | 569     | 7%           | 531     | 619     | 769     | 835     |
| Water Supply CO <sub>2</sub> -e/ML                             |      | 0.6     | 0%           | 0.6     | 1       | 1       | 1       |
| Wastewater Treatment KWh/ML                                    | 1    | 1,475   | 8%           | 1,360   | 1,691   | 1,320   | 2,013   |
| Wastewater Treatment CO <sub>2</sub> -e/ML                     |      | 1.6     | 4%           | 2       | 2       | 2       | 2       |

#### Notes

1. An overall increase of seven per cent in wastewater greenhouse gas emissions from wastewater treatment can be attributed to an increase in inflows by 10.5 per cent and an increase in onsite irrigation and reuse.
2. A 40 per cent reduction in greenhouse gas emissions from waste is due to the Corporation not disposing of sludge waste to landfill in 2016-17.
3. The increase by 7 per cent in energy consumption per ML produced of water is difficult to analyse as energy usage has increased as the result of plant improvements, upgrade works and the energy use attributed can not be separated from plant energy use.

## Procurement

The Corporation's main areas of procurement are contractors 30 per cent, and goods and services 70 per cent. Examples of how the Corporation has incorporated environmental considerations into procurement decision making include:

- clauses in quotes and tender documents requiring tenderers to disclose environmental breaches and practices
- weighting of environmental considerations in quotes and tenders.

Tenders, contracts, or products for which the Corporation has developed or is using sustainability clauses or specifications include:

- provision of analytical services – Public tender
- provision of cleaning services – Public tender

Tender documents will go to market including environment sustainability clauses and specifications. Tenderers will then be weighted accordingly depending on the project and the need presented.

Procurement targets have been set for 2016-17:

- to always purchase printing paper containing 100 per cent recycled properties
- to always purchase vehicles with low fuel consumption and low greenhouse gas emissions including hybrid-electric vehicles that are fit for purpose
- ensuring that sustainable procurement practices are imbedded in purchasing decisions including consideration of the entire lifecycle of products, broader consideration of social and environmental impacts.
- identify local Gippsland sources to enhance social outcomes and strengthen local economic and skill base.

### Details of consultancies under \$10,000

In 2016-17, there were 16 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. Total expenditure incurred during 2016-17 in relation to these consultancies is \$52,430 (excl. GST).

### Details of consultancies over \$10,000

In 2016-17, there were 10 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2016-17 in relation to these consultancies is \$200,317 (excl. GST). Details of individual consultancies are outlined below:

#### Consultancies awarded 01 July 2016 to 30 June 2017

| Consultant                           | Purpose of consultancy                         | Start date | End date | Total approved project fee (\$ (ex GST) | Expenditure 2016-17 (\$ (ex GST) | Future expenditure |
|--------------------------------------|--|------------|----------|---|----------------------------------|--------------------|
| Acquade Groundwater Services Pty Ltd | Ground water desktop study                     | Mar-17     | Jun-17   | 18,000                                  | 14,868                           | 5,000              |
| Benbow Consulting                    | IT governance advice                           | Dec-16     | Dec-17   | 40,000                                  | 35,190                           | 1,500              |
| GHD Pty Ltd                          | Urban Water Strategy and Pricing Submission    | Jun-16     | Jul-16   | 37,000                                  | 10,516                           | –                  |
| Hydrological Pty Ltd                 | Treatment Plant Operations Manual              | Apr-17     | Jun-17   | 15,800                                  | 15,800                           | –                  |
| KPMG                                 | Independent review of draft pricing submission | Jun-17     | Jun-17   | 43,890                                  | 39,900                           | –                  |
| Maree McPherson Consulting           | Board strategic planning project               | Feb-17     | Jun-17   | 15,400                                  | 14,000                           | –                  |
| Peter S Wilson                       | Board & Committee Review                       | Oct-16     | Mar-17   | 13,800                                  | 13,800                           | –                  |
| Raymac Enterprises Pty Ltd           | Depot improvement strategy and policy reviews  | Dec-16     | Oct-17   | 13,700                                  | 11,495                           | 2,680              |
| Soda Consulting Group Pty Ltd        | Organisational Improvement Plan                | Sept-17    | Jun-17   | 30,000                                  | 20,473                           | –                  |
| Sovers Pty Ltd                       | IT Governance Review Project                   | Jan-17     | Jun-17   | 26,700                                  | 24,275                           | 2,425              |

### Government advertising expenditure

In 2016-17, there were no government advertising campaigns with total media spend of \$100,000 or greater (exclusive of GST).

### Disclosure of major contracts

Westernport Water did not award any major contracts (greater than \$10M) during 2016-17.

### Contracts awarded over \$1M in 2016-17

Westernport Water awarded contracts for the Cowes Wastewater Futures project totalling \$1.3M this year. The project will run over multiple financial years.

### Local Jobs First – Victorian Industry Participation Policy

During 2016-17 the Corporation awarded one contract applicable to the *Local Jobs First - Victorian Industry Participation Policy Act 2003*, valued at \$1.28 million. This project was located in regional Victoria, representing 89.9 per cent of estimated local content.

The outcomes reported from the implementation of the policy, where information was provided, were as follows:

- an overall level of local content of 89.9 per cent of the total value of the contract
- ten full time equivalent jobs
- one apprentice retained
- one trainee retained.



## Information and Communication Technology (ICT) expenditure

The Corporation undertook no ICT projects or initiatives during 2016-17 that met the criteria of the "ICT Reporting Standard for the Victorian Public Service" issued September 2015.

### ICT expenditure breakdown

- Operational expenditure
- Capital Expenditure

For 2016-17, the Corporation had a total ICT expenditure of \$1.3m, with the details shown below (excludes direct employee costs).

| (\$ thousand)  |   |   |   |
|--|---|---|---|
| <i>Business As Usual (BAU) ICT expenditure</i> <sup>1</sup><br>(Total) | <i>Non Business As Usual (non BAU) ICT expenditure</i><br>(Total = Operational expenditure and Capital Expenditure) | <b>Non BAU ICT expenditure</b><br>• Operational expenditure (OPEX) <sup>2</sup> | <b>Non BAU ICT expenditure</b><br>• Capital expenditure CAPEX |
| 1,128  | 148   | 100   | 48  |

#### Notes

1. Majority of costs relate to fully outsourced ICT systems and services contracts.
2. Non BAU ICT expenditure is directly related to the use of contractors.

## Other disclosures

### Compliance with the *Building Act 1993*

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

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

Westernport Water conducted one major project at the Newhaven Administration Office building in 2016-17 under a building permit. This project was inspected by a Registered Building Surveyor who then issued a Certificate of Final Inspection.

Westernport Water was issued with zero emergency orders in relation to buildings in 2016-17.

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

**Under the National Competition Policy**, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

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

**The Freedom of Information Act (Vic) 1982** [the FOI Act] places a responsibility on Victorian government agencies to publish certain information about the agency's activities; provides legally enforceable right of access to documents [other than exempt documents] in the possession of the agency, and provides a right to seek a change to Personal Information which is or claimed to be inaccurate, out of date, incorrect, or which would give a misleading impression.

Members of the public wishing to obtain policy and procedure documents issued to staff relating to matters which may affect the public's rights and responsibilities are encouraged to access Westernport Water's website where these documents are available. People wishing to access these documents are also able to attend the Corporation's office at 2 Boys Home Road, Newhaven. Statements complying with section 8 and section 11 of the *FOI Act 1982* will be available from the Corporation's office as soon as they are completed.

The FOI Officer is the person within Westernport Water responsible for the initial receipt and action regarding any FOI application received by the Corporation. Any person who wishes to lodge an application seeking to access documents should submit an application in writing to:

#### Freedom of Information Officer

Westernport Water | 2 Boys Home Rd | Newhaven Vic 3925  
or by email to: [westport@westernportwater.com.au](mailto:westport@westernportwater.com.au)

Each FOI application should be accompanied by an application fee of \$28.40 from 1 July 2017, the application fee may be waived or reduced if payment would cause hardship, however the application will not be considered as valid until either a fee is received or a decision made regarding hardship. For further information on making a request or for details on Freedom of Information and what information is available please see Westernport Water's website.

During 2016-17 period Westernport Water received two requests for information under the *Freedom of Information Act 1982*. Full access was granted to this request.

**Additional information** has been included in Westernport Water's Annual Report:

- Assessments and measures undertaken to improve the occupational health and safety of employees
- A statement on industrial relations
- A list of Westernport Water's major committees; the purposes of each committee; and the extent to which the purposes have been achieved.

#### Information available on request

A statement of completion of declarations of pecuniary interests has been completed by all relevant officers of the Corporation. The information is available on request from the Freedom of Information Officer.

#### Compliance with DataVic Access Policy

Westernport Water will be reviewing categories of data sets under the DataVic Access Policy that will be made available from 2018-19.

**The Carers Recognition Act 2012** came into effect on 1 July 2012, to support customers or employees in a care relationship. The Act defines a carer as someone who provides care to another person, and includes carers under the age of 18. Care relationships also include those situations where a person is being cared for in a foster, kinship or permanent care arrangement. Carers can provide care for a person who has a disability, mental illness, ongoing medical condition or is an older person with care needs.

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

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

**The Energy and Water Ombudsman Victoria (EWOV)** provides a dispute resolution service for energy and water consumers and has the power to investigate and resolve disputes between Victorian consumers and their water company. During the year, EWOV received 14 complaints (0.7 complaints per 1,000 customers) about Westernport Water, who were disputing their water bill regarding various issues including billing and collection activities.

## Risk management attestation

I, Roland Lindell, certify that Westernport Region Water Corporation has complied with the Ministerial Direction 3.7.1 – Risk management framework and processes. Westernport Region Water Corporation's Audit and Risk Committee has verified this.



#### Roland Lindell

Chairperson  
Westernport Water  
17 July 2017

#### EWOV

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

**Protected Disclosure Act 2012** enables people to make disclosures about improper conduct by public officers, public bodies and other persons. The Act aims to ensure openness and accountability by encouraging people to make disclosures. The Act provides protection for the confidentiality of the content of those disclosures and the identity of persons who make those disclosures.

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

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

#### Contacts

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

Level 1, North Tower, 459 Collins Street, Melbourne Victoria, 3000  
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001  
Phone: 1300 735 135  
Website: www.ibac.vic.gov.au

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

#### Disclosures under the Protected Disclosure Act 2012

|   | 2016-17<br>number | 2015-16<br>number |
|---|-------------------|-------------------|
| <b>The number of disclosures made by an individual to the Department and notified to the Independent Broad based Anti corruption Commission</b> |                   |                   |
| Assessable disclosures  | 0                 | 0                 |



# Performance Report

for the Year End 30 June 2017

## Financial Performance Indicators

| Notes     | Ministerial Reporting Direction 01 – Performance indicators   | 2015-16 <sup>1</sup> Result | 2016-17 Result | 2016-17 Target | Variance to prior year % | Variance to Target % | Notes |
|-----------|---|-----------------------------|----------------|----------------|--------------------------|----------------------|-------|
| <b>F1</b> | <b>Cash Interest Cover</b><br>Cash Flow from Operations before Net Interest and Tax / Net Interest Payments                   | 21.0                        | 23.0           | 14.7           | <b>9.5%</b>              | <b>56.5%</b>         | 1     |
| <b>F2</b> | <b>Gearing Ratio (%)</b><br>Total Debt (Including Finance leases) / Total Assets x 100  | 4.3%                        | 3.9%           | 5.0%           | <b>-9.3%</b>             | <b>-22.0%</b>        | 2     |
| <b>F3</b> | <b>Internal Financing Ratio (%)</b><br>(Net Operating Cash Flow – Dividends) / Capital Expenditure x 100                      | 139.0%                      | 153.9%         | 95.1%          | <b>10.7%</b>             | <b>61.8%</b>         | 3     |
| <b>F4</b> | <b>Current Ratio</b><br>Current assets / current liabilities (excluding long term employee provisions and revenue in advance) | 1.08                        | 1.15           | 0.80           | <b>6.5%</b>              | <b>43.8%</b>         | 4     |
| <b>F5</b> | <b>Return on Assets (%)</b><br>Earnings before net interest and tax / average assets x 100                                    | 0.1%                        | 0.6%           | 0.5%           | <b>500%</b>              | <b>20%</b>           | 5     |
| <b>F6</b> | <b>Return on Equity (%)</b><br>Net profit after tax / average total equity x 100  | 0.4%                        | 0.6%           | 0.2%           | <b>50%</b>               | <b>200%</b>          | 6     |
| <b>F7</b> | <b>EBITDA Margin (%)</b><br>Earnings before Interest Tax Depreciation and Amortisation / Total Revenue x 100                  | 30%                         | 35%            | 32.3%          | <b>16.7%</b>             | <b>8.4%</b>          | 7     |

Note:

1. 2015-16 restated figures refer Note 9.8.

- F1. Cash interest cover is favourable to target due to the change in our customer account billing cycles and improved cash flow through improved collections processes. Quarterly bills are now issued progressively over the period rather than in bulk at the start of the quarter. This change has improved cash flow and debt management and has positively impacted our financial performance for the year as compared against prior year and current year target. Maintaining our 'AA' credit rating has also had a positive impact on reducing the cost of borrowings.
- F2. The level of borrowings decreased during the year. Less reliance on short term borrowings and payout of long term debt during the year was possible due to increased operating cash flow. Variances from target and prior year reflect improved cash position from changes in billing structure which reduced debt.
- F3. The favourable variance to target and to prior year is a result of additional cash flow during the year which provided funds for financing the capital investment program. 2016-17 target assumed full utilisation of borrowings to fund capital spend which did not occur.
- F4. An increase in current receivables due to change in billing structure at year end and reduced borrowings is contributing to the favourable variance for 2016-17. Customer accounts are now raised progressively in June rather than in July, increasing receivables at year end. The full effect of this was seen throughout 2016-17.
- F5. ROA favourable result to target and prior year is largely attributed to the increased revenue from development activity during 2016-17, compared to 2015-16 and target.
- F6. ROE increased from prior year and target due to lower operating expenditure and increased revenue. The revaluation of fixed assets has raised the equity base for calculation purposes in 2016-17.
- F7. EBITDA margin result as compared to prior year is due to the earning position. A key strategic focus for 2016-17 was to improve processes and promote efficient spend. This has contributed to the favourable results reported for the 2016-17 financial year.



# Performance Report

for the Year End 30 June 2017 (continued)

## Water and Sewerage Service Performance Indicators

| KPI Number | Key Performance Indicator   | 2015-16 Result | 2016-17 Result | 2016-17 Target | Variance to prior year % | Notes | Variance to Target % | Notes |
|------------|---|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| <b>WS1</b> | <b>Unplanned water supply interruptions</b><br>No. of customers receiving 1 or more unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100 | 7.9%           | 7.3%           | 9.2%           | -7.6                     | 1a    | -20.7                | 1b    |
| <b>WS2</b> | <b>Interruption time</b><br>Average duration of unplanned water supply interruptions (minutes)  | 80.2           | 109.3          | 90.0           | 36.3                     | 2a    | 21.4                 | 2b    |
| <b>WS3</b> | <b>Restoration of unplanned water supply</b><br>Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100                          | 99%            | 99%            | 100%           | 0.0                      |       | -1.0                 |       |
| <b>SS1</b> | <b>Containment of sewer spills</b><br>Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers                 | 85%            | 100%           | 100%           | 17.6                     | 3a    | 0.0                  |       |
| <b>SS2</b> | <b>Sewer spills interruptions</b><br>No. of residential sewerage customers affected by sewerage interruptions restored within five hours  | 83%            | 100%           | 100%           | 20.5                     | 4a    | 0.0                  |       |

Notes:

- 1a & 1b A favourable variance to prior year (and against target) due to overall reduction of burst/leaks and interruptions compared to 2015-16. This can be largely attributed to 2015-16 being a dryer year resulting in ground movement and an increase in burst/leaks and interruptions.
- 2a & 2b An unfavourable variance to prior year (and against target) due to failures on the single source of water supply pipeline on three separate occasions, namely in Newhaven, Kilcunda and Rhyll which affected a significant number of customers for between four and five hours. In 2017-18 Westernport Water will put in place options for the 648mm water main across Phillip Island to mitigate the consequences from planned and unplanned interruptions.
- 3a A favourable variance to prior year in achieving our target, all spills from the reticulated branch sewer were contained within five hours.
- 4a A favourable variance to prior year in achieving our target, all residential sewerage customer interruptions were restored within five hours.

## Customer Responsiveness Performance Indicators

| KPI Number | Key Performance Indicator  | 2015-16 Result | 2016-17 Result | 2016-17 Target | Variance to prior year % | Notes | Variance to Target % | Notes |
|------------|--|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| <b>CR1</b> | <b>Water quality complaints</b><br>No. of complaints per 100 customers for:        | 0.21           | 0.12           | 0.24           | -42.9                    | 5a    | -50.0                | 3b    |
| <b>CR2</b> | <b>Sewerage service quality complaints</b><br>No. of complaints per 100 customers. | 0              | 0.01           | 0              | 100.0                    | 6a    | 100.0                | 4b    |
| <b>CR3</b> | <b>Sewage odour complaints</b><br>No. of complaints per 100 customers.             | 0.06           | 0.07           | 0              | 16.7                     | 7a    | 100.0                | 5b    |
| <b>CR4</b> | <b>Billing complaints</b><br>No. of complaints per 100 customers.                  | 0.05           | 0.03           | 0.1            | -40.0                    | 8a    | -70.0                | 6b    |

Notes:

- 5a & 3b The favourable variance for water quality complaints to the prior year and the target is due to the preventative maintenance program, planned air scouring and improvements to water treatment plant operation.
- 6a & 4b Unfavourable variance against target and prior year is a result of two sewer service quality complaints for the entire customer base and will be addressed as part of our Customer Service Strategy implemented in 2017-18 Corporate Plan.
- 7a & 5b The unfavourable variance for sewer odour complaints to the previous year and against target is due to increased odour resulting from a temporary bypass of a sewerage pump station during upgrade works, which has now been completed.
- 8a & 6b The unfavourable variance against target and prior year for sewer odour complaints is due to increased odour resulting from a temporary bypass of a sewerage pump station during upgrade works, which has now been completed.

## Environmental Performance Indicators

| KPI Number | Key Performance Indicator                                   | 2015-16 Result | 2016-17 Result | 2016-17 Target | Variance to prior year % | Notes | Variance to Target % | Notes |
|------------|---|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| <b>E1</b>  | <b>Effluent reuse volume</b><br>Percentage recycled         | 22%            | 20%            | 24%            | -9.1                     | 9a    | -16.7                | 7b    |
| <b>E2</b>  | <b>Total net CO2 emissions</b><br>Net tonnes CO2 equivalent | 6,053          | 6,457          | 6,400          | 6.7                      | 10a   | 0.9                  | 8b    |

Notes:

- 9a & 7b The unfavourable variance against the prior year and target for effluent reuse volumes in 2016-17, is due to reduced demand for recycled water following a prolonged period of wet weather. Expansion of onsite irrigation is proposed in Pricing Submission 1 to increase options for effluent reuse.
- 10a & 8b There was an unfavourable variance against target for greenhouse gas emissions in 2016-17, due to an increase in wastewater net energy consumption and the total volume of wastewater treated during 2016-17. In 2018-24 Westernport Water will be implementing our emissions reduction activities to reduce overall emissions by 8%.

# Certification of Performance Report for 2016-17

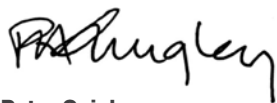
We certify the accompanying Performance Report for Westernport Region Water Corporation in respect of the 2016-17 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2016-17 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between actual results in the current year and previous year.

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



**Roland Lindell**  
Chairperson  
Westernport Water



**Peter Quigley**  
Managing Director  
Westernport Water



**Kathy Hawke**  
Chief Finance Officer  
Westernport Water

Dated this 28th day of September 2017



## Independent Auditor's Report

### To the Board of the Westernport Region Water Corporation

|   |  |
|---|--|
| <b>Opinion</b>  | <p>I have audited the accompanying performance report for the year ended 30 June 2017 of the Westernport Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• financial performance indicators</li> <li>• water and sewerage service performance indicators</li> <li>• customer responsiveness performance indicators</li> <li>• environmental performance indicators</li> <li>• certification of performance report for 2016–17.</li> </ul> <p>In my opinion, the performance report of the corporation in respect of the year ended 30 June 2017 presents fairly, in all material respects, in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>.</p>   |
| <b>Basis for Opinion</b>  | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. My responsibilities under the Act are further described in the <i>Auditor's responsibilities for the audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Australia and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| <b>Board's responsibilities for the performance report</b>                | <p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i> and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p>   |
| <b>Auditor's responsibilities for the audit of the performance report</b> | <p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the</p>  |

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aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 corporation's internal control
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether performance report represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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MELBOURNE  
10 October 2017



Roberta Skliros  
*as delegate for the Auditor-General of Victoria*

# Financial Statements contents

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# Comprehensive Operating Statement

for the financial year ended 30 June 2017

|  | Notes | 2017<br>\$'000 | 2016 <sup>1</sup><br>Restated<br>\$'000 |
|--|-------|----------------|---|
| <b>Revenue</b>   |       |                |   |
| Service charges  | 2.2.1 | 16,067         | 15,636                                  |
| Water usage charges                                      | 2.2.1 | 4,019          | 3,817                                   |
| Interest income  | 2.2.2 | 54             | 57                                      |
| Developer contributions                                  | 2.2.3 | 1,261          | 1,151                                   |
| Net gain/(loss) on disposal of non-financial assets      | 4.1.4 | 133            | 135                                     |
| Other income   | 2.2.4 | 619            | 401                                     |
| <b>Total Revenue</b>                                     |       | <b>22,153</b>  | <b>21,198</b>                           |
| <b>Expenses</b>  |       |                |   |
| Depreciation and impairment                              | 4.1.1 | 6,132          | 5,689                                   |
| Amortisation   | 4.3   | 386            | 428                                     |
| Employee benefits  | 3.2.1 | 6,871          | 6,916                                   |
| Repairs and maintenance expense                          | 3.3   | 718            | 775                                     |
| Environmental Contributions                              | 8.2   | 794            | 794                                     |
| Interest   | 6.1.2 | 350            | 431                                     |
| Other expenses   | 3.4   | 5,957          | 6,370                                   |
| <b>Total expenses</b>                                    |       | <b>21,208</b>  | <b>21,403</b>                           |
| <b>Net result before tax</b>                             |       | <b>945</b>     | <b>(205)</b>                            |
| Income tax expense/(revenue)                             | 8.1.1 | 11             | (857)                                   |
| <b>Net result for the period</b>                         |       | <b>934</b>     | <b>652</b>                              |
| <b>Other comprehensive income</b>                        |       |                |   |
| <i>Items that will not be reclassified to net result</i> |       |                |   |
| Change in asset revaluation surplus                      | 9.1.2 | –              | 30,443                                  |
| Income tax relating to these items                       | 8.1.1 | –              | (9,133)                                 |
| <b>Total comprehensive income for the period</b>         |       | <b>–</b>       | <b>21,310</b>                           |
| <b>Comprehensive result</b>                              |       | <b>934</b>     | <b>21,962</b>                           |

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

Note:

1. A prior year error adjustment has been processed and 2016 results have been restated. Further information is contained in Note 9.8.

# Balance Sheet

for the Year End 30 June 2017

|   | Notes | 2017<br>\$'000 | 2016 <sup>1</sup><br>Restated<br>\$'000 |
|---|-------|----------------|---|
| <b>Current assets</b>                         |       |                |   |
| Cash and cash equivalents                     | 6.2   | 3,825          | 2,176                                   |
| Receivables                                   | 5.1   | 2,247          | 2,131                                   |
| Inventories                                   | 5.3   | 346            | 380                                     |
| Biological Assets – Cattle held for sale      | 4.2   | 90             | 90                                      |
| Prepayments                                   | 5.4   | 173            | 130                                     |
| <b>Total current assets</b>                   |       | <b>6,681</b>   | <b>4,907</b>                            |
| <b>Non-current assets</b>                     |       |                |   |
| Receivables                                   | 5.1   | 58             | 55                                      |
| Infrastructure, property, plant and equipment | 4.1.2 | 206,460        | 206,275                                 |
| Intangible assets                             | 4.3   | 813            | 1,481                                   |
| <b>Total non-current assets</b>               |       | <b>207,331</b> | <b>207,811</b>                          |
| <b>TOTAL ASSETS</b>                           |       | <b>214,012</b> | <b>212,718</b>                          |
| <b>LIABILITIES</b>                            |       |                |   |
| <b>Current liabilities</b>                    |       |                |   |
| Payables                                      | 5.2   | 4,280          | 3,142                                   |
| Interest bearing liabilities                  | 6.1   | 1,250          | 2,250                                   |
| Employee benefits                             | 3.2.2 | 1,411          | 1,364                                   |
| <b>Total current liabilities</b>              |       | <b>6,941</b>   | <b>6,754</b>                            |
| <b>Non-current liabilities</b>                |       |                |   |
| Interest bearing liabilities                  | 6.1   | 7,190          | 6,940                                   |
| Employee benefits                             | 3.2.2 | 167            | 255                                     |
| Deferred tax liabilities                      | 8.1.2 | 33,053         | 33,042                                  |
| <b>Total non-current liabilities</b>          |       | <b>40,410</b>  | <b>40,237</b>                           |
| <b>TOTAL LIABILITIES</b>                      |       | <b>47,351</b>  | <b>46,991</b>                           |
| <b>NET ASSETS</b>                             |       | <b>166,661</b> | <b>165,727</b>                          |
| <b>EQUITY</b>                                 |       |                |   |
| Contributed capital                           | 9.1.1 | 51,323         | 51,323                                  |
| Asset Revaluation Surplus                     | 9.1.2 | 53,406         | 53,406                                  |
| Accumulated surplus/(deficit)                 | 9.1.3 | 61,932         | 60,998                                  |
| <b>TOTAL EQUITY</b>                           |       | <b>166,661</b> | <b>165,727</b>                          |

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

Note:

1. A prior year error adjustment has been processed and 2016 results have been restated. Further information is contained in Note 9.8.

# Statement of Changes in Equity

for the Year End 30 June 2017

|   | Contributed<br>Capital<br>\$'000 | Asset<br>Revaluation<br>Surplus<br>\$'000 | Accumulated<br>surplus/<br>(deficit) <sup>1</sup><br>\$'000 | Total<br>\$'000 |
|---|----------------------------------|---|---|-----------------|
| <b>Balance at 1 July 2015</b>                           | <b>51,323</b>                    | <b>32,096</b>                             | <b>60,346</b>   | <b>143,765</b>  |
| <b>Restated total comprehensive income for the year</b> |                                  |   |   |                 |
| Restated net result for the period:                     | –                                | –   | 652   | 652             |
| Infrastructure revaluation (net of tax):                | –                                | 21,310                                    | –   | 21,310          |
| <b>Restated total comprehensive income for the year</b> | <b>–</b>                         | <b>21,310</b>                             | <b>652</b>  | <b>21,962</b>   |
| <b>Restated balance at 30 June 2016</b>                 | <b>51,323</b>                    | <b>53,406</b>                             | <b>60,998</b>   | <b>165,727</b>  |
| <b>Total comprehensive income for the year</b>          |                                  |   |   |                 |
| Net result for the period:                              | –                                | –   | 934   | 934             |
| <b>Balance at 30 June 2017</b>                          | <b>51,323</b>                    | <b>53,406</b>                             | <b>61,932</b>   | <b>166,661</b>  |

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

Note:

1. A prior year error adjustment has been processed and 2016 results have been restated. Further information is contained in Note 9.8.

# Cash Flow Statement

for the Year End 30 June 2017

|   | Note  | 2017<br>\$'000 | 2016<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Cash Flows from Operating Activities</b>                             |       |                |                |
| <i>Receipts</i>   |       |                |                |
| Service and usage charges   |       | 22,020         | 21,557         |
| Interest received   |       | 29             | 22             |
| Goods and Services Tax (Net) received from the ATO                      |       | 960            | 1,094          |
| Other receipts  |       | 928            | 865            |
| <i>Payments</i>   |       |                |                |
| Payments to suppliers and employees                                     |       | (15,921)       | (16,194)       |
| Interest and other costs of finance paid                                |       | (333)          | (346)          |
| Environmental Contribution  |       | (1,059)        | (530)          |
| <b>Net cash (outflow)/inflow from Operating Activities</b>              | 6.2.1 | <b>6,624</b>   | <b>6,468</b>   |
| <b>Cash Flows from Investing Activities</b>                             |       |                |                |
| Payments for infrastructure, property, plant and equipment              |       | (4,303)        | (4,652)        |
| Proceeds from sale of infrastructure, property, plant & equipment       |       | 78             | 310            |
| <b>Net cash (outflow)/inflow from Investing Activities</b>              |       | <b>(4,225)</b> | <b>(4,342)</b> |
| <b>Cash Flows from Financing Activities</b>                             |       |                |                |
| Proceeds from borrowings <sup>1</sup>                                   |       | 2,000          | 1,800          |
| Repayment of borrowings <sup>2</sup>                                    |       | (2,750)        | (2,600)        |
| <b>Net cash (outflow)/inflow from Financing Activities</b>              |       | <b>(750)</b>   | <b>(800)</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             |       | <b>1,649</b>   | <b>1,326</b>   |
| <b>Cash and cash equivalents at the beginning of the financial year</b> |       | <b>2,176</b>   | <b>850</b>     |
| <b>Cash and cash equivalents at the end of the financial year</b>       | 6.2   | <b>3,825</b>   | <b>2,176</b>   |

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

Note:

1. Proceeds from borrowings includes only approved refinanced debt, no new borrowings for 2016-17.
2. Repayment of borrowings includes repayment of \$0.75M fixed loan and \$2M of fixed loans which were refinanced.

# Financial Statements

for the Year End 30 June 2017

## 1. About this report

### Basis of Accounting

The financial report includes separate financial statements for Westernport Regional Water Corporation (the Corporation) as an individual reporting entity. This financial report is a general purpose financial report, which consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2017. 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 accounts have been prepared on a going concern basis. The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The annual financial statements were authorised for issue by the Board on 28th September 2017.

The principal address is:

Westernport Regional Water Corporation  
2 Boys Home Road  
Newhaven VIC 3925

### Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where prior year figures have been restated due to reporting requirements, supporting notes have been included.

Where appropriate, comparative figures have been amended to align with current presentation and disclosure and related notes have been added to present the impact on adoption of such reclassification.

### Functional and presentation currency

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

### Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

### Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of all classes of infrastructure, property, plant and equipment.

### Accounting estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are made in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (Note 7.3);
- Estimation of useful life (Note 4.1)
- Impairment of assets (Note 4.1)
- Employee benefit provisions (Note 3.2)
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to (Note 3.2);
- Deferred Tax (Note 8.1)
- Accrued Income (Note 2.2)

# Financial Statements

for the Year End 30 June 2017

## 2. Funding delivery of our services

### Introduction

Westernport Regional Water Corporation leads through collaboration and innovation to deliver sustainable water and wastewater services that improve the health and liveability of our community.

### Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Income from transactions
  - 2.2.1 Service and usage charges
  - 2.2.2 Interest income
  - 2.2.3 Developer contributions
  - 2.2.4 Other income

### 2.1 Summary of income that funds the delivery of our services:

|   | Note  | 2017<br>\$'000 | 2016<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Revenue</b>                                      |       |                |                |
| Service charges                                     | 2.2.1 | 16,067         | 15,637         |
| Water usage charges                                 | 2.2.1 | 4,019          | 3,817          |
| Interest income                                     | 2.2.2 | 54             | 58             |
| Fees paid by developers                             | 2.2.3 | 1,018          | 610            |
| Assets received from developers                     | 2.2.3 | 243            | 541            |
| Other income  | 2.2.4 | 619            | 400            |
| <b>Sub total</b>                                    |       | <b>22,020</b>  | <b>21,063</b>  |
| Net gain/(loss) on disposal of non-financial assets |       | 133            | 135            |
| <b>Total revenue</b>                                |       | <b>22,153</b>  | <b>21,198</b>  |

Income is recognised to the extent it is probable the economic benefits will flow to the Corporation and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

### 2.2 Income from transactions

#### 2.2.1 Service and usage charges

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| Service charges                        |                |                |
| – Water service charges                | 6,318          | 6,201          |
| – Sewage charges                       | 9,662          | 9,355          |
| – Trade waste charges                  | 87             | 81             |
| Water usage charges                    | 4,019          | 3,817          |
| <b>Total Service and usage charges</b> | <b>20,086</b>  | <b>19,454</b>  |

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. An estimation, calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

Water and Sewage service charges are levied in advance and taken to the balance sheet as unearned revenue. The revenue is then recognised in the month to which it relates based on the balance date and days since the raising of the account.

Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per the trade waste agreements. The meters are read on a cyclical basis with accounts sent on a quarterly basis.

The variance when comparing to prior year reporting is the exclusion of the Government Rebate from the Water Services Charges. 2017 Water Services Charges are represented net of all Government Rebates. (2016:\$412K, 2017: \$486K)

# Financial Statements

for the Year End 30 June 2017

## 2.2.2 Interest income

|                                      | 2017<br>\$'000 | 2016<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Interest Income                      |                |                |
| – Interest received from Customers   | 23             | 36             |
| – Interest received from Investments | 31             | 22             |
| <b>Total Interest Income</b>         | <b>54</b>      | <b>58</b>      |

Interest income is recognised using the effective interest rate method, in the period in which it is incurred.

## 2.2.3 Developer contributions

|                                   | 2017<br>\$'000 | 2016<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Developer contributions           |                |                |
| – Fees paid by developers         | 1,018          | 610            |
| – Assets received from developers | 243            | 541            |
| <b>Total revenue</b>              | <b>1,261</b>   | <b>1,151</b>   |

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

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

## 2.2.4 Other income

|                      | 2017<br>\$'000 | 2016<br>\$'000 |
|----------------------|----------------|----------------|
| Other Income         | 619            | 400            |
| <b>Total revenue</b> | <b>619</b>     | <b>400</b>     |

### Other income

Other income includes revenue received from new customer contributions, information certificates, developer planning applications and rental income. Westernport Water holds two properties that are currently rented. Both properties are not held for investment purposes with the intent to derive income or capital appreciation however, help to meet service delivery objectives of the Corporation.

# Financial Statements

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## 3. The cost of delivering services

### Introduction

This section provides additional information about how the Corporation's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

### Structure

- 3.1 Summary of expenses incurred in delivery of services
- 3.2 Our people
  - 3.2.1 Employee benefits – comprehensive operating statement
  - 3.2.2 Employee benefits – balance sheet
  - 3.2.3 Superannuation
- 3.3 Repairs and maintenance
- 3.4 Other operating expenses

### 3.1 Summary of expenses incurred in delivery of services:

|  | Notes | 2017<br>\$'000 | 2016<br>\$'000 |
|--|-------|----------------|----------------|
| Employee benefit expenses                              | 3.2.1 | 6,871          | 6,915          |
| Repairs and maintenance                                | 3.3   | 718            | 775            |
| Environmental Contribution                             | 8.2   | 794            | 794            |
| Other operating expenses                               | 3.4   | 5,957          | 6,370          |
| <b>Total expenses incurred in delivery of services</b> |       | <b>14,338</b>  | <b>14,854</b>  |

### 3.2 Our people

#### 3.2.1 Employee benefits – comprehensive operating statement

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| Employee Benefits  |                |                |
| – salaries and wages                                       | 5,009          | 4,901          |
| – annual leave   | 434            | 501            |
| – long service leave                                       | (9)            | 135            |
| – employer superannuation contributions                    | 535            | 471            |
| – employer superannuation contributions – Defined Benefits | 46             | 48             |
| – other  | 856            | 859            |
| <b>Total employee benefit costs</b>                        | <b>6,871</b>   | <b>6,915</b>   |

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums. The variance in comparison to prior year reporting is the inclusion of FBT into Employee expenses which were previously reported in 'other' expenses in the prior year (2016:\$46K, 2017:\$47K).

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



# Financial Statements

for the Year End 30 June 2017

## 3.2.2 Employee benefits – balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

|   | 2017<br>\$'000 | 2016<br>\$'000 |
|---|----------------|----------------|
| <b>Current provisions:</b>                                |                |                |
| <i>Annual Leave and RDO's</i>                             |                |                |
| Unconditional and expected to settle within 12 months     | 460            | 417            |
| Unconditional and expected to settle after 12 months      | 73             | 71             |
| <i>Employee benefits</i>                                  |                |                |
| Unconditional and expected to settle within 12 months     | 75             | 50             |
| Unconditional and expected to settle after 12 months      | 586            | 611            |
| <i>Provisions for on costs</i>                            |                |                |
| Unconditional and expected to settle within 12 months     | 124            | 119            |
| Unconditional and expected to settle after 12 months      | 93             | 97             |
| <b>Total current provisions for employee benefits</b>     | <b>1,411</b>   | <b>1,365</b>   |
| <b>Non current provisions:</b>                            |                |                |
| Employee benefits   | 144            | 220            |
| On costs  | 23             | 35             |
| <b>Total non-current provisions for employee benefits</b> | <b>167</b>     | <b>255</b>     |
| <b>Total provisions for employee benefits</b>             | <b>1,577</b>   | <b>1,620</b>   |

|   | 2017<br>\$'000 |
|---|----------------|
| <b>Reconciliation of movement in on-cost provision</b>        |                |
| <i>Opening balance</i>  | 251            |
| Additional provisions recognised                              | 78             |
| Unwind of discount and effect of changes in the discount rate | (89)           |
| <i>Closing balance</i>  | <b>240</b>     |
| <b>Current</b>  | <b>217</b>     |
| <b>Non current</b>  | <b>23</b>      |

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## Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including annual leave) are recognised as part of the employee benefit provision as current liabilities, because the State does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries and annual leave are measured at:

- undiscounted value – if the Corporation expects to wholly settle within 12 months; or
- present value – if the Corporation does not expect to wholly settle within 12 months

## On-costs

On costs, such as payroll tax and workers' compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are not employee benefits and are to be disclosed separately from provisions for employee benefits.

## Long service leave

Liability for long service leave is recognised in the provision for employee benefits.

Unconditional long service leave 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:

- undiscounted value – if the Corporation expects to wholly settle within 12 months; or
- present value – if the Corporation does not expect to wholly settle within 12 months.

Conditional long service leave is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

## 3.2.3 Superannuation

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

### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2017, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

### Defined Benefit

Westernport Regional Water Corporation does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

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

### Funding arrangements

Westernport Regional Water Corporation makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Westernport Regional Water Corporation is a contributing employer was 102.0%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 7.0% pa
- Salary information 4.25% pa
- Price inflation (CPI) 2.5% pa.

Vision Super VBI at June 2017 was 103.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

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## Employer contributions

### Regular contributions

On the basis of the results of the 2016 interim actuarial investigation conducted by the Fund Actuary, Westernport Regional Water Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the SG contribution rate.

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

### Funding calls

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

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

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

## Superannuation contributions

Contributions by Westernport Regional Water Corporation (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2017 are detailed below:

| Scheme       | Type of Scheme   | Rate | 2017 | 2016 |
|--------------|------------------|------|------|------|
| Vision Super | Defined benefits | 9.5% | 82   | 78   |
| Vision Super | Accumulation     | 9.5% | 215  | 169  |
| Other        | Accumulation     | 9.5% | 397  | 359  |

In addition to the above contributions, Westernport Regional Water Corporation has not paid any unfunded liability payments to Vision Super during the 2016/17 year (2016:\$0). Superannuation was reported on a cash basis.

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2017.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 is \$87k (2017:\$82k, 2016:\$78k).

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

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

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

## The 2016 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the Defined Benefit category of which Westernport Regional Water Corporation is a contributing employer:

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2016.

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

Westernport Regional Water Corporation was notified of the June 2017 VBI during September 2017.

## The 2017 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

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## 3.3 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.

|                                      | 2017<br>\$'000 | 2016<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Repairs and maintenance              |                |                |
| – Materials & Supplies               | 405            | 428            |
| – Chemicals                          | 313            | 347            |
| <b>Total repairs and maintenance</b> | <b>718</b>     | <b>775</b>     |

## 3.4 Other operating expenses

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| <b>Other expenses</b>                            |                |                |
| Supplies and services                            |                |                |
| – Purchase of inventories                        | 197            | 59             |
| – Contractors                                    | 2,128          | 3,182          |
| – Consultants                                    | 252            | 651            |
| – Testing & sampling                             | 166            | 202            |
| – Computer Expenses                              | 990            | 556            |
| – Electricity                                    | 511            | 571            |
| – Training & Education                           | 180            | 113            |
| – Licence Fees, Permits & Registration           | 196            | 83             |
| – Insurance                                      | 109            | 108            |
| – Vehicle Maintenance & Repairs                  | 163            | 152            |
| – Postage  | 115            | –              |
| – Conference costs (excl Travel & Accommodation) | 92             | 28             |
| – Debt collection fees                           | 77             | 19             |
| – Mobile Phone Costs                             | 74             | 44             |
| – Subscriptions & Memberships                    | 73             | 118            |
| – Other supplies                                 | 611            | 477            |
| <b>Total supplies and services</b>               | <b>5,932</b>   | <b>6,366</b>   |
| Operating lease rental expenses                  |                |                |
| – Lease payments                                 | 25             | 4              |
| <b>Total operating lease rental expenses</b>     | <b>25</b>      | <b>4</b>       |
| <b>Total other operating expenses</b>            | <b>5,957</b>   | <b>6,370</b>   |

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Supplies and services 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 the inventories are distributed.

Operating lease payments (including contingent rentals) are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

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## 4. Key assets available to support output delivery

The Corporation controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the Corporation to be utilised for delivery of those outputs.

### Structure

- 4.1 Total infrastructure, property, plant and equipment
  - 4.1.1 Depreciation and impairment
  - 4.1.2 Carrying values by asset class
  - 4.1.3 Reconciliation of movements in carrying values of Infrastructure, property, plant and equipment
  - 4.1.4 Net gain/(loss) on disposal of non-current assets
  - 4.1.5 Capital commitments
- 4.2 Biological assets
  - 4.2.1 Reconciliation of movement in carrying amounts
  - 4.2.2 Cost of biological assets sold
- 4.3 Intangible assets

### 4.1 Total infrastructure, property, plant and equipment

|  | Gross carrying amount |                | Accumulated Depreciation |                | Net carrying amount |                |
|--|-----------------------|----------------|--------------------------|----------------|---------------------|----------------|
|  | 2017<br>\$'000        | 2016<br>\$'000 | 2017<br>\$'000           | 2016<br>\$'000 | 2017<br>\$'000      | 2016<br>\$'000 |
| Land at fair value   | 9,980                 | 9,980          | –                        | –              | 9,980               | 9,980          |
| Buildings at fair value  | 2,655                 | 2,655          | (85)                     | –              | 2,570               | 2,655          |
| Infrastructure – Water Distribution at fair value                | 59,861                | 59,624         | (2,030)                  | –              | 57,831              | 59,624         |
| Infrastructure – Water Harvesting & Major Transfer at fair value | 37,676                | 37,676         | (600)                    | –              | 37,076              | 37,676         |
| Infrastructure – Water Quality at fair value                     | 931                   | 931            | (46)                     | –              | 882                 | 931            |
| Infrastructure – Sewer Collection at fair value                  | 76,405                | 75,956         | (1,949)                  | –              | 74,456              | 75,956         |
| Infrastructure – Sewer Treatment & Disposal at fair value        | 13,568                | 13,568         | (456)                    | –              | 13,112              | 13,568         |
| Plant and equipment at fair value                                | 10,228                | 9,892          | (6,657)                  | (6,101)        | 3,571               | 3,791          |
| Capital Works in Progress at cost                                | 6,981                 | 2,095          | –                        | –              | 6,981               | 2,095          |
| <b>Net carrying amount</b>                                       | <b>218,285</b>        | <b>212,377</b> | <b>(11,823)</b>          | <b>(6,101)</b> | <b>206,460</b>      | <b>206,275</b> |

### Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage infrastructure and plant and equipment, used by the Corporation in its operations. Items with a cost or value in excess of \$5,000 (2016: \$5,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Items of infrastructure, property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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## Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 7.3.2 for fair value disclosures.

## Revaluation of infrastructure, property, plant and equipment

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to the carrying value. If the difference to 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.

Revaluation increments are credited directly to equity in the asset revaluation reserve 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 asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, 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 surplus/(deficit) on derecognition of the relevant asset.

## 4.1.1 Depreciation, Amortisation and Impairment

### Charge for the period

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| Buildings  | 85             | 69             |
| Plant and equipment                                    | 685            | 623            |
| Water Distribution                                     | 2,030          | 1,500          |
| Water Harvesting & major transfer                      | 600            | 948            |
| Water Quality  | 46             | 23             |
| Sewer Collection                                       | 1,949          | 2,143          |
| Sewer Treatment and Disposal                           | 456            | 383            |
| Intangible assets                                      | 386            | 428            |
| Impairment – intangible assets                         | 281            | –              |
| <b>Total Depreciation, Amortisation and Impairment</b> | <b>6,518</b>   | <b>6,117</b>   |

All infrastructure assets, buildings, plant and equipment and other non financial physical assets that have finite useful lives, 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 generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life, commencing from the time the asset is held ready for use.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

| Asset                             | Useful life: years<br>2017 | Useful life: years<br>2016 |
|-----------------------------------|----------------------------|----------------------------|
| Buildings                         | 30-50 years                | 40-70 years                |
| Water Distribution                | 20-100 years               | 15-80 years                |
| Water Harvesting & major transfer | 10-200 years               | 20-100 years               |
| Water Quality                     | 25-70 years                | 15-70 years                |
| Sewer Collection                  | 25-70 years                | 25-70 years                |
| Sewer Treatment and disposals     | 25-70 years                | 15-70 years                |
| <b>Other Assets</b>               |                            |                            |
| Plant, equipment and machinery    | 1-30 years                 | 5-10 years                 |
| Motor Vehicles                    | 4 years                    | 4 years                    |

An independent valuation of the Corporation's water and sewer infrastructure was carried out by Odysseus – imc on behalf of the Valuer General Victoria on 30 June 2016. As a result, the estimated useful life of infrastructure was changed for 2017 resulting in changes to depreciation with an overall decrease in net results of \$0.115M.

Although it is impracticable to predict future years, adjustments will be made where necessary for future impacts including allowances for additions and disposals.

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| Asset                      | Useful life: years<br>2017 | Useful life: years<br>2016 |
|----------------------------|----------------------------|----------------------------|
| Gas Network                | 15-50 years                | 15-50 years                |
| Furniture & Computers      | 2.5-20 years               | 2.5-13 years               |
| <b>Intangible Assets</b>   |                            |                            |
| Software                   | 3-5 years                  | 3-5 years                  |
| Software development costs | 10 years                   | 10 years                   |
| Licences                   | Indefinite                 | Indefinite                 |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

### Indefinite life assets

Land, Patents and Licences, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

### Impairment

Non-financial assets, including items of Property, Plant and Equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off through the comprehensive operating statement except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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.

### 4.1.2 Carrying values by asset class

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| <b>Nature based classification:</b>                              |                |                |
| Land at fair value   | 9,980          | 9,980          |
| Buildings at fair value  | 2,570          | 2,655          |
| Plant and equipment at fair value                                | 3,571          | 3,792          |
| Infrastructure – Water Distribution at fair value                | 57,831         | 59,624         |
| Infrastructure – Water Harvesting & Major Transfer at fair value | 37,076         | 37,676         |
| Infrastructure – Water Quality at fair value                     | 882            | 931            |
| Infrastructure – Sewer Collection at fair value                  | 74,456         | 75,956         |
| Infrastructure – Sewer Treatment & Disposal at fair value        | 13,112         | 13,568         |
| Capital Works in Progress at cost                                | 6,981          | 2,095          |
| <b>Net carrying amount</b>                                       | <b>206,460</b> | <b>206,275</b> |

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## 4.1.3 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment

|  | Land at fair value |       | Buildings at fair value |       | Water distribution at fair value |         | Water harvesting & major transfer at fair value |        | Water Quality at fair value |      | Sewer Collection at fair value |         | Sewer treatment and disposal at fair value |        | Plant, equipment and other at fair value |       | Capital works in progress at cost |         | Total   |         |         |
|--|--------------------|-------|-------------------------|-------|----------------------------------|---------|---|--------|-----------------------------|------|--------------------------------|---------|--|--------|--|-------|-----------------------------------|---------|---------|---------|---------|
|  | 2017               | 2016  | 2017                    | 2016  | 2017                             | 2016    | 2017  | 2016   | 2017                        | 2016 | 2017                           | 2016    | 2017                                       | 2016   | 2017                                     | 2016  | 2017                              | 2016    | 2017    | 2016    | 2017    |
| <b>Opening balance</b>   | 9,980              | 9,642 | 2,655                   | 2,524 | 59,624                           | 45,646  | 37,676  | 28,843 | 931                         | 713  | 75,956                         | 69,281  | 13,568                                     | 12,376 | 3,792                                    | 3,402 | 2,096                             | 4,553   | 206,275 | 176,980 |         |
| Fair value of assets received free of charge or for nominal considerations | -                  | -     | -                       | -     | 64                               | 155     | -   | -      | -                           | -    | 179                            | 378     | -  | -      | -  | -     | -                                 | -       | -       | 243     | 533     |
| Additions  | -                  | -     | -                       | -     | -                                | -       | -   | -      | -                           | -    | -                              | -       | -  | -      | -  | -     | 5,813                             | 4,203   | 5,813   | 4,203   | 4,203   |
| Disposals  | -                  | -     | -                       | -     | -                                | -       | -   | -      | (3)                         | -    | -                              | -       | -  | -      | (1)                                      | (39)  | (19)                              | (149)   | (23)    | (188)   | (188)   |
| Transfer between Asset Classes   | -                  | -     | -                       | 38    | 174                              | 1,004   | -   | 634    | -                           | 16   | 270                            | 3,195   | -  | 571    | 465                                      | 1,053 | (909)                             | (6,511) | -       | -       | -       |
| Revaluation  | -                  | 338   | -                       | 162   | (1)                              | 14,319  | -   | 9,147  | 1                           | 225  | -                              | 5,245   | -  | 1,004  | -  | -     | -                                 | -       | -       | -       | 30,440  |
| Impairment of assets   | -                  | -     | -                       | -     | -                                | -       | -   | -      | -                           | -    | -                              | -       | -  | -      | -  | -     | -                                 | -       | -       | -       | -       |
| Depreciation   | -                  | -     | (85)                    | (69)  | (2,030)                          | (1,500) | (600)   | (948)  | (45)                        | (23) | (1,949)                        | (2,143) | (456)                                      | (383)  | (685)                                    | (624) | -                                 | -       | (5,851) | (5,690) | (5,690) |
| Transfer to disposal group held for sale                                   | -                  | -     | -                       | -     | -                                | -       | -   | -      | -                           | -    | -                              | -       | -  | -      | -  | -     | -                                 | -       | -       | -       | -       |
| <b>Closing balance</b>   | 9,980              | 9,980 | 2,570                   | 2,655 | 57,831                           | 59,624  | 37,076  | 37,676 | 882                         | 931  | 74,456                         | 75,956  | 13,112                                     | 13,568 | 3,571                                    | 3,792 | 6,981                             | 2,096   | 206,460 | 206,275 |         |



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## 4.1.4 Net gain/(loss) on disposal of non-current assets

|   | 2017<br>\$'000 | 2016<br>\$'000 |
|---|----------------|----------------|
| Sales proceeds                                  | 78             | 133            |
| Cost of the assets                              | (143)          | (392)          |
| Accumulated depreciation                        | 140            | 353            |
| <b>Net gain/loss on disposal</b>                |                |                |
| – Infrastructure, property, plant and equipment | 75             | 94             |

## 4.1.5 Capital commitments

Capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

| 2017   | Less than<br>1 year<br>\$'000 | Between<br>1 and 5 years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000 |
|--|-------------------------------|------------------------------------|---------------------------|-----------------|
| <i>Capital expenditure commitments payable</i> |                               |                                    |                           |                 |
| Wastewater Future Cowes SPS Upgrade            | 957                           | 0                                  | 0                         | 957             |
| Water Quality Compliance Program               | 828                           | 0                                  | 0                         | 828             |
| Water Main Replacement Program                 | 385                           | 0                                  | 0                         | 385             |
| <b>Total commitments (inclusive of GST)</b>    | <b>2,170</b>                  | <b>0</b>                           | <b>0</b>                  | <b>2,170</b>    |
| Less GST recoverable                           | <b>197</b>                    | <b>0</b>                           | <b>0</b>                  | <b>197</b>      |
| <b>Total commitments (exclusive of GST)</b>    | <b>1,973</b>                  | <b>0</b>                           | <b>0</b>                  | <b>1,973</b>    |

| 2016   | Less than<br>1 year<br>\$'000 | Between<br>1 and 5 years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000 |
|--|-------------------------------|------------------------------------|---------------------------|-----------------|
| <i>Capital expenditure commitments payable</i> |                               |                                    |                           |                 |
| Wastewater Future Cowes SPS Upgrade            | 402                           | 0                                  | 0                         | 402             |
| <b>Total commitments (inclusive of GST)</b>    | <b>402</b>                    | <b>0</b>                           | <b>0</b>                  | <b>402</b>      |
| Less GST recoverable                           | <b>37</b>                     | <b>0</b>                           | <b>0</b>                  | <b>37</b>       |
| <b>Total commitments (exclusive of GST)</b>    | <b>365</b>                    | <b>0</b>                           | <b>0</b>                  | <b>365</b>      |

## 4.2 Biological assets

Biological assets comprise of livestock and their quantities and measurement bases are disclosed below.

| Biological asset             | Measurement basis | Quantities |           | Carrying amount<br>\$'000 |           |
|------------------------------|-------------------|------------|-----------|---------------------------|-----------|
|                              |                   | 2017       | 2016      | 2017                      | 2016      |
| Breeding livestock           | Headcount         | 74         | 81        | 90                        | 90        |
| <b>Total carrying amount</b> |                   | <b>74</b>  | <b>81</b> | <b>90</b>                 | <b>90</b> |

Biological assets are measured at fair value less costs to sell, with any changes recognised in the comprehensive operating statement. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. If an active market exists for a biological asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where access exists to different markets then the most relevant market is referenced.

In the event that market determined prices or values are not available for a biological asset in its present condition, the present value of the expected net cash flows from the asset, discounted at a current market determined rate is utilised to determine fair value. Refer to Note 7.3.3 for fair value disclosures.

# Financial Statements

for the Year End 30 June 2017

## 4.2.1 Reconciliation of movement in carrying amounts

|  | Livestock |           | Total \$'000 |           |
|--|-----------|-----------|--------------|-----------|
|  | 2017      | 2016      | 2017         | 2016      |
| Carrying amount at beginning of period           | 81        | 88        | 90           | 123       |
| Increases due to purchases                       | 74        | 82        | 90           | 91        |
| Decreases attributable to disposal/transfers out | (80)      | (88)      | (89)         | (123)     |
| Other changes                                    | (1)       | (1)       | (1)          | (1)       |
| <b>Carrying amount at end of period</b>          | <b>74</b> | <b>81</b> | <b>90</b>    | <b>90</b> |

## 4.2.2 Cost of biological assets sold

|   | 2017<br>\$'000 | 2016<br>\$'000 |
|---|----------------|----------------|
| Cost of biological assets sold – livestock  | 89             | 123            |
| <b>Total cost of biological assets sold</b> | <b>89</b>      | <b>123</b>     |

## 4.3 Intangible assets

|  | Computer Software |                | Other       |             | Total          |                |
|--|-------------------|----------------|-------------|-------------|----------------|----------------|
|  | 2017              | 2016           | 2017        | 2016        | 2017           | 2016           |
| <i>Gross carrying amount</i>                                 |                   |                |             |             |                |                |
| Opening balance  | 3,540             | 3,454          | 531         | 513         | 4,071          | 3,967          |
| Additions  | –                 | 86             | –           | 18          | –              | 104            |
| Impairment losses  | (870)             | –              | –           | –           | (870)          | –              |
| <b>Closing balance</b>                                       | <b>2,670</b>      | <b>3,540</b>   | <b>531</b>  | <b>531</b>  | <b>3,201</b>   | <b>4,071</b>   |
| <i>Accumulated depreciation, amortisation and impairment</i> |                   |                |             |             |                |                |
| <b>Opening balance</b>                                       | <b>(2,572)</b>    | <b>(2,154)</b> | <b>(20)</b> | <b>(10)</b> | <b>(2,592)</b> | <b>(2,164)</b> |
| Depreciation of intangible assets <sup>(i)</sup>             | (376)             | (418)          | (10)        | (10)        | (386)          | (428)          |
| Impairment losses charged to net result <sup>(ii)</sup>      | 589               | –              | –           | –           | 589            | –              |
| <b>Closing balance</b>                                       | <b>(2,359)</b>    | <b>(2,572)</b> | <b>(30)</b> | <b>(20)</b> | <b>(2,389)</b> | <b>(2,592)</b> |
| <b>Net book value at end of financial year</b>               | <b>311</b>        | <b>970</b>     | <b>502</b>  | <b>511</b>  | <b>813</b>     | <b>1,481</b>   |

Notes:

(i) The consumption of intangible produced assets is included in 'amortisation' line item in the comprehensive operating statement.

(ii) Impairment losses are included in the line item 'depreciation and impairment' in the comprehensive operating statement.

# Financial Statements

for the Year End 30 June 2017

## Recognition

Intangible assets represent identifiable non-monetary assets without physical substance.

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

|  | Licences   | Computer Software  | Water Share Entitlements                             |
|--|--|--|--|
| Useful lives                               | Indefinite   | Finite   | Indefinite   |
| Amortisation method used                   | Not amortised or revalued                            | 10 years – straight line   | Not amortised or revalued                            |
| Internally generated/acquired              | Acquired   | Internally generated   | Acquired   |
| Impairment test/Recoverable amount testing | Annually and where an indicator of impairment exists | Amortisation method reviewed at each financial year-end;<br>Reviewed annually for indicators of impairment | Annually and where an indicator of impairment exists |

## Amortisation

Charge for the period

|                           | 2017<br>\$'000 | 2016<br>\$'000 |
|---------------------------|----------------|----------------|
| Intangible assets         |                |                |
| Computer Software         | 376            | 418            |
| SCADA                     | 10             | 10             |
| <b>Total amortisation</b> | <b>386</b>     | <b>428</b>     |

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), 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 below.

## Impairment of intangible assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified. The policy in connection with testing for impairment is outlined in section 5.1.1.

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for the Year End 30 June 2017

## 5. Other assets and liabilities

This section sets out those assets and liabilities that arose from the Corporation's controlled operations.

### Structure

- 5.1 Receivables
  - 5.1.1 Movement in the provision for doubtful debt
  - 5.1.2 Ageing analysis of contractual receivables
- 5.2 Payables
  - 5.2.1 Ageing analysis of contractual payables
- 5.3 Inventories
- 5.4 Other non-financial assets

### 5.1 Receivables

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| <b>Current</b>                         |                |                |
| <b>Contractual</b>                     |                |                |
| Trade receivables                      | 1,191          | 1,291          |
| Provisions for doubtful debt           | (125)          | (125)          |
| <b>Statutory</b>                       |                |                |
| Amount owing from Victorian government | 137            | 243            |
| GST Input tax credit receivables       | 187            | 196            |
| Fringe Benefits tax receivable         | 11             | –              |
| <b>Other receivables</b>               | 846            | 525            |
| <b>Total current receivables</b>       | <b>2,247</b>   | <b>2,130</b>   |
| <b>Non-current</b>                     |                |                |
| <b>Contractual</b>                     |                |                |
| Trade receivables                      | 115            | 112            |
| Provisions for doubtful debt           | (57)           | (57)           |
| <b>Total non-current receivables</b>   | <b>58</b>      | <b>55</b>      |
| <b>Total receivables</b>               | <b>2,305</b>   | <b>2,185</b>   |

Receivables consist of:

- Contractual receivables, classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. 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.
- Statutory receivables, do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

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for the Year End 30 June 2017

## 5.1.1 Movement in the provision for doubtful debts

As at 30 June 2017, there were no current receivables of the Corporation impaired. The amount of the provision was \$182k.

|   | 2017<br>\$'000 | 2016<br>\$'000 |
|---|----------------|----------------|
| <b>Balance at beginning of the year</b> | <b>182</b>     | <b>273</b>     |
| Unused amount reversed                  | –              | (91)           |
| <b>Balance at end of the year</b>       | <b>182</b>     | <b>182</b>     |

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense.

## 5.1.2 Ageing analysis of contractual receivables

The ageing of these receivables is as follows:

|                            | Not past        |                      | Past due but not impaired |            |                   |           |
|----------------------------|-----------------|----------------------|---------------------------|------------|-------------------|-----------|
|                            | Carrying amount | due and not impaired | Less than 1 month         | 1–3 months | 3 months – 1 year | 1–5 years |
| <b>2017</b>                |                 |                      |                           |            |                   |           |
| Sale of goods and services | 1,952           | 204                  | 18                        | 628        | 1,043             | 59        |
| Other receivables          | 18              | –                    | –                         | 18         | –                 | –         |
| <b>Total</b>               | <b>1,970</b>    | <b>204</b>           | <b>18</b>                 | <b>646</b> | <b>1,043</b>      | <b>59</b> |
| <b>2016</b>                |                 |                      |                           |            |                   |           |
| Sale of goods and services | 1,728           | 79                   | 64                        | 893        | 637               | 55        |
| Other receivables          | 18              | –                    | –                         | 18         | –                 | –         |
| <b>Total</b>               | <b>1,746</b>    | <b>79</b>            | <b>64</b>                 | <b>911</b> | <b>637</b>        | <b>55</b> |

No interest is charged for the first 35 days from the invoice date. Thereafter, interest is charged at 6.1% per cent on the outstanding balance. The average credit period for sales of goods / services and for other receivables is 28 days. There are no material financial assets that are individually determined to be impaired.

**Past due but not impaired trade receivables** relate to a number of independent customers for whom there is no recent history of default. 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.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

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## 5.2 Payables

|                                   | 2017<br>\$'000 | 2016<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Current</b>                    |                |                |
| <b>Contractual</b>                |                |                |
| Trade creditors                   | 1,267          | 966            |
| Sundry creditors                  | 483            | 357            |
| Unearned Revenue <sup>1</sup>     | 1,300          | 1,107          |
| Accrued expenses                  | 1,231          | 712            |
| <b>Total current Payables</b>     | <b>4,280</b>   | <b>3,142</b>   |
| <b>Total non-current payables</b> | <b>-</b>       | <b>-</b>       |
| <b>Total payables</b>             | <b>4,280</b>   | <b>3,142</b>   |

Note:

1. Unearned revenue recognition is detailed in Note 2.2.1.

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period is 28 days.

### 5.2.1 Ageing analysis of contractual payables

| \$'000                | Carrying amount | Nominal amount | Less than 1 month | Maturity dates |                   |           |          |
|-----------------------|-----------------|----------------|-------------------|----------------|-------------------|-----------|----------|
|                       |                 |                |                   | 1–3 months     | 3 months – 1 year | 1–5 years | 5+ years |
| <b>2017</b>           |                 |                |                   |                |                   |           |          |
| Supplies and services | 3,790           | 3,790          | 2,490             | 1,300          | -                 | -         | -        |
| Other payables        | 490             | -              | 200               | -              | 294               | -         | -        |
| <b>Total</b>          | <b>4,280</b>    | <b>3,790</b>   | <b>2,690</b>      | <b>1,300</b>   | <b>294</b>        | <b>-</b>  | <b>-</b> |
| <b>2016</b>           |                 |                |                   |                |                   |           |          |
| Supplies and services | 2,785           | 2,785          | 1,678             | 1,108          | -                 | -         | -        |
| Other payables        | 357             | -              | 139               | -              | 218               | -         | -        |
| <b>Total</b>          | <b>3,142</b>    | <b>2,785</b>   | <b>1,817</b>      | <b>1,108</b>   | <b>218</b>        | <b>-</b>  | <b>-</b> |

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## 5.3 Inventories

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| <b>Current</b>                           |                |                |
| <i>Stores and consumables – at cost:</i> |                |                |
| Raw materials                            | 307            | 340            |
| Other (Chemicals)                        | 39             | 40             |
| <b>Total current inventories</b>         | <b>346</b>     | <b>380</b>     |
| <b>Total non-current inventories</b>     | <b>-</b>       | <b>-</b>       |
| <b>Total inventories</b>                 | <b>346</b>     | <b>380</b>     |

Inventories comprise stores and consumables used in the construction of new works and for the repair and maintenance of existing assets. These inventories are held for consumption in the ordinary course of business operations and 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.

## 5.4 Other non-financial assets

|                                       | 2017<br>\$'000 | 2016<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Prepayments                           | 173            | 173            |
| <b>Total current other assets</b>     | <b>173</b>     | <b>130</b>     |
| <b>Total non current other assets</b> | <b>-</b>       | <b>-</b>       |
| <b>Total other assets</b>             | <b>173</b>     | <b>130</b>     |

Other non-financial assets include prepayments which 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.

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## 6. How we financed our operations

### Introduction

This section provides information on the sources of finance utilised by the Corporation during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Corporation.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 7.1 provide additional, specific financial instrument disclosures.

### Structure

- 6.1 Interest bearing liabilities
  - 6.1.1 Maturity analysis of interest bearing liabilities
  - 6.1.2 Interest expense
- 6.2 Cash flow information
  - 6.2.1 Reconciliation of net result to cash flow from operating activities
  - 6.2.2 Financing facilities
- 6.3 Commitments for expenditure
  - 6.3.1 Total commitments payable

### 6.1 Interest bearing liabilities

|   | 2017<br>\$'000 | 2016<br>\$'000 |
|---|----------------|----------------|
| <b>Current interest bearing liabilities</b>           |                |                |
| Secured TCV Borrowings                                | 1,250          | 2,250          |
| <b>Total current interest bearing liabilities</b>     | <b>1,250</b>   | <b>2,250</b>   |
| <b>Non-current interest bearing liabilities</b>       |                |                |
| Secured TCV Borrowings                                | 7,190          | 6,940          |
| <b>Total non current interest bearing liabilities</b> | <b>7,190</b>   | <b>6,940</b>   |
| <b>Total interest bearing liabilities</b>             | <b>8,440</b>   | <b>9,190</b>   |

Interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities 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 interest bearing liabilities, using the effective interest method.

Interest bearing liabilities 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.

Westernport Regional Water Corporation has classified borrowings which mature within 12 months as current liabilities.

#### 6.1.1 Maturity analysis of interest bearing liabilities

| \$'000                 | Carrying amount | Nominal amount | Maturity dates    |              |                   |              |              |
|------------------------|-----------------|----------------|-------------------|--------------|-------------------|--------------|--------------|
|                        |                 |                | Less than 1 month | 1–3 months   | 3 months – 1 year | 1–5 years    | 5+ years     |
| <b>2017</b>            |                 |                |                   |              |                   |              |              |
| Secured TCV Borrowings | 8,440           | 8,440          | –                 | 500          | 750               | 5,440        | 1,750        |
| <b>Total</b>           | <b>8,440</b>    | <b>8,440</b>   | <b>–</b>          | <b>500</b>   | <b>750</b>        | <b>5,440</b> | <b>1,750</b> |
| <b>2016</b>            |                 |                |                   |              |                   |              |              |
| Secured TCV Borrowings | 9,190           | 9,190          | –                 | 1,500        | 750               | 5,190        | 1,750        |
| <b>Total</b>           | <b>9,190</b>    | <b>9,190</b>   | <b>–</b>          | <b>1,500</b> | <b>750</b>        | <b>5,190</b> | <b>1,750</b> |



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## 6.1.2 Interest expense

|                               | 2017<br>\$'000 | 2016<br>\$'000 |
|-------------------------------|----------------|----------------|
| Interest on government loans  | 263            | 317            |
| Financial accommodation levy  | 87             | 114            |
| <b>Total interest expense</b> | <b>350</b>     | <b>431</b>     |

Interest expense includes costs incurred in connection with the borrowing of funds. Interest costs include interest on bank overdrafts, short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, financial accommodation levy and finance lease charges.

Interest expense is recognised in the period in which it is incurred.

## 6.2 Cash flow information

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include cash at bank as indicated in the reconciliation below.

|   | 2017<br>\$'000 | 2016<br>\$'000 |
|---|----------------|----------------|
| Cash and cash equivalents                 | 3,825          | 2,176          |
| <b>Balance as per cash flow statement</b> | <b>3,825</b>   | <b>2,176</b>   |

## 6.2.1 Reconciliation of net result for the period to cash flow from operating activities

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| <b>Net result for the period</b>                                   | <b>934</b>     | <b>652</b>     |
| <b>Non cash movements:</b>   |                |                |
| (Gain)/loss on sale or disposal of non current assets <sup>1</sup> | (133)          | (135)          |
| Depreciation and amortisation of non current assets                | 6,237          | 6,118          |
| Impairment of non current assets                                   | 246            | –              |
| Resources provided free of charge or for nominal consideration     | (268)          | (541)          |
| Tax expense relating to revaluation                                | –              | (9,133)        |
| Bad debt write off   | 56             | 121            |
| Other non cash – Capital Labour transfer to works in progress      | (598)          | –              |
| <b>Movements in assets and liabilities:</b>                        |                |                |
| Increase/decrease in receivables                                   | (109)          | 697            |
| Increase/decrease in inventories                                   | 31             | (6)            |
| Increase/decrease in prepayments                                   | (43)           | (29)           |
| Increase/decrease in payables                                      | (76)           | 124            |
| Increase/decrease in employee provisions                           | (43)           | (10)           |
| Increase/decrease in prepaid income                                | 193            | 336            |
| Increase/decrease in deferred tax liability                        | 11             | 8,274          |
| Increase/decrease in other liabilities                             | 186            | –              |
| <b>Net cash flows from operating activities</b>                    | <b>6,624</b>   | <b>6,468</b>   |

Note:

1. Additional \$64k included in gain on sale of non current asset (cattle)

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## 6.2.2 Financing facilities

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| <b>Unsecured bank overdraft facility, reviewed annually and payable at call</b>  |                |                |
| Amount unused  | 2,000          | 2,000          |
| <b>Total</b>   | <b>2,000</b>   | <b>2,000</b>   |
| Unsecured loan facilities with various maturity dates through to 2017-18 and which may be extended by mutual agreement |                |                |
| Amount used  | 8,440          | 9,190          |
| Amount unused  | 4,960          | 4,210          |
| <b>Total</b>   | <b>13,400</b>  | <b>13,400</b>  |

## 6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. Please refer to Note 4.1.5 and Note 8.2.1 for details on capital and environmental commitments, respectively. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### 6.3.1 Total commitments payable

| Nominal Amounts: 2017                       | Less than<br>1 year<br>\$'000 | Between<br>1 and 5 years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------|------------------------------------|---------------------------|-----------------|
| Capital commitments                         | 2,170                         | –                                  | –                         | 2,170           |
| Operating lease commitments payable         | 27                            | 30                                 | –                         | 57              |
| Other commitments payable                   | 258                           | 450                                | –                         | 708             |
| <b>Total commitments (inclusive of GST)</b> | <b>2,455</b>                  | <b>480</b>                         | <b>–</b>                  | <b>2,935</b>    |
| Less GST recoverable                        | 223                           | 44                                 | –                         | 267             |
| <b>Total commitments (exclusive of GST)</b> | <b>2,232</b>                  | <b>436</b>                         | <b>–</b>                  | <b>2,668</b>    |

| Nominal Amounts: 2016                               | Less than<br>1 year<br>\$'000 | Between<br>1 and 5 years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------|------------------------------------|---------------------------|-----------------|
| Capital commitments                                 | 402                           | –                                  | –                         | 402             |
| Operating and lease commitments payable             | 25                            | 57                                 | –                         | 82              |
| Other commitments payable                           | 492                           | 708                                | –                         | 1,200           |
| <b>Total commitments (inclusive of GST)</b>         | <b>919</b>                    | <b>765</b>                         | <b>–</b>                  | <b>1,684</b>    |
| Less GST recoverable from the Australian Tax Office | 84                            | 70                                 | –                         | 154             |
| <b>Total commitments (exclusive of GST)</b>         | <b>835</b>                    | <b>695</b>                         | <b>–</b>                  | <b>1,530</b>    |

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## 7. Risks, contingencies and valuation judgements

The Corporation is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Corporation related mainly to fair value determination.

### Structure

- 7.1 Financial instruments specific disclosures
  - 7.1.1 Financial instruments: Categorisation
  - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination
  - 7.3.1 Fair value determination of financial assets and liabilities
  - 7.3.2 Fair value determination: Non-financial physical assets
  - 7.3.3 Fair value determination: Biological assets

### 7.1 Financial instruments specific disclosures

#### Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The Corporation recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables).

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Comprehensive Operating Statement over the period of the interest bearing liability, using the effective interest rate method. The Corporation recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Corporation has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Corporation's continuing involvement in the asset.

#### Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets. Impairment losses are recognised in the Comprehensive Operating Statement.

# Financial Statements

for the Year End 30 June 2017

## 7.1.1 Financial instruments: Categorisation

| 2017   | Contractual financial assets – loans and receivables and cash |
|--|---|
| <b>Contractual financial assets</b>            |   |
| Cash and deposits                              | 3,825   |
| <b>Receivables</b>                             |   |
| Sale of goods and services                     | 1,124   |
| Other receivables                              | 846   |
| <b>Total contractual financial assets</b>      | <b>5,795</b>  |
| <b>Contractual financial liabilities</b>       |   |
| <b>Payables</b>                                |   |
| Supplies and services                          | 1,267   |
| Accrued expenses                               | 1,231   |
| Other payables                                 | 1,783   |
| <b>Borrowings</b>                              |   |
| Other loans                                    | 8,440   |
| <b>Total contractual financial liabilities</b> | <b>12,721</b>   |
| <hr/>  |   |
| 2016   | Contractual financial assets – loans and receivables and cash |
| <b>Contractual financial assets</b>            |   |
| Cash and deposits                              | 2,176   |
| Sale of goods and services                     | 1,728   |
| Other receivables                              | 18  |
| <b>Total contractual financial assets</b>      | <b>3,922</b>  |
| <b>Contractual financial liabilities</b>       |   |
| <b>Payables</b>                                |   |
| Supplies and services                          | 966   |
| Accrued expenses                               | 712   |
| Other payables                                 | 1,464   |
| <b>Borrowings</b>                              |   |
| Other loans                                    | 9,190   |
| <b>Total contractual financial liabilities</b> | <b>12,332</b>   |

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## 7.1.2 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. As a whole, the Corporation's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage the Corporation's financial risks within the government policy parameters. The Corporation's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk.

Risk management is carried out by Audit and Risk Committee under policies approved by the Board of Directors. Audit and Risk Committee identifies, evaluates and hedges financial risks in close co-operation with the Corporation's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### 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 an on-going 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.

### Credit quality of contractual financial assets that are neither past due nor impaired<sup>(i)</sup>

|   | Financial institutions<br>Triple A Credit<br>Rated | Government agencies<br>Minimum<br>Triple B<br>Credit Rated | Other<br>(Credit Rating<br>not available) <sup>(ii)</sup> | Total        |
|---|--|--|---|--------------|
| <b>2017</b>                               |  |  |   |              |
| Cash and deposits                         | 3,825  | –  | –   | 3,825        |
| Receivables                               | –  | –  | 1,970   | 1,970        |
| <b>Total contractual financial assets</b> | <b>3,825</b>                                       | <b>–</b>   | <b>1,970</b>  | <b>5,795</b> |
| <b>2016</b>                               |  |  |   |              |
| Cash and deposits                         | 2,176  | –  | –   | 2,176        |
| Receivables                               | –  | –  | 1,746   | 1,746        |
| <b>Total contractual financial assets</b> | <b>2,176</b>                                       | <b>–</b>   | <b>1,746</b>  | <b>3,922</b> |

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

(ii) Other receivables relates to various residential and business customers therefore credit rating is not available.

### Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 28 days and in the event of dispute make payments within 14 days from the date of resolution.

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

### 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 interest rate risk, foreign exchange risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is insignificant 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:

#### a. Interest Rate Risk

The Corporation minimises its exposure to interest rate changes on its long term borrowings 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 and managed in accordance with the Treasury Management Guidelines. The Corporation has not engaged hedging as part of its financial risk management strategy.

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

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## b. Foreign Exchange Risk

The Corporation has no exposure to changes in the foreign exchange rate.

## c. Other Price Risk

The Corporation has no significant exposure to Other Price Risk.

## Interest rate exposure of financial instruments

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Corporation's sensitivity to interest rate risk are set out in the table that follows.

| 2017<br>\$'000                     | Weighted<br>average interest<br>rate % | Carrying<br>amount | Fixed<br>interest<br>rate | Variable<br>interest<br>rate | Non<br>interest<br>bearing |
|------------------------------------|--|--------------------|---------------------------|------------------------------|----------------------------|
| <b>Financial assets</b>            |  |                    |                           |                              |                            |
| Cash and deposits                  | 0.40%                                  | 3,825              | –                         | 3,825                        | –                          |
| Receivables                        |  |                    |                           |                              |                            |
| Sale of goods and services         | –                                      | 1,952              | 1,730                     | –                            | 222                        |
| Other receivables                  | –                                      | 18                 | –                         | –                            | 18                         |
| <b>Total financial assets</b>      |  | <b>5,795</b>       | <b>1,730</b>              | <b>3,825</b>                 | <b>240</b>                 |
| <b>Financial liabilities</b>       |  |                    |                           |                              |                            |
| Payables                           |  |                    |                           |                              |                            |
| Supplies and services              | –                                      | 1,267              | –                         | –                            | 1,267                      |
| Other payables                     | –                                      | 1,783              | –                         | –                            | 1,783                      |
| Interest bearing liabilities       | 3.19%                                  | 8,440              | 8,440                     | –                            | –                          |
| <b>Total financial liabilities</b> |  | <b>11,490</b>      | <b>8,440</b>              | <b>–</b>                     | <b>3,050</b>               |

| 2016<br>\$'000                     | Weighted<br>average interest<br>rate % | Carrying<br>amount | Fixed<br>interest<br>rate | Variable<br>interest<br>rate | Non<br>interest<br>bearing |
|------------------------------------|--|--------------------|---------------------------|------------------------------|----------------------------|
| <b>Financial assets</b>            |  |                    |                           |                              |                            |
| Cash and deposits                  | 0.40%                                  | 2,176              | –                         | 2,176                        | –                          |
| Receivables                        |  |                    |                           |                              |                            |
| Sale of goods and services         | –                                      | 1,728              | 1,585                     | –                            | 143                        |
| Other receivables                  | –                                      | 18                 | –                         | –                            | 18                         |
| <b>Total financial assets</b>      |  | <b>3,922</b>       | <b>1,585</b>              | <b>2,176</b>                 | <b>161</b>                 |
| <b>Financial liabilities</b>       |  |                    |                           |                              |                            |
| Payables                           |  |                    |                           |                              |                            |
| Supplies and services              | –                                      | 966                | –                         | –                            | 966                        |
| Other payables                     | –                                      | 1,464              | –                         | –                            | 1,464                      |
| Interest bearing liabilities       | 3.34%                                  | 9,190              | 9,190                     | –                            | –                          |
| <b>Total financial liabilities</b> |  | <b>11,620</b>      | <b>9,190</b>              | <b>–</b>                     | <b>2,430</b>               |

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## Interest rate risk sensitivity

| \$'000                                   | Carrying amount | -100 basis points |             | +100 basis points |           |
|--|-----------------|-------------------|-------------|-------------------|-----------|
|  |                 | Net result        | Equity      | Net result        | Equity    |
| <b>2017</b>                              |                 |                   |             |                   |           |
| <b>Contractual financial assets</b>      |                 |                   |             |                   |           |
| Cash and deposits                        | 3,825           | (38)              | (38)        | 38                | 38        |
| Contractual financial assets             | 1,730           | (17)              | (17)        | 17                | 17        |
| <b>Total impact</b>                      | <b>5,555</b>    | <b>(55)</b>       | <b>(55)</b> | <b>55</b>         | <b>55</b> |
| <b>Contractual financial liabilities</b> |                 |                   |             |                   |           |
| Borrowings                               | 8,440           | (84)              | (84)        | 84                | 84        |
| <b>Total impact</b>                      | <b>8,440</b>    | <b>(84)</b>       | <b>(84)</b> | <b>84</b>         | <b>84</b> |
| <b>2016</b>                              |                 |                   |             |                   |           |
| <b>Contractual financial assets</b>      |                 |                   |             |                   |           |
| Cash and deposits                        | 2,176           | (22)              | (22)        | 22                | 22        |
| Contractual financial assets             | 1,585           | (16)              | (16)        | 16                | 16        |
| <b>Total impact</b>                      | <b>3,761</b>    | <b>(38)</b>       | <b>(38)</b> | <b>38</b>         | <b>38</b> |
| <b>Contractual financial liabilities</b> |                 |                   |             |                   |           |
| Borrowings                               | 9,190           | (92)              | (92)        | 92                | 92        |
| <b>Total impact</b>                      | <b>9,190</b>    | <b>(92)</b>       | <b>(92)</b> | <b>92</b>         | <b>92</b> |

## 7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### Contingent assets

The Corporation was not aware of any contingent assets at the time of finalisation of the financial report (2016:\$0).

### Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

|                                | 2017<br>\$'000 | 2016<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Contingent liabilities</b>  |                |                |
| Legal proceedings and disputes | 15             | –              |
|                                | <b>15</b>      | <b>–</b>       |

The Corporation currently has one open legal matter with an estimated financial settlement of \$15k as advised by Russel Kennedy Lawyers acting for and on behalf of Westernport Regional Water Corporation at the time of finalisation of the financial report (2016:\$0).

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## 7.3 Fair value determination

### Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Corporation.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Consistent with AASB 13 *Fair Value Measurement*, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, biological assets and financial instruments and for non-recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

### Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 7.3.1 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Corporation currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2016-17 reporting period.

These financial instruments include:

| Financial assets    | Financial liabilities        |
|---------------------|------------------------------|
| Cash and deposits   | Trade Creditors:             |
| Receivables:        | – For supplies and services  |
| – Trade receivables | – Other payables             |
| – Other receivables | Interest bearing liabilities |

Due to uniqueness and non availability of observable inputs, cash and deposits, trade and other receivables, trade creditors for supplies and services and other payables are categorised under Level 3.

The carrying amounts of these assets and liabilities are assumed to be approximate to their fair values due to the short-term nature.

Interest bearing liabilities- Fair values are based on portfolio report provided by TCV 30 June 2017. TCV values their debts based on observable inputs such as current market rate. Therefore TCV loans categorised under Level 2.

Where the fair value of the financial instrument is different from the carrying amount, the information has been disclosed.

### 7.3.1(a) Fair value of financial instruments measured at amortised cost

|                              | Carrying amount<br>2017<br>\$'000 | Fair value<br>2017<br>\$'000 | Carrying amount<br>2016<br>\$'000 | Fair value<br>2016<br>\$'000 |
|------------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
| <b>Financial liabilities</b> |                                   |                              |                                   |                              |
| Loans from TCV               | 8,440                             | 8,694                        | 9,190                             | 9,641                        |



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## 7.3.2 Fair value determination: Non-financial physical assets

| \$'000  | Carrying amount as at 30 June 2017 | Fair value measurement at end of reporting period using: |                         |                |
|---|------------------------------------|--|-------------------------|----------------|
|   |                                    | Level 1 <sup>(i)</sup>                                   | Level 2 <sup>(ii)</sup> | Level 3        |
| <b>2017</b>   |                                    |  |                         |                |
| Land at fair value                                    |                                    |  |                         |                |
| Non-specialised land                                  | 600                                | –  | 600                     | –              |
| Specialised land                                      | 9,380                              | –  | –                       | 9,380          |
| <b>Total of land at fair value</b>                    | <b>9,980</b>                       | <b>–</b>   | <b>600</b>              | <b>9,380</b>   |
| Buildings at fair value                               |                                    |  |                         |                |
| Non-specialised buildings                             | 2,570                              | –  | 2,570                   | –              |
| Specialised buildings                                 | –                                  | –  | –                       | –              |
| <b>Total of buildings at fair value</b>               | <b>2,570</b>                       | <b>–</b>   | <b>2,570</b>            | <b>–</b>       |
| Plant and equipment at fair value                     |                                    |  |                         |                |
| Plant and equipment                                   | 3,571                              | –  | –                       | 3,571          |
| <b>Total of plant and equipment at fair value</b>     | <b>3,571</b>                       | <b>–</b>   | <b>–</b>                | <b>3,571</b>   |
| Infrastructure at fair value                          |                                    |  |                         |                |
| Infrastructure – water distribution                   | 57,831                             | –  | –                       | 57,831         |
| Infrastructure – water harvesting and major transfers | 37,076                             | –  | –                       | 37,076         |
| Infrastructure – water quality                        | 882                                | –  | –                       | 882            |
| Infrastructure – sewer collection                     | 74,456                             | –  | –                       | 74,456         |
| Infrastructure – sewer treatment and major disposal   | 13,112                             | –  | –                       | 13,112         |
| <b>Total of infrastructure at fair value</b>          | <b>183,358</b>                     | <b>–</b>   | <b>–</b>                | <b>183,358</b> |

Notes:

(i) Classified in accordance with the fair value hierarchy, see Note 7.3

| \$'000  | Carrying amount as at 30 June 2016 | Fair value measurement at end of reporting period using: |                         |                |
|---|------------------------------------|--|-------------------------|----------------|
|   |                                    | Level 1 <sup>(i)</sup>                                   | Level 2 <sup>(ii)</sup> | Level 3        |
| <b>2016</b>   |                                    |  |                         |                |
| Land at fair value                                    |                                    |  |                         |                |
| Non-specialised land                                  | 600                                | –  | 600                     | –              |
| Specialised land                                      | 9,380                              | –  | –                       | 9,380          |
| <b>Total of land at fair value</b>                    | <b>9,980</b>                       | <b>–</b>   | <b>600</b>              | <b>9,380</b>   |
| Buildings at fair value                               |                                    |  |                         |                |
| Non-specialised buildings                             | 2,655                              | –  | 2,655                   | –              |
| <b>Total of buildings at fair value</b>               | <b>2,655</b>                       | <b>–</b>   | <b>2,655</b>            | <b>–</b>       |
| Plant and equipment at fair value                     |                                    |  |                         |                |
| Plant and equipment                                   | 3,792                              | –  | –                       | 3,792          |
| <b>Total of plant and equipment at fair value</b>     | <b>3,792</b>                       | <b>–</b>   | <b>–</b>                | <b>3,792</b>   |
| Infrastructure at fair value                          |                                    |  |                         |                |
| Infrastructure – water distribution                   | 59,624                             | –  | –                       | 59,624         |
| Infrastructure – water harvesting and major transfers | 37,676                             | –  | –                       | 37,676         |
| Infrastructure – water quality                        | 931                                | –  | –                       | 931            |
| Infrastructure – sewer collection                     | 75,956                             | –  | –                       | 75,956         |
| Infrastructure – sewer treatment and major disposal   | 13,568                             | –  | –                       | 13,568         |
| <b>Total of infrastructure at fair value</b>          | <b>187,755</b>                     | <b>–</b>   | <b>–</b>                | <b>187,755</b> |

Notes:

(i) Classified in accordance with the fair value hierarchy, see Note 7.3

There have been no transfers between levels during the period.

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

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

### **Non-specialised land and non-specialised buildings**

Non-specialised land and non-specialised buildings are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

An independent valuation was performed by Norton and Paine to determine fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From this analysis, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2016.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

The Corporation conducted an assessment at 30 June 2017 with no material movement identified since the 30 June 2016 independent valuation.

### **Specialised land**

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

An independent valuation of the Corporation's specialised land was performed by the Valuer General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2016.

The Corporation conducted an assessment at 30 June 2017 with no material movement identified since the 30 June 2016 independent valuation.

### **Plant and equipment**

Plant and equipment has been assessed at fair value Level 3. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

### **Water and sewer infrastructure**

Water and sewer infrastructure are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction includes structure services and finishes as applicable.

An independent valuation of the Corporation's water and sewer infrastructure was carried out by Odysseus – imc on behalf of the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

The Corporation conducted an assessment at 30 June 2017 with no material movement identified since the 30 June 2016 independent valuation.

There were no changes in valuation techniques throughout the period to 30 June 2017. For all assets measured at fair value, the current use is considered the highest and best use.

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for the Year End 30 June 2017

## Reconciliation of Level 3 fair value movements

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

| 2017  | Specialised land | Water distribution | Water harvesting | Water quality | Sewer Collection | Sewer Treatment | Plant and equipment |
|---|------------------|--------------------|------------------|---------------|------------------|-----------------|---------------------|
| <b>Opening balance</b>                            | <b>9,380</b>     | <b>59,624</b>      | <b>37,676</b>    | <b>931</b>    | <b>75,956</b>    | <b>13,568</b>   | <b>3,792</b>        |
| Purchases (sales)                                 | –                | 238                | –                | (3)           | 449              | –               | 465                 |
| Disposal  | –                | –                  | –                | –             | –                | –               | (1)                 |
| Depreciation                                      | –                | (2,030)            | (600)            | (46)          | (1,949)          | (456)           | (685)               |
| <b>Closing balance</b>                            | <b>9,380</b>     | <b>57,831</b>      | <b>37,076</b>    | <b>882</b>    | <b>74,456</b>    | <b>13,112</b>   | <b>3,751</b>        |
| Unrealised gains/(losses) on non financial assets | –                | –                  | –                | –             | –                | –               | –                   |

| 2016  | Specialised land | Water distribution | Water harvesting | Water quality | Sewer Collection | Sewer Treatment | Plant and equipment |
|---|------------------|--------------------|------------------|---------------|------------------|-----------------|---------------------|
| <b>Opening balance</b>                            | <b>9,060</b>     | <b>45,646</b>      | <b>28,843</b>    | <b>713</b>    | <b>69,281</b>    | <b>12,376</b>   | <b>3,402</b>        |
| Purchases (sales)                                 | –                | 1,159              | 634              | 16            | 3,573            | 571             | 1,053               |
| Disposal  | –                | –                  | –                | –             | –                | –               | (39)                |
| Depreciation                                      | –                | (1,500)            | (948)            | (23)          | (2,143)          | (383)           | (624)               |
| <b>Subtotal</b>                                   | <b>9,060</b>     | <b>45,305</b>      | <b>28,529</b>    | <b>706</b>    | <b>70,711</b>    | <b>12,564</b>   | <b>3,792</b>        |
| Revaluation                                       | 320              | 14,319             | 9,147            | 225           | 5,245            | 1,004           | –                   |
| <b>Subtotal</b>                                   | <b>320</b>       | <b>14,319</b>      | <b>9,147</b>     | <b>225</b>    | <b>5,245</b>     | <b>1,004</b>    | <b>–</b>            |
| <b>Closing balance</b>                            | <b>9,380</b>     | <b>59,624</b>      | <b>37,676</b>    | <b>931</b>    | <b>75,956</b>    | <b>13,568</b>   | <b>3,792</b>        |
| Unrealised gains/(losses) on non financial assets | –                | –                  | –                | –             | –                | –               | –                   |

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## Description of significant unobservable inputs to Level 3 valuations

| 2017 and 2016  | \$000's | Valuation technique                   | Significant unobservable inputs   |
|--|---------|---------------------------------------|---|
| <b>Specialised land</b>                              | 9,380   | Market approach                       | Community Service Obligations (CSO)   |
| <b>Infrastructure – Sewer Collection</b>             | 74,456  | Depreciated replacement cost approach | Cost per km (337km)<br>Useful life of the infrastructure                    |
| <b>Infrastructure – Sewer Treatment and Disposal</b> | 13,112  | Depreciated replacement cost approach | Cost per unit (Qty 2 Treatment Plants)<br>Useful life of the infrastructure |
| <b>Infrastructure – Water Distribution</b>           | 57,831  | Depreciated replacement cost approach | Cost per km (425km)<br>Useful life of the infrastructure                    |
| <b>Infrastructure – Water Harvesting</b>             | 37,076  | Depreciated replacement cost approach | Cost per unit (Qty 1 Reservoir)<br>Useful life of the infrastructure        |
| <b>Infrastructure – Water Quality</b>                | 882     | Depreciated replacement cost approach | Cost per unit (Qty 1 Reservoir)<br>Useful life of the infrastructure        |

### 7.3.3 Fair value determination of Biological assets

Biological assets measured at fair value and their categorisation in the fair value hierarchy

| \$'000      | Carrying amount | Fair value measurement at end of reporting period using: |                        |                        |
|-------------|-----------------|--|------------------------|------------------------|
|             |                 | Level 1 <sup>(i)</sup>                                   | Level 2 <sup>(i)</sup> | Level 3 <sup>(i)</sup> |
| <b>2017</b> |                 |  |                        |                        |
| Livestock   | 90              | 90   | –                      | –                      |
| <b>2016</b> |                 |  |                        |                        |
| Livestock   | 90              | 90   | –                      | –                      |

Note:

(i) Classified in accordance with the fair value hierarchy, see Note 7.3.1

There were no changes in valuation techniques throughout the period to 30 June 2017.

For breeding livestock, fair value is based on the amount that could be expected to be received from the disposal of livestock with similar attributes.

An increase or decrease in the fair value of these biological assets is recognised in the consolidated comprehensive operating statement.

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for the Year End 30 June 2017

## 8. Statutory obligations

### Introduction

This section included disclosures in relation to the Corporation's statutory obligations.

### Structure

- 8.1 Tax
  - 8.1.1 Income tax
  - 8.1.2 Deferred tax assets and liabilities
- 8.2 Environmental contribution
  - 8.2.1 Environmental commitments

### 8.1 Tax

#### 8.1.1 Income tax

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 income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

|  | 2017<br>\$'000 | 2016<br>(Restated)<br>\$'000 | 2016 <sup>1</sup><br>(Previously<br>presented)<br>\$'000 |
|--|----------------|------------------------------|--|
| <b>Income statement</b>  |                |                              |  |
| Current income tax expense (paid or payable)   | 1,096          | (259)                        | (259)  |
| Adjustments to prior years <sup>1</sup>  | (272)          | –                            | –  |
| <b>Deferred income tax expense</b>   |                |                              |  |
| Temporary differences  | (813)          | 197                          | 197  |
| Adjustment for over stated deferred tax liability <sup>2</sup>   | –              | (795)                        | –  |
| <b>Income tax reported in the Income Statement</b>   | <b>11</b>      | <b>(857)</b>                 | <b>(62)</b>  |
| <b>Statement of changes in Equity</b>  |                |                              |  |
| Net deferred tax – debited/(credited) directly to equity (refer to Note 8.1.2)                                   | –              | 13,047                       | 13,047   |
| <b>Income tax reported in equity</b>   | <b>–</b>       | <b>13,047</b>                | <b>13,047</b>  |
| <b>Tax reconciliation</b>  |                |                              |  |
| Net result before income tax expense   | 945            | (205)                        | (205)  |
| Tax at the Australian tax rate of 30% (2016: 30%)  | 283            | (62)                         | (62)   |
| Adjustment to prior years – recognition of DTA on additional tax losses <sup>1</sup>                             | (272)          | –                            | –  |
| Adjustment to prior years- correction of overstated deferred tax liability on additional tax losses <sup>2</sup> | –              | (795)                        | –  |
| <b>Income tax on profit before tax</b>   | <b>11</b>      | <b>(857)</b>                 | <b>(62)</b>  |
| <b>Tax expense (income relating to items of other comprehensive income)</b>                                      |                |                              |  |
| Gain/(loss) on revaluation of infrastructure, property, plant and equipment (Note 7.3.2)                         | –              | 13,047                       | 13,047   |

Note:

1. Adjustment to prior year – recognition of DTA on additional tax losses is an adjustment to correct the closing DTA on tax losses to the amount which was recorded in the 30 June 2016 income tax return (tax losses of \$8,9M).
2. Prior year adjustment of \$0.795m for correction of overstated DTL error recorded in 30 June 2016.

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for the Year End 30 June 2017

## 8.1.2 Deferred tax assets and liabilities

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

### Deferred tax assets

|   | 2017<br>\$'000 | 2016<br>(Restated)<br>\$'000 | 2016 <sup>1</sup><br>(Previously<br>presented)<br>\$'000 |
|---|----------------|------------------------------|--|
| <b>Amounts recognised in Comprehensive Operating Statement</b>  |                |                              |  |
| Doubtful debts  | 55             | 55                           | 55   |
| Unearned revenue  | 390            | 332                          | 332  |
| Employee benefits   | 473            | 486                          | 486  |
| Project costs   | 515            | 525                          | 522  |
| Business related costs  | 14             | 29                           | 29   |
| Tax losses  | 1,585          | 2,409                        | 2,361  |
| <b>Total deferred tax assets</b>                                | <b>3,032</b>   | <b>3,836</b>                 | <b>3,785</b>   |
| <b>Movements</b>  |                |                              |  |
| <b>Opening balance at 1 July</b>                                | <b>3,836</b>   | <b>3,524</b>                 | <b>3,527</b>   |
| Credited to the Comprehensive Operating Statement               | 20             | 312                          | 309  |
| Increase in DTA to recognise additional tax losses from 30 June | 272            | –                            | –  |
| Decrease in DTA for utilisation of tax losses                   | (1,096)        | –                            | –  |
| <b>Closing balance at 30 June</b>                               | <b>3,032</b>   | <b>3,836</b>                 | <b>3,836</b>   |
| Deferred tax asset to be recovered after more than 12 months    | 813            | 818                          | 816  |
| Deferred tax asset to be recovered within than 12 months        | 633            | 608                          | 608  |
| Tax losses  | 1,585          | 2,409                        | 2,361  |
| <b>Ending balance at 30 June</b>                                | <b>3,032</b>   | <b>3,836</b>                 | <b>3,785</b>   |

### Deferred tax liabilities

|  | 2017<br>\$'000  | 2016<br>(Restated)<br>\$'000 | 2016 <sup>1</sup><br>(Previously<br>presented)<br>\$'000 |
|--|-----------------|------------------------------|--|
| <b>Amounts recognised in Comprehensive Operating Statement</b>     |                 |                              |  |
| Depreciation   | (36,082)        | (36,875)                     | (37,571)   |
| Other deferred tax liabilities                                     | –               | –                            | (48)   |
| Other deferred tax liabilities (FBT)                               | (3)             | (3)                          | (3)  |
| <b>Total deferred tax liabilities</b>                              | <b>(36,085)</b> | <b>(36,878)</b>              | <b>(37,622)</b>  |
| <b>Movements</b>   |                 |                              |  |
| <b>Opening balance at 1 July</b>                                   | <b>(36,878)</b> | <b>(28,291)</b>              | <b>(28,291)</b>  |
| Credited to the net result   | 796             | 3,670                        | 3,716  |
| Debited to other comprehensive income                              | –               | (13,407)                     | (13,047)   |
| <b>Closing balance at 30 June</b>                                  | <b>(36,085)</b> | <b>(37,688)</b>              | <b>(37,622)</b>  |
| Realignment of deferred tax liability to general ledger            | –               | 790                          | –  |
| <b>Adjusted closing balance at 30 June</b>                         | <b>(36,085)</b> | <b>(37,688)</b>              | <b>(37,622)</b>  |
| Deferred tax liabilities to be recovered after more than 12 months | (36,082)        | (36,875)                     | (37,619)   |
| Deferred tax liabilities to be recovered within 12 months          | (3)             | (3)                          | (3)  |
| <b>Ending balance at 30 June</b>                                   | <b>(36,085)</b> | <b>(36,878)</b>              | <b>(37,622)</b>  |

Note:

1. Prior year adjustment restated for overstated deferred tax liability due to incorrect tax written down values of buildings, plant & equipment, furniture, intangibles and work in progress (WIP) for 2016. Refer to Note 9.8.

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for the Year End 30 June 2017

## 8.2 Environmental contribution

|                                 | 2017<br>\$'000 | 2016<br>\$'000 |
|---------------------------------|----------------|----------------|
| Environmental contribution levy | 794            | 794            |

Environmental contributions are funds collected from water supply authorities under the *Water Industry Act 1994* (the Act). Under a 2004 amendment to the Act, environmental contributions are collected to fund initiatives that seek to promote the sustainable management of water or address adverse water-related environmental impacts.

The Victorian Government has committed to a fourth round or ('tranche') of the environmental contribution. The four-year tranche commenced on 1 July 2016. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 July 2016 to 30 June 2020 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation.

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

The Corporation has a statutory obligation to pay an environmental contribution to the Department of Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred.

### 8.2.1 Environmental commitments

At 30 June 2017, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

| \$'000                                      | Less than<br>1 year | Between<br>1 and 5 years | Over<br>5 years | Total        |
|---|---------------------|--------------------------|-----------------|--------------|
| <b>2017</b>                                 |                     |                          |                 |              |
| Environmental contribution levy commitments | 794                 | 1,588                    | –               | 2,352        |
| <b>Total commitments (inclusive of GST)</b> | <b>794</b>          | <b>1,588</b>             | <b>–</b>        | <b>2,352</b> |
| Less GST recoverable                        | –                   | –                        | –               | –            |
| <b>Total commitments (exclusive of GST)</b> | <b>794</b>          | <b>1,588</b>             | <b>–</b>        | <b>2,352</b> |

## 9. Other disclosures

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

### Structure

- 9.1 Equity
  - 9.1.1 Contributed capital
  - 9.1.2 Asset revaluation surplus
  - 9.1.3 Accumulated surplus/(deficit)
- 9.2 Events occurring after the balance date
- 9.3 Remuneration of executives
- 9.4 Responsible persons
- 9.5 Remuneration of auditors
- 9.6 Related parties
- 9.7 Ex-gratia expense
- 9.8 Correction of prior period error
- 9.9 Australian Accounting Standards issued that are not yet effective

# Financial Statements

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## 9.1 Equity

### 9.1.1 Contributed capital

|                            | 2017<br>\$'000 | 2016<br>\$'000 |
|----------------------------|----------------|----------------|
| <b>Contributed capital</b> |                |                |
| Balance 1 July 2016        | 51,323         | 51,323         |
| Capital contributions      | –              | –              |
| <b>Balance 30 June</b>     | <b>51,323</b>  | <b>51,323</b>  |

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Corporation.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

### 9.1.2 Asset revaluation surplus

|                | 2017<br>\$'000 | 2016<br>\$'000 |
|----------------|----------------|----------------|
| Land           | 1,128          | 1,128          |
| Buildings      | 843            | 843            |
| Infrastructure | 51,435         | 51,435         |
|                | 53,406         | 53,406         |

| \$'000                                       | Land         | Buildings  | Infrastructure | Total         |
|--|--------------|------------|----------------|---------------|
| <b>Movements during the reporting period</b> |              |            |                |               |
| Opening balance                              | 1,128        | 843        | 51,435         | 53,406        |
| Revaluation increment/(decrement)            | –            | –          | –              | –             |
| <b>Closing balance</b>                       | <b>1,128</b> | <b>843</b> | <b>51,435</b>  | <b>53,406</b> |

### 9.1.3 Accumulated surplus/ (deficit)

|  | 2017<br>\$'000 | 2016<br>\$'000 |
|--|----------------|----------------|
| <b>Accumulated surplus/(deficit)</b>                           |                |                |
| Accumulated surplus at beginning of financial year             | 60,998         | 60,346         |
| Net profit for the year  | 934            | 652            |
| <b>Accumulated surplus/ (deficit) at end of financial year</b> | <b>61,932</b>  | <b>60,998</b>  |

## 9.2 Events occurring after the balance date

Ross Ingram submitted his resignation as Manager Finance, Chief Financial Officer effective from 31 July 2017. Kathy Hawke accepted the position of Manager Finance, Chief Financial Officer effective 14 August 2017.

There are no other matters or circumstances that have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation however future financial years may be impacted by the approval from Essential Services Commission of the regulatory 5 year pricing submission anticipated in the 2017/18 FY.



## 9.3 Remuneration of executives

The number of executive officers, other than the minister and accountable officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

| Remuneration   | Total remuneration |                     |
|--|--------------------|---------------------|
|  | 2017               | 2016 <sup>(i)</sup> |
| Short-term employee benefits                               | 411                | –                   |
| Post-employment benefits                                   | 43                 | –                   |
| Other long-term benefits                                   | –                  | –                   |
| Termination benefits                                       | –                  | –                   |
| <b>Total remuneration<sup>(a)(b)</sup></b>                 | <b>454</b>         | <b>–</b>            |
| <b>Total number of executives</b>                          | <b>3</b>           | <b>–</b>            |
| <b>Total annualised employee equivalents<sup>(c)</sup></b> | <b>2.9</b>         | <b>–</b>            |

Notes:

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

(b) The total number of executive officers includes some persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.6).

(c) Annualised employee equivalent is based on the time fraction worked over the reporting period.

## 9.4 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

The persons who held the positions of minister and accountable officer in the Corporation are as follows:

| Name                     | Title                                   | Period of appointment         |
|--------------------------|---|-------------------------------|
| The Hon. Lisa Neville MP | Minister for Water                      | 1 July 2016 to 30 June 2017   |
| Mr Roland Lindell        | Board & Risk Governance Committee Chair | 1 July 2016 to 30 June 2017   |
| Ms Jennifer Acton        | Deputy Chair                            | 1 July 2016 to 30 June 2017   |
| Mr Peter Quigley         | Managing Director                       | 1 July 2016 to 30 June 2017   |
| Mr John Duscher JP       | Director                                | 1 July 2016 to 30 June 2017   |
| Dr Emma Connell          | Director                                | 1 July 2016 to 30 June 2017   |
| Mr Rueben Berg           | Director                                | 1 July 2016 to 30 June 2017   |
| <b>Resignations</b>      |   |                               |
| Ms Barbara Wagstaff      | Director                                | 1 July 2016 to 15 August 2016 |
| Ms Carol Pagnon          | Director                                | 1 July 2016 to 13 April 2017  |

### Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Corporation during the reporting period was in the range: \$220k– \$239k (\$200k – \$209k in 2015-16).

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for the Year End 30 June 2017

## 9.4 Responsible persons (continued)

### Annualised total salary, by \$10 000 bands, for executives and other senior non-executive staff

| Income band (salary)  | 2017     | 2016      |
|-----------------------|----------|-----------|
| \$0 – \$9,999         | 2        | 2         |
| \$10,000 – \$19,999   | –        | 4         |
| \$20,000 – \$29,999   | 5        | 3         |
| \$30,000 – \$39,999   | –        | –         |
| \$40,000 – \$49,999   | 1        | 1         |
| \$120,000 – \$129,999 | –        | 1         |
| \$200,000 – \$209,999 | –        | 1         |
| \$220,000 – \$229,999 | 1        | –         |
| <b>TOTAL</b>          | <b>9</b> | <b>12</b> |

## 9.5 Remuneration of auditors

|   | 2017<br>\$'000 | 2016<br>\$'000 |
|---|----------------|----------------|
| <b>Victorian Auditor General's Office</b> |                |                |
| Audit of financial statements             | 30             | 39             |
| <b>Other non-audit services</b>           |                |                |
| Other non audit services <sup>(i)</sup>   | 105            | 106            |
| <b>Total remuneration of auditors</b>     | <b>135</b>     | <b>145</b>     |

(i) The Victorian Auditor General's Office is not allowed to provide non-audit services

## 9.6 Related parties

Related parties of the Corporation include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

### Significant transactions with government-related entities

The Corporation did not receive funding or perform any significant transactions from government related entities (2016:\$0).

During the year, the following government-related entity transactions occurred:

| Government related entity                          | Nature of transaction           | 2017<br>\$'000 |
|--|---------------------------------|----------------|
| Department of Environment, Land and Water Planning | Environmental Contribution Levy | 794            |
| Treasury Corporation Victoria                      | Interest from borrowings        | 263            |
| Department of Treasury and Finance                 | Financial Accommodation Levy    | 87             |
| State Revenue Office                               | Payroll Tax                     | 315            |
| Treasury Corporation Victoria                      | Secured borrowings              | 8,440          |
| Department of Health and Human Services            | Customer Rebates                | 486            |
| <b>Total</b>                                       |                                 | <b>10,385</b>  |

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for the Year End 30 June 2017

## 9.6 Related parties (continued)

### Key management personnel

Key management personnel of the Corporation includes:

| Name                     | Title                                |
|--------------------------|--------------------------------------|
| The Hon. Lisa Neville MP | Minister for Water                   |
| Mr Roland Lindell        | Board & RGC Chair                    |
| Ms Jennifer Acton        | Deputy Chair                         |
| Mr Peter Quigley         | Managing Director                    |
| Mr John Duscher JP       | Director                             |
| Dr Emma Connell          | Director                             |
| Mr Rueben Berg           | Director                             |
| Ms Barbara Wagstaff      | Director (resigned 15 August 2016)   |
| Ms Carol Pagnon          | Director (resigned 13 April 2017)    |
| Mr Paul Donohue          | General Manager Assets & Operations  |
| Mr Gareth Kennedy        | General Manager Customer & Community |
| Lisa Caldwell            | General Manager Corporate & People   |

| Compensation of KMPs <sup>1</sup> | 2017<br>\$'000 | 2016<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Short-term employee benefits      | 771            | 305            |
| Post-employment benefits          | 73             | 33             |
| Other long-term benefits          | –              | –              |
| Termination benefits              | –              | –              |
| <b>Total</b>                      | <b>843</b>     | <b>338</b>     |

Notes:

1. Note that GM's are also reported in the disclosure of remuneration of executive officers (Note 9.3).

### Transactions with key management personnel and other related parties

Given the breadth and depth of Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

All transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluation decisions about the allocation of scarce resources.

## 9.7 Ex gratia expense

The Corporation is not aware of any ex gratia expenses at the time of finalising the annual report (2016:\$0).

# Financial Statements

for the Year End 30 June 2017

## 9.8 Correction of prior period error

The Corporation has identified a prior period error which is explained below and has since been adjusted for and restated in each of the effected Financial Statements for the 2016 financial year as shown in the tables below.

### 9.8.1 Comprehensive Operating Statement – Income Tax Error

During the 2015-16 financial year, the Corporation made an error in calculating deferred tax liability. This resulted in the overstating of the deferred tax liability and understating of the income tax expense/(revenue), consequently understating the net results for the period and the comprehensive result by \$0.795M for the year ended 30 June 2016. This error also had the effect of understating the accumulated surplus for the year ended 30 June 2016 by \$0.795M.

|  | Notes | 2017<br>\$'000 | 2016<br>(Restated)<br>\$'000 | 2016<br>(Previously<br>presented)<br>\$'000 |
|--|-------|----------------|------------------------------|---|
| <b>Revenue</b>   |       |                |                              |   |
| Service charges  | 2.2.1 | 16,067         | 15,636                       | 15,636                                      |
| Water usage charges                                      | 2.2.1 | 4,019          | 3,817                        | 3,817                                       |
| Interest income  | 2.2.2 | 54             | 57                           | 57  |
| Developer contributions                                  | 2.2.3 | 1,261          | 1,151                        | 1,151                                       |
| Net gain/(loss) on disposal of non-financial assets      | 4.1.4 | 133            | 135                          | 135   |
| Other income   | 2.2.4 | 619            | 401                          | 401   |
| <b>Total Revenue</b>                                     |       | <b>22,153</b>  | <b>21,198</b>                | <b>21,198</b>                               |
| <b>Expenses</b>  |       |                |                              |   |
| Depreciation and impairment                              | 4.1.1 | 6,132          | 5,689                        | 5,689                                       |
| Amortisation   | 4     | 386            | 428                          | 428   |
| Employee benefits  | 3.2.1 | 6,871          | 6,916                        | 6,916                                       |
| Repairs and maintenance expense                          | 3     | 718            | 775                          | 775   |
| Environmental Contributions                              | 8     | 794            | 794                          | 794   |
| Interest   | 6.1.2 | 350            | 431                          | 431   |
| Other expenses   | 3     | 5,957          | 6,370                        | 6,370                                       |
| <b>Total expenses</b>                                    |       | <b>21,208</b>  | <b>21,403</b>                | <b>21,403</b>                               |
| <b>Net result before tax</b>                             |       | <b>945</b>     | <b>(205)</b>                 | <b>(205)</b>                                |
| Income tax expense/(revenue)                             | 8.1.1 | 11             | (857)                        | (62)  |
| <b>Net result for the period</b>                         |       | <b>934</b>     | <b>652</b>                   | <b>(143)</b>                                |
| <b>Other comprehensive income</b>                        |       |                |                              |   |
| <i>Items that will not be reclassified to net result</i> |       |                |                              |   |
| Change in asset revaluation surplus                      | 9.1.2 | –              | 30,443                       | 30,443                                      |
| Income tax relating to these items                       | 8.1.1 | –              | (9,133)                      | (9,133)                                     |
| <b>Total comprehensive income for the period</b>         |       | <b>–</b>       | <b>21,310</b>                | <b>21,310</b>                               |
| <b>Comprehensive result</b>                              |       | <b>934</b>     | <b>21,962</b>                | <b>21,167</b>                               |

# Financial Statements

for the Year End 30 June 2017

## 9.8 Correction of prior period error (continued)

### 9.8.2 Balance Sheet

|   | Notes | 2017<br>\$'000 | 2016<br>(Restated)<br>\$'000 | 2016<br>(Previously<br>presented)<br>\$'000 |
|---|-------|----------------|------------------------------|---|
| <b>Current assets</b>                         |       |                |                              |   |
| Cash and cash equivalents                     | 6.2   | 3,825          | 2,176                        | 2,176                                       |
| Receivables                                   | 5.1   | 2,247          | 2,131                        | 2,131                                       |
| Inventories                                   | 5.3   | 346            | 380                          | 380   |
| Biological Assets – Cattle held for sale      | 4.2   | 90             | 90                           | 90  |
| Prepayments                                   | 5.4   | 173            | 130                          | 130   |
| <b>Total current assets</b>                   |       | <b>6,681</b>   | <b>4,907</b>                 | <b>4,907</b>                                |
| <b>Non-current assets</b>                     |       |                |                              |   |
| Receivables                                   | 5.1   | 58             | 55                           | 55  |
| Infrastructure, property, plant and equipment | 4.1.2 | 206,460        | 206,275                      | 206,275                                     |
| Intangible assets                             | 4.3   | 813            | 1,481                        | 1,481                                       |
| <b>Total non-current assets</b>               |       | <b>207,331</b> | <b>207,811</b>               | <b>207,811</b>                              |
| <b>TOTAL ASSETS</b>                           |       | <b>214,012</b> | <b>212,718</b>               | <b>212,718</b>                              |
| <b>LIABILITIES</b>                            |       |                |                              |   |
| <b>Current liabilities</b>                    |       |                |                              |   |
| Payables                                      | 5.2   | 4,280          | 3,142                        | 3,142                                       |
| Interest bearing liabilities                  | 6.1   | 1,250          | 2,250                        | 2,250                                       |
| Employee benefits                             | 3.2.2 | 1,411          | 1,364                        | 1,364                                       |
| <b>Total current liabilities</b>              |       | <b>6,941</b>   | <b>6,754</b>                 | <b>6,754</b>                                |
| <b>Non-current liabilities</b>                |       |                |                              |   |
| Interest bearing liabilities                  | 6.1   | 7,190          | 6,940                        | 6,940                                       |
| Employee benefits                             | 3.2.2 | 167            | 255                          | 255   |
| Deferred tax liabilities                      | 8.1.2 | 33,053         | 33,042                       | 33,837                                      |
| <b>Total non-current liabilities</b>          |       | <b>40,410</b>  | <b>40,237</b>                | <b>41,032</b>                               |
| <b>TOTAL LIABILITIES</b>                      |       | <b>47,351</b>  | <b>46,991</b>                | <b>47,786</b>                               |
| <b>NET ASSETS</b>                             |       | <b>166,661</b> | <b>165,727</b>               | <b>164,932</b>                              |
| <b>EQUITY</b>                                 |       |                |                              |   |
| Contributed capital                           | 9.1.1 | 51,323         | 51,323                       | 51,323                                      |
| Asset Revaluation Reserves                    | 9.1.2 | 53,406         | 53,406                       | 53,406                                      |
| Accumulated surplus/(deficit)                 | 9.1.3 | 61,932         | 60,998                       | 60,203                                      |
| <b>TOTAL EQUITY</b>                           |       | <b>166,661</b> | <b>165,727</b>               | <b>164,932</b>                              |

# Financial Statements

for the Year End 30 June 2017

## 9.8 Correction of prior period error (continued)

### 9.8.3 Statement of Changes in Equity

|  | Contributed<br>Capital<br>\$'000 | Asset<br>Revaluation<br>Surplus<br>\$'000 | Accumulated<br>surplus/<br>(deficit)<br>Restated<br>\$'000 | Accumulated<br>surplus/<br>(deficit)<br>Previously<br>presented<br>\$'000 |
|--|----------------------------------|---|--|---|
| <b>Balance at 1 July 2015</b>                  | <b>51,323</b>                    | <b>32,096</b>                             | <b>60,346</b>  | <b>60,346</b>   |
| <b>Total comprehensive income for the year</b> |                                  |   |  |   |
| Net result for the period:                     | -                                | -   | 652  | (143)   |
| Infrastructure revaluation (net of tax):       | -                                | 21,310                                    | -  | -   |
| <b>Total comprehensive income for the year</b> | <b>-</b>                         | <b>21,310</b>                             | <b>652</b>   | <b>(143)</b>  |
| <b>Balance at 30 June 2016</b>                 | <b>51,323</b>                    | <b>53,406</b>                             | <b>60,998</b>  | <b>60,203</b>   |
| Net result for the period:                     | -                                | -   | 934  | 934   |
| Total comprehensive income for the period:     | -                                | -   | 934  | 934   |
| <b>Balance at 30 June 2017</b>                 | <b>51,323</b>                    | <b>53,406</b>                             | <b>61,932</b>  | <b>61,137</b>   |

## 9.9 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

| Topic  | Key requirements  | Effective date | Effective date for the entity | Estimated impact  |
|--|---|----------------|-------------------------------|---|
| AASB 9 <i>Financial Instruments</i>                  | The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.   | 1 January 2018 | 1 July 2018                   | These amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. There will also be a change to the way financial instruments are disclosed.                              |
| AASB 15 <i>Revenue from Contracts with Customers</i> | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. | 1 January 2018 | 1 July 2018                   | This change to revenue recognition may result in changes to the timing and amount of revenue recorded in the financial statements. Additional disclosures on service revenue and contract modifications will be required. |

| Topic  | Key requirements  | Effective date | Effective date for the entity | Estimated impact  |
|--|---|----------------|-------------------------------|---|
| AASB 16 <i>Leases</i>                              | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.   | 1 January 2019 | 1 July 2019                   | As most operating leases will appear on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors. |
| AASB 1058 <i>Income of Not-for-Profit Entities</i> | This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. | 1 January 2019 | 1 July 2019                   | Revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations will now be deferred and recognised as performance obligations are satisfied. This will result in recognition of revenue timing changes.   |

The following accounting pronouncements are also issued but not effective for the 2016-17 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-2 Amendments to Australian Accounting Standards

Notes:

For the current year, given the number of consequential amendments to AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming change.

## Westernport Region Water Corporation Statutory Certification

The attached financial statements for the Westernport Region Water Corporation have been prepared in accordance with Standing Directions 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including 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 accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of the Corporation at 30 June 2017.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on the 28th day of September 2017.



**Roland Lindell**  
Chairperson  
Westernport Water



**Peter Quigley**  
Managing Director  
Westernport Water



**Kathy Hawke**  
Chief Finance Officer  
Westernport Water

Dated this 28th day of September 2017



## Independent Auditor's Report

### To the Board of the Westernport Region Water Corporation

|  |   |
|--|---|
| <b>Opinion</b>   | <p>I have audited the financial report of the Westernport Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2017</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements</li> <li>• statutory certification.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>  |
| <b>Basis for Opinion</b>                                 | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>                                |
| <b>Other information</b>                                 | <p>The Board of the corporation are responsible for the Other Information, which comprises the information in the corporation's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p> |
| <b>Board's responsibilities for the financial report</b> | <p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p>  |



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**Board's responsibilities for the financial report (continued)**

In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

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**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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MELBOURNE  
10 October 2017



Roberta Skliros  
*as delegate for the Auditor-General of Victoria*

# 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.

## Ministerial Directions & Financial Reporting Directions

| Legislation                                    | Requirement   | Page ref. | Legislation  | Requirement  | Page ref. |
|--|---|-----------|--|--|-----------|
| <b>FRDs affecting the Report of Operations</b> |   |           | <b>Financial Statements</b>  |  |           |
| FRD 22H  | Standard disclosures in Report of Operations                                    |           | FRD 11A  | Disclosure of Ex-gratia Expenses   | 81        |
|  | Manner of establishment and the relevant Ministers                              | 1         | FRD 21C  | Responsible Person and Executive Officer Disclosures in the Financial Report           | 79        |
|  | Purpose, powers, functions and duties   | 1         | FRD 26B  | Accounting for Vicfleet motor vehicle lease arrangements                               | 53        |
|  | Nature and range of services provided   | 1         | FRD 102A   | Inventories  | 61        |
| FRD 8D   | Performance against output performance measures                                 | 33        | FRD 103F   | Non Financial Physical Assets  | 51        |
| FRD 10A  | Disclosure index  | 88        | FRD 105B   | Borrowing Costs  | 63        |
| FRD 12B  | Disclosure of major contracts   | 30        | FRD 106A   | Impairment of Assets   | 53        |
| FRD 15D  | Executive officer disclosures   | 16        | FRD 109A   | Intangible Assets  | 56        |
| FRD 21C  | Disclosure of responsible persons and executive officers                        | 16        | FRD 110A   | Cash Flow Statements   | 42        |
| <b>Financial and other information</b>         |   |           | FRD 112D   | Defined Benefits Superannuation Obligations  | 48        |
| FRD 22H  | Major changes or factors affecting performance                                  | 5         | FRD 114B   | Financial Instruments  | 67        |
|  | Subsequent events   | 5         | FRD 116A   | Financial Instruments-PFCs   | 69        |
|  | Operational and budgetary objectives and performance against objectives         | 5         | FRD 120K   | Accounting and Reporting pronouncements  | 83        |
|  | Summary of the financial results for the year                                   | 4         | <b>Standing Directions</b>   |  |           |
|  | Significant changes in financial position during the year                       | 5         | SD 5.1.4   | Attestation for compliance with Ministerial Standing Directions                        | 2         |
|  | Key Initiatives and Projects  | 8         | SD 5.2   | Specific requirements under SD 5.2   | –         |
|  | Organisational structure  | 10        | SD 5.2.1 (a)   | Compliance with Australian accounting standards and other authoritative pronouncements | 35        |
|  | Employment and conduct principles   | 14        | SD 5.2.1 (a)   | Compliance with Ministerial Directions   | 35, 84    |
|  | Occupational health and safety policy   | 16        | SD 5.2.2   | Declaration in Financial Statements  | 84        |
|  | Application and operation of <i>Freedom of Information Act 1982</i>             | 31        | SD 5.2.2 (b)   | Compliance with Model Financial Report   | 35        |
|  | Application and operation of <i>Protected Disclosure 2012</i>                   | 32        | SD 5.2.3   | Declaration in Report of Operations  | 2         |
|  | Compliance with building and maintenance provisions of <i>Building Act 1993</i> | 31        | <b>Legislation</b>   |  |           |
|  | Statement on National Competition Policy  | 31        | <i>Aboriginal Heritage Act 2006</i>                                  |  | 27        |
|  | Application and operation of the <i>Carers Recognition Act 1982</i>             | 32        | <i>Building Act 1993</i>   |  | 31        |
|  | Statement of availability of other information on request                       | 32        | <i>Carers Recognition Act 2012</i>                                   |  | 31        |
|  | Details of consultancies over \$10,000  | 30        | <i>Environment Protection and Biodiversity Conservation Act 1999</i> |  | 32        |
|  | Details of consultancies under \$10,000   | 30        | <i>Financial Management Act 1994</i>                                 |  | 43        |
|  | Disclosure of ICT expenditure   | 31        | <i>Freedom of Information Act 1982</i>                               |  | 31        |
|  | Disclosure of Government advertising expenditure                                | 30        | <i>Information Privacy Act 2000</i>                                  |  | 31        |
| FRD 24C  | Office-based Environmental Data Impacts   | 28        | <i>Protected Disclosure Act 2012</i>                                 |  | 32        |
| FRD 25C  | Local Jobs First – Victorian Industry Participation Policy                      | 30        | <i>Public Administration Act 2004</i>                                |  | 14        |
| FRD 27C  | Presentation and Reporting of Performance Information                           | 33        | <i>Safe Drinking Water Act 2003</i>                                  |  | 20        |
| FRD 29B  | Workforce Data Disclosures  | 15        | <i>Victorian Industry Participation Policy Act 2003</i>              |  | 30        |
| FRD 30D  | Standard requirements for the publication of Annual Reports                     | –         | <i>Water Act 1989</i>  |  | 1         |
|  |   |           | <i>Water Industry (Governance) Act 2006</i>                          |  | 1         |
|  |   |           | <i>Water Industry Act 1994</i>                                       |  | 1         |
| <b>MRDs</b>                                    |   |           |  |  |           |
| MRD 01   | Performance reporting   | 33        |  |  |           |
| MRD 02   | Reporting on water consumption and drought response                             | 19        |  |  |           |
| MRD 03   | Environment and social sustainability reporting                                 | 23        |  |  |           |
| MRD 04   | Disclosure of information on bulk entitlements                                  | 21        |  |  |           |
| MRD 05   | Annual reporting of major non-residential major water users                     | 20        |  |  |           |

| Terms   | Meaning   |
|---------|---|
| AAS     | Australian Accounting Standards                     |
| ANCOLD  | Australian and New Zealand Committee On Large Dams  |
| ARC     | Audit and Risk Committee                            |
| AS/NZS  | Australian and New Zealand Standard                 |
| AWA     | Australian Water Association                        |
| CAG     | Customer Advisory Group                             |
| CCS     | Climate Change Strategy                             |
| CFAO    | Chief Finance and Accountable Officer               |
| CHMP    | Cultural Heritage Management Plan                   |
| CRSWS   | Central Region Sustainable Water Strategy           |
| CUP     | Candowie Reservoir Upgrade Project                  |
| CWWTP   | Cowes Waste Water Treatment Plant                   |
| DoH     | Department of Health                                |
| DELWP   | Department of Environment, Land, Water and Planning |
| DIP     | Diversity and Inclusion Plan                        |
| DPCD    | Department of Planning and Community Development    |
| DTF     | Department of Treasury and Finance                  |
| EIP     | Environmental Improvement Plan                      |
| EMLO    | Emergency Management Liaison Officer                |
| EMS     | Emergency Management System                         |
| EOFY    | End of Financial Year                               |
| EMP     | Environmental Management Plan                       |
| EPA     | Environment Protection Authority                    |
| ESC     | Essential Services Commission                       |
| EWOV    | Energy and Water Ombudsman Victoria                 |
| FOI     | Freedom of Information                              |
| FRD     | Financial Reporting Direction                       |
| GGE     | Greenhouse Gas Emissions                            |
| GIS     | Geospatial Information System                       |
| HSR's   | Health and Safety Representatives                   |
| ICT     | Information Communications Technology               |
| IBWPP   | Ian Bartlett Water Purification Plant               |
| ISSN    | International Standard Serial Number                |
| KRWWTTP | King Road Waste Water Treatment Plant               |
| MRD     | Ministerial Reporting Direction                     |
| MSDS    | Material Safety Data Sheet                          |

| Terms    | Meaning  |
|----------|--|
| NPS      | Net Promoter Score                               |
| OHS      | Occupational Health and Safety                   |
| OHSMS    | Occupational Health and Safety Management System |
| OIP      | Organisational Improvement Plan                  |
| PICO     | Phillip Island Community Orchard                 |
| PMT      | Project Management Team                          |
| PRGC     | People Remuneration and Governance Committee     |
| PSC      | Project Steering Committee                       |
| RAP      | Reconciliation Action Plan                       |
| SCADA    | Supervisory Control and Data Acquisition         |
| SD       | Standing Direction                               |
| SEPP     | State Environment Protection Policy              |
| SoO      | Statement of Obligations                         |
| SPS      | Sewer Pump Station                               |
| TYWU     | Target Your Water Use                            |
| UWS      | Urban Water Strategy                             |
| VWES     | Victorian Water Efficiency Strategy              |
| WaterMAP | Water Management Action Plan                     |
| WSAA     | Water Services Association of Australia          |
| WSDS     | Water Supply Demand Strategy                     |
| WoV      | Waters of Victoria                               |

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

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2 Boys Home Road Newhaven Vic 3925

Telephone **1300 720 711**

Fax (03)5956 4101

Email [\*\*westport@westernportwater.com.au\*\*](mailto:westport@westernportwater.com.au)

Web [\*\*www.westernportwater.com.au\*\*](http://www.westernportwater.com.au)

ABN 63 759 106 755

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