



Westernport Water
Annual Report

2015
2016



WESTERNPORT
WATER™

Contents

Report of Operations

About Us
Managing Director and Chairperson's Report
Financial Review
Key Projects and Initiatives
Operational Highlights
Governance
Our People – Workforce Data
Water Consumption and Drought Response
Environment and Social Sustainability

1	Other Disclosures	28
1	Risk Management Attestation	29
2	2015-16 Performance Report	30
3	Certification of Performance Report for 2015-16	33
5	VAGO	34
6	Financial Statements	36
8	Westernport Region Water Corporation	
11	Statutory Certification	79
15	VAGO Financial Audit Report	80
19	Disclosure Index	83

Westernport Water is an efficient water corporation consistently providing cost-effective, safe and reliable products and services to the communities we serve, today and tomorrow.



About us

Westernport Region Water 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 service region. Westernport Water services 19,301 permanent customers and over 100,000 visitors during peak periods. The service area covers 300 square kilometres encompassing Phillip Island, San Remo and the Western Port district from The Gurdies to Archies Creek. The Corporation acknowledges it operates and manages water resources on the traditional lands of the Boonwurrung peoples.

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 2015-16 reporting period was:

from 1 July 2015 to 22 May 2016,
the Hon. Lisa Neville MP, Minister for Environment, Climate Change and Water; and

from 23 May 2016 to 30 June 2016,
the Hon. Lisa Neville MP, Minister for Water

Purpose and functions

The primary function of Westernport Water is to provide water and wastewater services to communities throughout the Phillip Island and the Western Port districts.

Water sources include Tennent Creek, the Bass River, groundwater bores in the Corinella groundwater management area and desalinated water is also available if required. Raw water is treated at the Ian Bartlett Water Purification Plant (IBWPP) located at Candowie Reservoir. Water is pumped to mainland townships as well as the San Remo Basin, for distribution to San Remo and Phillip Island communities, with total customer demand of 2,039 megalitres (ML) in 2015-16.

Wastewater services are provided to approximately 90 percent of properties that receive water services. Westernport Water has two wastewater treatment plants, which together processed 1,331ML of domestic wastewater in 2015-16. In total, 22 percent or 295ML of treated effluent collected by the Corporation was reused in 2015-16. An additional 53ML of the effluent collected is treated under an agreement with South Gippsland Water, which provides wastewater services on behalf of the Corporation for the townships of Kilcunda and Dalyston at its Wonthaggi treatment plant.

Westernport Water provides the following additional services:

- The production and sale of class-A recycled water for residential, commercial and agricultural purposes.
- 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 land application.
- Catchment programs aimed at improving water quality.

Statement of Obligations (SoO) was issued by the Victorian Minister for Environment Climate Change and 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 and the exercising of its powers.



Left: Peter Quigley, Managing Director. Right: Roland Lindell, Chair of the Board.

Managing Director and Chairperson's Report

We are pleased to present the Chair & Managing Director report as part of the Westernport Water 2015-16 Annual Report.

It has been another extremely busy and very productive year for the Corporation, exceeding expectations in terms of service delivery and performance of our water and wastewater treatment operations. Financial performance remains strong, ensuring retention of the Corporation's AA credit rating.

The appointment of new Board members in October 2015, together with the commencement of a new Managing Director provided renewed energy for the Corporation and built on significant achievements of recent years. The service of retiring Board Members the Hon. Geoff Coleman, Guy Wilson Browne & past Chair Trevor Nink should be particularly noted and commended.

The State Government is to be congratulated for providing clear policy direction in relation to climate change, water sector workplace diversity and inclusion, water conversation and the soon to be released Water for Victoria – a plan to guide the future of water management in Victoria for some decades. This will be very welcome in terms of providing a framework for ensuring our community continues to receive a reliable, safe and essential service.

Westernport Water continued its close cooperation with neighbouring water Corporation's through the Gippsland Strategic Alliance. The Alliance provides a vehicle for ensuring cooperation is maximised across the sector which in turn benefits our customers and community. The potential of the Alliance is yet to be fully realised and we look forward to further benefits flowing from this unique partnership progressing in 2016-17 and beyond.

A key initiative that will drive continuous improvement and organisational renewal was launched in late 2015. The Organisational Improvement Plan has a focus of building Westernport Water as an employer of choice in the Bass Coast, and consists of four key focus areas: change management; system improvement; process improvement; as well as people and culture.

The first stage of the project includes moving to a new three division organisation structure, which will commence early in

the 2016-17. Westernport Water staff are to be congratulated for their patience whilst we have taken the time to plan, consult and deliver a new organisational structure, on top of continuing to deliver very good performance right across our operations.

In 2015-16 relationships with key community based partners across Bass Coast strengthened. It is essential for Westernport Water to work closely with organisations that provide key services to our community, and we look forward to the benefits of working with our colleagues as our relationship continues to grow over future years.

The voluntary members of our Customer Advisory Group again contributed to ensuring the Corporation remains close to our customers, providing feedback on our services and valuable guidance to our future operations. The group will play a major role leading into the next pricing period, which will be a major initiative for the organisation commencing in early 2016-17.

It is essential for the Corporation to continue to strengthen its services to our customers and community, and look at innovative ways to build relationships with both our non permanent residential customers and visitors to the region.

We also acknowledge the contribution of fellow Directors and all Westernport Water staff in providing essential services to our customers and community. A strong and successful year was achieved, thanks to your commitment.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that Westernport Water's annual report is compliant with all statutory reporting requirements.

Roland Lindell
Chair
15 August 2016

Peter Quigley
Managing Director
15 August 2016

Financial Review

Profit and loss – summary	2015-16 \$ 000	2014-15 \$ 000	2013-14 \$ 000	2012-13 \$ 000	2011-12 \$ 000
Core revenue	19,454	18,856	18,402	17,877	16,866
Government contributions	–	45	61	151	2,566
Developer contributions and gifted assets	1,151	1,902	1,267	3,564	1,565
Other revenue	593	384	663	608	1,116
Total revenue	21,198	21,187	20,393	22,200	22,113
Operating expenditure	8,285	7,319	7,074	8,342	7,925
Depreciation ⁽¹⁾	6,116	5,780	5,476	5,086	4,929
Finance costs	431	453	501	216	160
Other ⁽²⁾	6,571	5,386	5,864	5,816	6,071
Total expenditure	21,403	18,938	18,915	19,460	19,085
Net profit before tax	(205)	2,249	1,478	2,740	3,028

Notes

1. Depreciation reflects higher level of asset values from restatements and recognition activities throughout 2014-15.
2. High level of bad debt write-off brought to account in 2015-16

Current year financial review

Net profit

The Net profit (loss) before tax was (\$0.2m) representing a decrease on the prior year net profit of \$2.2m. The 2015-16 result was below the forecast which was due to higher than expected depreciation charges, employee costs and the bringing forward of planned works, partially offset by slightly higher revenue income. This result does not include any revaluation increments which have been allocated to the asset revaluation reserve.

Revenue

Total revenue for the year was \$21.2m, an increase on the previous year of \$0.1m. This increase in revenue was indicative of higher usage charges due to an extended hot dry summer season. The underlying charge rate was increased from July 2015 in line with the Essential Services Commission (ESC) approved price increase of 2.1%. Capital asset investment was slightly below budget expectations. This was in line with the 2014-15 results which reflected slower development activity due to lower growth prospects and general economic conditions. This revenue result is inclusive of the full remittance to customers of the Government rebate.

Expenditure

Expenditure levels of \$21.4m are above target levels and an increase on previous years. The level of expenditure reflects the continuing focus on delivery of high quality service and an increase in staff numbers to ensure coverage of customer expectations. Debt levels have been closely managed to ensure maintenance of the AA credit rating with a corresponding reduction in borrowing costs. Depreciation charges are reflective of increased capital expenditure in previous periods. Some planned expenditure was brought forward into the financial year to take advantage of staff capacity to manage the work requirements.

Financial Review

Balance Sheet – Summary	2015-16 \$ 000	2014-15 \$ 000	2013-14 \$ 000	2012-13 \$ 000	2011-12 \$ 000
Current assets	4,907	4,121	4,253	3,117	2,459
Non-current assets ⁽¹⁾	207,811	178,851	177,583	178,268	168,786
Total assets	212,718	182,972	181,836	181,385	171,245
Current liabilities	6,754	4,770	5,235	10,269	6,030
Non-current liabilities ⁽²⁾	41,032	34,437	35,106	30,655	26,563
Total liabilities	47,786	39,207	40,341	40,924	32,593
Net assets	164,932	143,765	141,495	140,461	138,652

Notes

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

2. Tax effect of revaluation increments brought to account in Deferred Tax Liabilities

The Balance Sheet remains in a strong position with low levels of debt, good quality fixed assets and a high level of focus on management of liability positions. This Balance Sheet focus has ensured that the Corporation is well placed to meet future economic challenges. Revaluations have been conducted on Land, Building and Infrastructure Assets under the auspices of the Valuer-General of Victoria with a resultant increase in values of \$30m being reflected in the balance sheet at 30 June 2016.

Cash flows

Cash flows throughout the year have remained strong with a consistent collection pattern across all billing cycles and a reduced capital expenditure program based on a needs assessment. This strong cash position has meant that borrowings can be more effectively managed to reflect organisational needs.

Capital projects

The net capital expenditure for the year was \$3.9m. This expenditure was in line with Water Plan 3 capital initiatives.

Key capital projects during the 2015-16 financial year included the upgrade to the Cowes Waste Water Treatment Plant in line with meeting EPA licence compliance activities, further activity on the Cross Island Sewer link with upgrades to pump stations to be completed.

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) which is available on the Department of Treasury and Finance's website.

There were no capital projects completed during the 2015-16 that had a total capital value (TEI) in excess of \$10m.

Prior year adjustments

Westernport Water booked prior year adjustment in the 2014-15 financial year. No prior year adjustments have been required for the 2015-16 accounts.

Disclosure of Grants and Transfer Payments

Grants and transfer of payments

Nil grants were received or paid during the 2015-16 financial year.

Victorian Industry Participation Policy

During 2015-16 the Corporation did not award any contracts applicable to the Victorian Industry Participation Policy Act 2003.

Subsequent events

There were no events occurring after the balance date that would significantly affect Westernport Water's reported financial position for 2015-16 financial year.

Key Projects and Initiatives

Cowes Waste Water Treatment Plant (CWWTP) upgrade – Stage one saw the conversion of the CWWTP to a full biological nutrient removal process, which improved the quality of the wastewater discharged to the ocean. Westernport Water spent \$0.6 million in 2015-16 which is part of the \$3.2 million total spend identified in the Water Plan 2013-18. Stage two of the CWWTP upgrade allows for future growth and will continue over the next five years.

Cowes Wastewater Futures Project is a multi-year initiative to improve the collection and transfer of sewage from the Cowes catchment on Phillip Island. In 2015-16, \$0.4 million was invested in completing the upgrade to the Chapel Street Sewer Pump Station (SPS). Westernport Water has invested \$1.8 million upgrading the capacity of both the Church Street SPS and the Chapel Street SPS between 2013-16. Over the next two years, Westernport Water will complete stage one of the augmentation to the Church Street sewer rising main. The total Cowes Wastewater Future Project cost estimate is \$4 million.

Church Street SPS – air treatment facility was constructed to improve air quality emissions from the Church Street SPS in Cowes. This project was initiated to address a pollution abatement notice following five odour complaints lodged with EPA Victoria in January and February 2015 and six complaints from community members made directly to Westernport Water. During 2015-16, \$0.25 million was invested and has resulted in improved air quality from the site.



Caption: Cowes Waste Water Treatment Plant.

Cross Island Sewer System Pump Station Upgrade is a multi-year initiative to improve the collection and transfer capacity of sewage from various locations across Phillip Island from San Remo to CWWTP. In 2015-16, \$0.5 million was invested in upgrading both the Rhyll Road SPS and Woolamai SPS. The total project cost estimate is \$0.7 million.

The water sector efficiency initiative provided all water customers with a one-off government water rebate of \$23.40 as a result of a number of cost saving activities. Westernport Water will strive to realise further efficiencies to provide a rebate to customers in 2016-17.

The Water Main Renewal Project saw the replacement of Cast Iron Cement Lined (CICL) pipelines in the Corinella and Dalyston areas as part of a program of works in 2015-16. The renewal project targets critical 200mm CICL water mains that are significantly corroded, in order to reduce customer interruptions caused through pipeline bursts. In 2015-16, \$0.425 million was invested in the replacement of CICL water mains in the Dalyston area. Corinella Road CICL water main renewal project has commenced and will be completed in 2016-17.

The Organisational Improvement Plan (OIP) aims to address culture, leadership, change and systems. One of the key activities undertaken in 2015-16 was a review and alignment of the organisational structure against the corporate strategy. Westernport Water invested \$52,000 on the completion of the first phase of the Plan, with the subsequent phases to be implemented over the next two years.

Collaboration within the water sector continues to deliver efficiencies and service improvements for water customers across the region as part of its industry-leading strategic alliance. In the last 12 months, Westernport, Gippsland, East Gippsland, South Gippsland and Southern Rural Water have focused on delivering improved customer solutions, greater collaboration, shared services, efficiencies in procurement, training and customer engagement.

Operational Highlights and Future Initiatives

Our Corporate Governance

Intent: To maintain the integrity and value of the Corporation through sound governance and financial management.

Highlights

- A robust corporate planning process was undertaken to deliver a forward looking Corporate Plan from both financial and operational perspectives.
- Completed a significant review and update of the Occupational Health and Safety Management System, the Emergency Management System and the Business Impact Assessment.
- The Corporation continued to be an active participant in the Gippsland Strategic Alliance to collaborate on activities and identify opportunities for more efficient service delivery and better customer outcomes.

Future initiatives

- Optimise performance of the finance system and improve reporting capabilities.
- Strengthen IT governance and improve system performance to meet business needs.
- Review the corporate governance framework and implement improvement initiatives.
- Strengthen relationships and identify opportunities under the Gippsland Strategic Alliance.

Our Customers

Intent: To provide quality products and services to meet the community's expectations and needs.

Highlights

- Customer satisfaction remains high and dissatisfaction has shifted from 8 percent to 5 percent.
- Performance is rising, benchmarking findings revealed brand recognition and awareness of wastewater service is exceeding peers.
- Launched a new customer friendly corporate website and social media communications channels, improving access and availability of information.
- Maintained full compliance with the *Safe Drinking Water Act 2003*.
- Developed a Water Quality Continuous Improvement Plan that will see improvements to water quality until 2021.
- Provided all water customers a rebate of \$23.40 from efficiency savings.
- Introduced paperless billing services to customers.
- Provided a community rebate program targeted at financially vulnerable customers.

Future initiatives

- Implement year one of the Water Quality Continuous Improvement Plan.
- Develop and commence implementation of the 2018 Pricing Submission Engagement Plan.

Our People

Intent: To be an innovative, high performance organisation with a reputation that is valued by current and prospective employees.

Highlights

- Continued with our long-term culture change program achieving a significant increase in the recognition and health of our adopted values, as indicated by the culture health check survey.
- Reviewed and updated the Organisational Improvement Plan (OIP) to address organisational structure and system improvements.
- Achieved employee engagement targets through the People Matter Survey.
- Three employees were accepted into the Gippsland Community Leadership Program.
- 18 percent of employees completed or are currently completing higher education co-funded by Westernport Water.

Future initiatives

- Continue implementation of the OIP and phase two of the organisational structure realignment.
- Successfully negotiate a new Enterprise Agreement.
- Develop a Diversity Action Plan in response to industry diversity targets.

Our Community

Intent: To be a valued member of the community.

Highlights

- Conducted the inaugural Choose Tap Sports Club Competition.
- Sponsored over 55 events, supporting local community initiatives.
- Increased social media presence, creating partnerships and community advocates.
- Community education focus remained on “Choose Tap” and “Stop it. Don’t block it.” campaigns.
- Continued to support the Phillip Island Community Orchard and key community partnerships.
- Rebranded the newly named Customer Advisory Group (CAG) previously known as Customer Consultative Panel (CCP).

Future initiatives

- Focus on deeper community engagement in relation to future water prices and the pricing proposal.
- Continue to deliver “Choose Tap” and “Stop it. Don’t block it.” education campaigns.
- Develop a practical Reconciliation Action Plan improving engagement with local indigenous people.
- Develop a Corporate Social Responsibility Strategy.
- Install two custom “Choose Tap” drink fountains in high profile areas.

Our Assets

Intent: To enable the reliable and cost effective delivery of products and services to customers.

Highlights

- An asset revaluation was conducted under the auspices of the Valuer-General as part of a regular five year cycle. The valuation impact is reported in the Financial Statements.
- The asset valuation process involved a fresh audit of above ground assets with age, useful life and condition being updated, and a review and data cleansing of below ground asset registers. This will provide greater accuracy and insight into asset planning and management in the future.
- Completed a fit-for-purpose assessment of all Westernport Water systems and services.

Future initiatives

- Deliver year two of the Asset Management System Improvement Plan.
- Implement new ICT strategy and desktop refresh.
- Complete an options analysis for effluent reuse from the King Road Waste Water Treatment Plant.
- Progress security supply options for the 648mm water main across Phillip Island.

Our Environment

Intent: To be recognised as an environmentally sustainable organisation that is reducing its environmental footprint.

Highlights

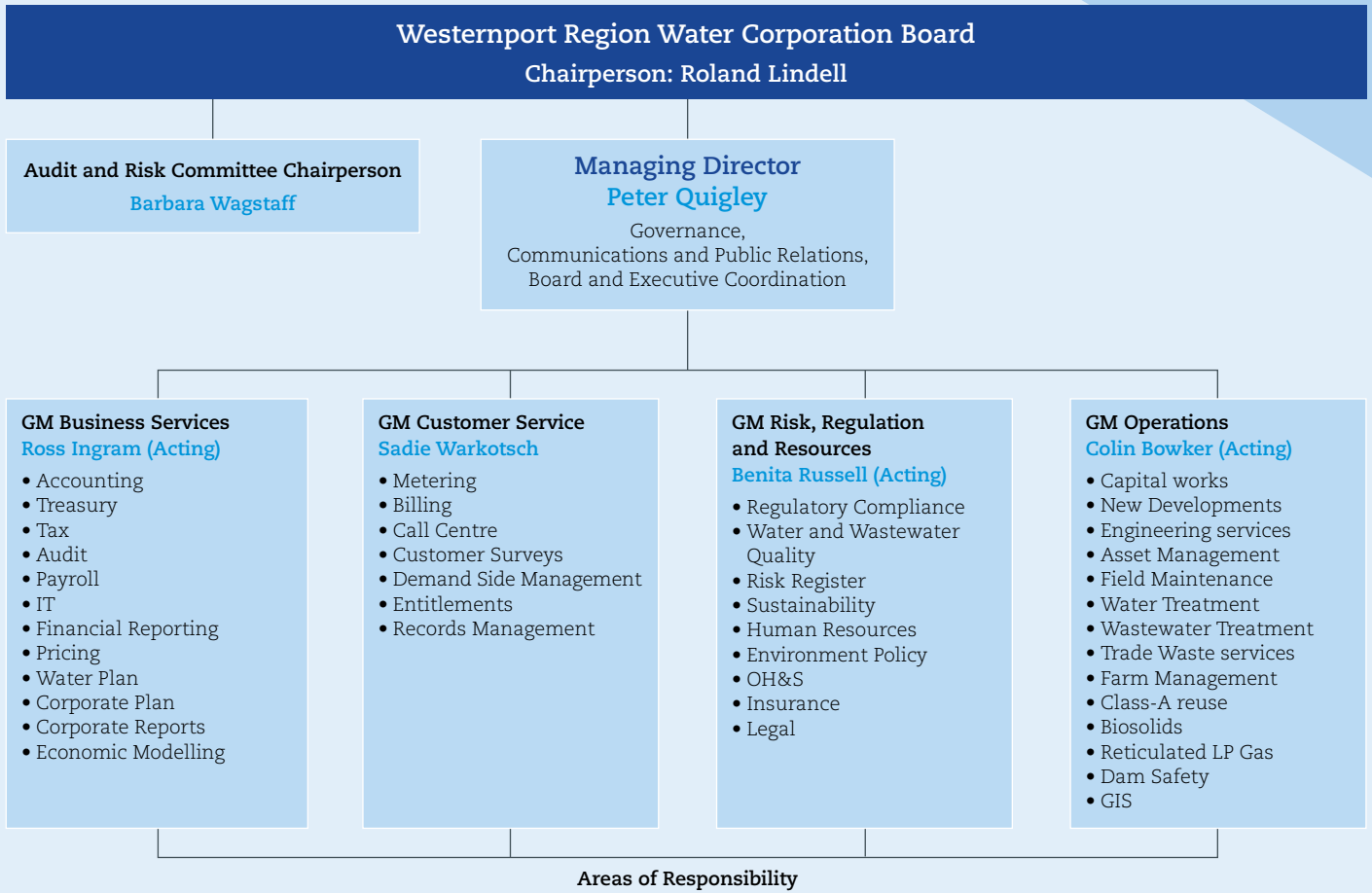
- RMIT University study on biosolids found biosolids to be a suitable reusable resource capable of restoring soil and improving pasture growth rates.
- A major revegetation program was identified in the Candowie Catchment to protect riparian zones along Tennent Creek which supplies Candowie Reservoir.
- Extended Landcare partnership to 2021, working together to improve our natural and built environments.

Future initiatives

- Develop an Urban Water Strategy.
- Develop a Climate Change Mitigation and Adaptation Strategy.

Governance

Organisational structure



The Senior Executive managed four strategic areas in 2015-16, comprising Risk/Regulation/Resources, Operations/Maintenance, Customer Service and Business Services. The role of the senior executive group was to actively participate in and contribute to the corporation's strategic and operational planning, culture development, change management and continuous improvement. The group provided strategic and considered advice, ensuring the corporation's leadership was aware of, and responding to strategic and operational risks, key issues, challenges and opportunities.

Structural changes during 2015-16 consisted of an organisational realignment to review the suitability of the organisational structure against its Corporate Plan objectives. The evaluation resulted in a change from a four to a three divisional structure which is to be implemented in the new financial year. The three new divisions will be Corporate & People, Customer & Community and Assets & Operations and will come into effect in July 2016.

The Board of Directors consists of eight 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 2016-21
- ensuring compliance with legislative and regulatory obligations
- setting service standards and monitoring achievements
- establishing measurable goals and objectives
- establishment of Board and Committee charters
- evaluating Board and executive performance to ensure integrity of corporate governance practice and ethical conduct.

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

Hon. Jennifer Acton (Deputy Chair) was appointed to the Board in October 2015. Director Acton is a Senior Deputy President of the Fair Work Commission and a former President of the Road Safety Remuneration Tribunal. She has worked at leadership levels in both the private and public sectors and is an experienced Director. She has a Master and Bachelor of Economics and Master and Bachelor of Laws. She is also a Graduate of the Australian Institute of Company Directors.

Peter Quigley (Managing Director) has over 20 years' experience in public and private sector management with significant leadership experience in complex environments including government, utilities, and the health sector. He has held senior positions in the Gippsland region with Medicare Local Gippsland, Latrobe City Council, Gippsland Water and the Department of Human Services. His qualifications and professional associations include Executive Masters of Business Administration, Graduate Diploma in Business Administration, he is 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 has 40 years' experience in education and extensive experience in local government in the Bass Coast Region. He is heavily involved in a range of community and sporting organisations in leadership roles and his experience extends to emergency management planning, fire prevention, audits and community planning. He is currently a Justice of the Peace and Bail Justice.

Carol Pagnon has extensive experience in governance, risk management, risk assurance, project management and change management across the Victorian public sector. She is a Graduate of the Australian Institute of Company Directors, a Fellow of the Society of Certified Practising Accountants Australia, a Chartered Accountant, a Master of Business (Risk, Assurance and Compliance) and is a PRINCE 2 accredited project management practitioner.

Barbara Wagstaff was appointed to the Board in October 2011. Ms Wagstaff provides finance, accounting and management advisory services on a contract basis. She has worked in investment banking and finance, and has been a director for a variety of firms in both the private and public sectors. She has a Bachelor of Economics (Honours in Econometrics and majoring in Accounting and Finance) and is a Graduate of the Australian Institute of Company Directors.

Dr. Emma Connell is employed at RPS Group as a Senior Executive – Environment. Providing technical and strategic advice to government clients on large scale State significant projects and she also leads the environment team for south eastern Australia. She has over 20 years' experience in the field of environmental management in the public and private sectors. She has 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.

Rueben Berg is the founder and Managing Director of RJHB Consulting Pty Ltd. He is also the Executive Officer 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, Monash University Indigenous Advisory Council and Aboriginal and Torres Strait Islander Advisory Committee at Engineers Without Borders. He is also 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) is a committee of the Board consisting of four members including a Chairperson. ARC Membership in 2015-16 comprised:

- Barbara Wagstaff, Chairperson
- Carol Pagnon
- Emma Connell
- John Duscher

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, seven meetings were held.

The main responsibilities of the Committee include the oversight of:

- the financial performance and reporting process
- reviewing and recommending to the Board the acceptance of the Victorian Auditor-General's reports
- the scope of and monitoring of the internal audit function
- the risk management framework, risk tolerances and practices across all strategic and operational areas
- the insurance strategies
- monitoring of regulatory compliance.

The Project Steering Committee (PSC) is a committee of the Board established to provide governance, oversight and evaluation of major projects undertaken by Westernport Water, including the review and prioritisation of capital works programs as proposed in its five-year Corporate Plan. The PSC consists of five members. Membership in 2015-16 comprised:

- Carol Pagnon, Chairperson
- Jennifer Acton
- Emma Connell
- Rueben Berg
- Peter Quigley

During 2015-16, the PSC convened for six meetings, developed assessment criteria for the provision of service providers, assessed and endorsed rolling capital expenditure program and five year budget for 2016-21, and provided oversight and recommendation for the following capital projects:

- Asset management system development and implementation
- CWWTP upgrade
- Wastewater futures – pump station upgrades
- Wastewater irrigation project
- Water main replacement program
- Utility billing development and implementation.

The Remuneration and Governance Committee (RGC) 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 2015-16 the RGC membership comprised:

- Roland Lindell, Chairperson
- Barbara Wagstaff
- Jennifer Acton
- John Duscher

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

- Senior executive performance
- Salaries and bonuses.

Board / Committee attendance

	Board meetings	Audit & Risk Committee (ARC) meetings	Project Steering Committee (PSC) meetings	Remuneration & Governance Committee (RGC) meetings
Physical meetings held July 2015–Sept 2015¹	Held – 3	Held – 3	Held – 2	Held – 1
Member	Attended	Attended	Attended	Attended
Murray Jackson <i>Managing Director 1-07-2015 to 20-08-2015</i>	2	–	2	–
Peter Quigley <i>Managing Director 20-08-2015 to current</i>	1	–	–	–
Trevor Nink <i>Chair of Board and RCG, Board member 1-10-2011 to 30-09-2015</i>	3	–	–	1
Roland Lindell <i>Chair of Board & RGC, Board member 1-10-2011 to current</i>	3	–	–	1
Barbara Wagstaff <i>Board member 1-10-2011 to current</i>	3	3	–	1
Carol Pagnon <i>Board member 1-10-2012 to current</i>	3	3	2	–
Hon. Geoff Coleman <i>Chair of PSC, Board member 1-10-2012 to 30-09-2015</i>	3	3	2	–
Guy Wilson-Browne <i>Board member 1-10-2012 to 30-09-2015</i>	1	1	2	–
John Duscher <i>Board member 1-10-2012 to current</i>	2	2	–	0
Physical meetings held Oct 2015–June 2016¹	Held – 8	Held – 4	Held – 4	Held – 4
Peter Quigley <i>Managing Director 20-08-2015 to current</i>	8	–	4	–
Roland Lindell <i>Chair of Board & RGC Board member 1-10-2011 to current</i>	8	–	–	4
Barbara Wagstaff <i>Chair of ARC, Board member 1-10-2011 to current</i>	7	4	–	3
Carol Pagnon <i>Chair of PSC, Board member 1-10-2012 to current</i>	8	4	4	–
John Duscher <i>Board member 1-10-2012 to current</i>	7	4	–	3
Dr. Emma Connell <i>Board member 1-10-2015 to current</i>	8	4	4	–
Hon. Jennifer Acton <i>Board member 1-10-2015 to current</i>	8	–	4	4
Rueben Berg <i>Board member 1-10-2015 to current</i>	5	–	4	–

Notes:

1. 'Held' meetings are meetings constituted under the Board or Committee charters.

Our People – Workforce Data

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 2015-16. 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 and evaluated fairly and equitably, and are based on key selection criteria and 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. Alongside other Victorian Water Corporations, Westernport Water agreed to a set of bold industry targets in 2015-16 to address diversity issues. A Diversity Action Plan outlining how the Corporation will address these targets will be implemented in the next financial year, focusing on reflecting our community. Whilst the initial plan will concentrate on gender equity, including attracting and retaining more females into senior leadership roles, the Corporation also recognises the other areas of diversity which will be addressed. In future years, progress against these targets will be reported.

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 has been able to reach mutually agreeable outcomes without industrial action. No lost time from industrial action occurred this year. During the next reporting period, the Corporation will negotiate a new Enterprise Agreement, and no industrial action is anticipated.

Recognition of employee's abilities, qualities, achievements and years of service is regularly celebrated at Westernport Water. In 2015-16, Westernport Water congratulated one staff member

who reached an outstanding 40 years of service, one who reached 15 years, and a further five who completed 10 years of valuable service to the organisation.

Training and development of employees was a focus for Westernport Water in 2015-16. The Corporation conducted a broad range of training programs, with a key highlight being the opportunities provided for higher education.

During the year:

- 18 percent of staff completed or are currently completing higher education funded by Westernport Water.
- Three employees were accepted into the Gippsland Community Leadership Program where they continue to build skills in community participation, engagement and leadership in the community.
- The Customer Service team completed a number of training and coaching sessions on how to identify and build relationships with our vulnerable and hardship customers to achieve positive outcomes.
- All employees attended annual Awareness, Compliance and Expectations (ACE) training as a commitment to uphold the improved compliance culture.

Culture and change is a key focus for Westernport Water, with fixed targets in place aimed to improve employee engagement and the health and safety of all staff. In the second year of a long-term culture change program, the Corporation has seen a positive adoption of new values and immediate improvements in employee engagement. A zero tolerance to bullying and harassment is echoed by leadership and supported by a strong campaign, policies and procedures. The Corporation is committed to uphold staff developed values and continuous improvement.

The Organisational Improvement Plan (OIP) is aimed at addressing four key focus areas: Culture, Leadership, Change and Systems. An organisational realignment to review the suitability of the organisational structure against its Corporate Plan was conducted in 2015-16. Phase one considered the organisational divisional structure, with a new three division structure to be implemented in the new financial year, with consecutive phases to follow.

Comparative workforce data

Full time equivalents (FTE) employee trends from 2012 to 2016^{1,2}

2016	2015	2014	2013	2012
74.77	63.94	68.79	67.81	70.36

Statement of workforce data

Summary of employment levels in June 2015 and 2016^{1,2}

	Ongoing		Fixed Term		Casual		Total	
	Number (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE
June 2016	61	59.94	15	14.28	1	0.55	77	74.77
June 2015	57	55.70	7	6.50	2	1.74	66	63.94

Notes:

1. The Corporation undertook a recruitment process to fill a number of vacancies that remained following June 2015. Combined with the OIP initiative, staff numbers are now slightly above the 5 year average of 69.13 FTE.
2. 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.

Details of employment in June 2015 and 2016¹

	June 2016			June 2015		
	Ongoing		Fixed term & casual employees	Ongoing		Fixed term & casual employees
	Employees (Headcount)	FTE	FTE	Employees (Headcount)	FTE	FTE
Gender						
Male	40	40	8.28	42	40.78	4
Female	21	19.94	6.55	15	14.92	4.24
Age						
Under 25	3	3	1	3	3	
25-34	8	7.5	3	9	8.07	–
35-44	16	15.68	6.2	9 ¹	9	2.50
45-54	20	20	1	22	22	1
55-64	13	12.76	3.63	12	11.63	1.74
Over 64	1	1	0	2	2	–
Classification						
Broadband 2	15	14.60	2.55	10 ¹	10	5.24
Broadband 3	10	11.84	3	9 ¹	9	2
Broadband 4	13	13	3.63	14	12.7	–
Broadband 5	10	7.5	2	8	8	–
Broadband 6	5	5	0.65	4	4	–
SEO ²	8	8	1	9	9	–
Executive ³	–	–	1	3	3	–
Other ⁴	–	–	1	–	–	1

Notes:

- 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.
- SEO – Senior Executive Officers full time or under contract.
- Executive – Government Sector Executive Remuneration Panel (GSERP) contracted employee. At the end of June 2016, when the data was compiled, the Corporation was undertaking a recruitment process for new executives.
- Other – Trainee in Water Operations.

Executive officer (EO) disclosure numbers classified into 'ongoing' and 'special' projects¹

Class	Ongoing				
	Male		Female		Vacancies
	No.	Var	No.	Var	No.
EO-1	0	(0)	0	0	0
EO-2	1	(0)	0	0	0
EO-3	0	(1)	0	(1)	3
Total	1	(1)	0	(1)	3²

Notes:

- No executive officers were allocated to special projects during the 2015-16 reporting period.
- At the end of June 2016 when the data was compiled, the Corporation was undertaking a recruitment process for 3 executive roles.

Reconciliation of executive numbers

	2016	2015
Executives with total remuneration over \$100,000	1	3
<i>Add</i> Vacancies	3 ¹	0
Executives employed with total remuneration below \$100,000	0	0
Accountable Officer (Secretary)	0	0
<i>Less</i> Separations	(2)	(0)
Total executive numbers at 30 June	1	3

Number of EOs for the Department's portfolio agencies

Portfolio agencies	Total		Vacancies	Male		Female	
	No.	Var		No.	Var	No.	Var
Business Services	0	(1)	2	0	(0)	0	(1)
Governance	1	(0)	0	1	(0)	0	(0)
Operations	0	(1)	1	0	(1)	0	(0)
Total	1	(0)	3¹	1	(0)	1	(0)

Notes:

- At the end of June 2016 when the data was compiled, the Corporation was undertaking a recruitment process for 3 executive roles. Two of these roles were existing and a new executive role was created.

Occupational Health and Safety is an ongoing focus for Westernport Water as it strives towards continuous health and safety improvement. One of the Corporation's key safety objectives over the preceding 12 months has been to review and update all Occupational Health and Safety (OHS) policies, procedures and supporting documentation.

A substantial review was undertaken on Westernport Water's Occupational Health and Safety Management System (OHSMS) in conjunction with the Work, Health Safety and Environment Committee. This project was recently completed and will strengthen our focus on safety and improve safety performance.

Mandatory safety training is an essential activity for meeting legislative compliance. During the year, Westernport Water employees participated in a variety of OHS related training including; mental health first aid, confined space refreshers, Health and Safety Representative refresher training, electrical spotters, CPR, first aid, manual handling, fire warden and extinguisher training as well as Class-B asbestos removal.

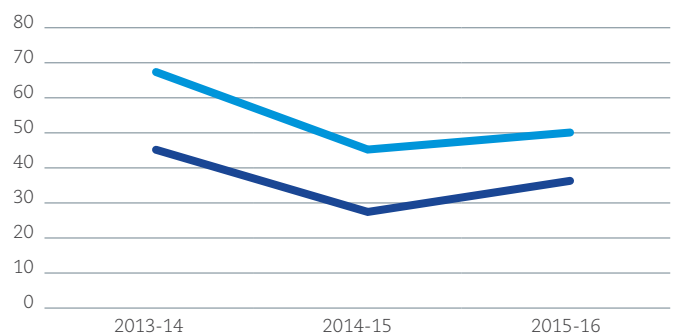
A specific focus area has been to improve the identification and reporting of OHS hazards and incidents. Attention in this area has seen an increase of 233 percent in the number of OHS incidents reported and a 271 percent increase in hazards reported over the last 12 months. This significant variance is not cause for concern as it is simply a clearer representation of the frequency rates when we remove the reporting barriers that affected previous statistics.

A safe workplace extends beyond just managing hazards and incidents. We encourage participation in a variety of health and wellbeing programs intended to promote a healthy workforce. To supplement these programs, the Corporation also coordinates annual and biennial health monitoring services. These monitoring services include: audiometric assessments, spirometry testing and skin checks for staff that have exposure to these hazards.

Return to work strategies have been employed that recognise the sensitivity and stigma that can be attached to worker's compensation and the challenge this creates for people returning to work. Westernport Water places significant importance on reducing these barriers and keeping injured employees connected with the workplace. Our Return to Work Coordinator facilitates all return to work planning and claims correspondence, to ensure the Corporation meets its legislated obligations under the *Workplace Injury Rehabilitation and Compensation Act 2013*.

Incident management and reporting frequency has experienced a significant improvement during 2015-16. Incidents reported across the Corporation increased by 39.2 percent per 100 FTE in 2015-16. In whole numbers, the increase equates to 11 more incidents compared with the previous year. Of the 39 incidents reported, the three most common incident types were: OHS, property and liability as well as motor vehicle.

— Incidents — Rate per 100 FTE



Number of incidents and rate per FTE

	2015-16	2014-15	2013-14
Incidents	39 ¹	28	46
Rate per 100 FTE	51 ¹	44	67

Notes:

1. The steady increase from the 2015-16 reporting period corresponds to a full time OHS resource placing a greater focus on hazard and incident reporting across the corporation.



Above: Westernport Water Employees out in the community. **Middle:** Developments team at work. **Right:** Senior Engineer instructs trainee.

OHS Performance Indicators

OHS performance statistics captured below clearly reflects our emphasis on improved incident identification and reporting and our ongoing commitment to the safety of staff. They also demonstrate our collective undertaking to manage workplace hazards before they translate into a workplace injury. This significant result is best evidenced in the extremely low number of 'standard' WorkCover claims and the noteworthy three year trend of zero WorkCover claims exceeding 13 weeks.

Measure	KPI	2015-16	2014-15	2013-14
Incidents	No. of Incidents ¹	20	6	8
	Rate per 100 FTE	26.7	9.3	11.7
Claims	No. of standard claims	1	0	0
	Rate per 100 FTE	1.3	0	0
	No. of lost time claims	1	0	1
	Rate per 100 FTE	1.3	0	1.5
	No. of claims exceeding 13 weeks ²	0	0	0
	Rate per 100 FTE	0	0	0
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per standard claim	\$408	0	\$1,500
Return to work (RTW)	Percentage of claims with RTW plan <30 days	100%	0	0
Management commitment	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
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs)	completed	completed	completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs	completed	completed	completed
Risk Management	Percentage of internal audits/inspections conducted as planned	100%	100%	100%
	Percentage of issues identified actioned arising from:			
	- internal audits	100%	100%	100%
	- HSR provisional improvement notices (PINs)	-	-	-
- WorkSafe notices	-	-	-	
Training	Percentage of managers and employees that have received OH&S training:			
	- induction	100%	100%	100%
	- management training	-	-	-
	- contractors, temps, visitors	-	-	-
	Percentage of HSR's trained:			
	- acceptance of role	100%	100%	-
	- re-training (refresher)	100%	100%	100%
- reporting of incidents and injuries	100%	100%	100%	

Notes:
 1. The significant increase in OHS related incidents from the previous year corresponds to a full time OHS resource placing a greater focus on hazard and incident reporting across the corporation.
 2. Three year trend of zero WorkCover claims exceeding the 13 week threshold.

Water Consumption and Drought Response

Westernport Water has access to a diverse range of water supply sources which minimise its exposure to the vulnerability of climate change. These sources are managed in accordance with the Corporations Water Supply Demand Strategy (WSDS).

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	Desalination
Total	7,401ML	

Water consumption report

District Name	Residential customers					Non-residential customers					Total Number of Customers
	Potable	Recycled	(1)	(2)	(3)	Potable	Recycled	(4)	(5)	(6)	
			Potable Water volume (ML)	Recycled Wastewater Volume (ML)	Recycled Stormwater Volume (ML)			Potable Water volume (ML)	Recycled Wastewater Volume (ML)	Recycled Stormwater Volume (ML)	
Candowie Reservoir 2015-16	14,916	282	1,151	10	- ¹	1,056	6	668	60	-	15,972
Candowie Reservoir 2014-15	14,653	222	1,175	6	- ¹	1,055	5	594	80	-	15,708
	(7)	(8)	(9)	Average annual consumption (ML)	Non-revenue water (ML)			(13)	Total water all sources (ML) (9) + (13)		
	Total potable water volume (1)+(4) (ML)	Total recycled water volume (2)+(3)+(5)+(6) (ML)	Total consumption (7) + (8) (ML)		(10) Leakage	(11) Firefighting	(12) Other	Total non revenue water (ML) (10)+(11)+(12)			
Candowie Reservoir 2015-16	1,819	70	1,889	1,852 ²	319.2	-	1.8 ³	321	2,210		
Candowie Reservoir 2014-15	1,770	86	1,856	1,755	77	-	3	80	1,934		

Notes:

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

The residential water consumption for customers of Westernport Water is 135L per day. Residential water use is influenced by the high percentage of non-permeant residents and the transient population associated with a holiday destination.

Household drinking water consumption (KL) – residential¹

Month	Week 1	Week 2	Week 3	Week 4	Month	Week 1	Week 2	Week 3	Week 4
January	24,725	24,725	24,725	24,725	July	23,628	23,628	23,628	23,628
February	24,725	24,725	24,725	24,725	August	23,628	23,628	23,628	23,628
March	24,725	24,725	24,725	24,725	September	23,628	23,628	23,628	23,628
April	4,604	4,604	4,604	4,604	October	37,399	37,399	37,399	37,399
May	4,604	4,604	4,604	4,604	November	37,399	37,399	37,399	37,399
June	4,604	4,604	4,604	4,604	December	37,399	37,399	37,399	37,399
					TOTAL	271,064	271,064	271,064	271,064

Notes:

- Quarterly consumption data has been used to determine monthly and weekly breakdowns.

Water quality indicators were fully compliant with targets quoted in the table. These targets are derived from the Safe Drinking Water Regulations 2015 and administered under the *Safe Drinking Water Act 2003*. Monitoring covered Candowie Reservoir, all storage basins, 87 customer taps in nine separate localities and numerous strategic test points in the distribution system.

Water quality performance against target 2015-16

Water quality indicator	2015-16 Actual	2015-16 Target	Target met	2014-15	2013-14	2012-13	2011-12
E. coli (% samples containing zero organisms per 100ML)	100	100 ¹	Yes	100	100	100	100
Turbidity (Nephelometric Turbidity Units, NTU)	100	>95% ²	Yes	100	100	100	99.80
Aluminium (mg/L)	100	100	Yes	100	100	100	99.16
Trihalomethanes (ug/L)	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".

Seasonal challenges of managing water supply are generally related to naturally occurring blue-green algal blooms 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 threat in Candowie Reservoir and a constant challenge regardless of weather conditions.

Water supply and demand is managed using a complex strategy which guides the usage of the various water sources available to Westernport Water. During the year only the supply from the Tennent Creek Bulk Entitlement was required to meet customer demand.

The reservoir reached its maximum level of 85 percent on 20 September 2015. This stored water catered for this year's demand which was the highest ever recorded yearly demand of 2,139ML. High demand has been attributed to the region's lowest rainfall in September and the highest October monthly demand on record in 2015, 50ML or 30 percent more than an average year. High customer demand continued throughout the year, using up to 50ML per month above the monthly average. This higher demand may be attributable to lower rainfall experienced in the area combined with growth in connected properties.

Westernport Water has constructed and commissioned a connection to the Metropolitan Pool, connecting the region to the state's water grid. Under this bulk entitlement, the Corporation receives a water allocation from the Resource Manager which provides the Corporation with access to water to supplement supplies if and when needed.

A water supply 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 weather outlooks to ensure the available water supply is adequate to meet this demand. The storage levels were monitored on a weekly basis under the Drought Response Plan, but no restrictions were needed during 2015-16. The larger reservoir provided ample water storage during this drier year where no catchment runoff occurred after the middle of September 2015.

Annual dam safety inspection 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 SoO issued by the Minister for Water. To facilitate this surveillance, a training course was undertaken in November 2015 for all staff and managers involved in dam safety and included staff from other Gippsland water corporations. 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.

Below: Candowie Reservoir from above.



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 (Melbourne Pool) 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 amended BE and the operating arrangements in place between Westernport Water and the waterway manager.

In 2014-15 Westernport Water applied for a minor amendment to the BE to make the operation of the environmental flow accord with the intention of the original BE and provide operational procedures. The Minister for Environment, Climate Change and Water signed the amendment on 27 August 2015 which was published in the Government Gazette on the 10 September 2015.

Since 1 July 2015, Candowie Reservoir did not spill due to low annual rainfall therefore downstream flow to Tennent Creek was not available through natural overflow. 420ML was, however, released into Tennent Creek as environmental flow, abiding with the conditions of the BE. This represents 150ML more environmental flow than the previous year due to more uniform rainfall patterns in 2015-16 with low intensity but for longer periods.

The Bass River Bulk Entitlement was not required during the reporting period. Westernport Water complied with all conditions and requirements as no water was extracted under this BE.

Greater Yarra System – Thomson River Pool Bulk Entitlement was not used during the reporting period 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 that also provides an update on any carryover water and spills from the storages. The latest information from the resource manager is that Westernport Water has a remaining water allocation of 87ML, a carryover of 1,661ML and an available balance of available water of 1,748ML. 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 in the first quarter of 2016-17.



Above: Candowie Reservoir – water treatment team.

A water extraction bore licence enables Westernport Water to take and use 490ML of water from the Corinella Aquifer for urban water supply until 30 June 2016. This licence has been the subject of an application to extend for another period, after negotiation with the resource manager. For the duration of this reporting period Westernport Water did not extract any water from this source for water supply. No water was used to test or monitor any of the bores over the past year.

Major non-residential users are defined as “a non-residential customer consuming greater than 200ML”. During the reporting period no customers consumed greater than 200ML.

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

BE (Westernport) ⁴			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 ¹	Amount taken ML/y ²	Annual environment flow ML	Amendment of programs
Tennent Creek	Candowie Reservoir	2,911	11.7	5.0 winter 0.1 summer 7.5 fresh	2,229	2,139	420 ⁵	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	Yes Minor Amendment approved 27/8/2015	Nil	No	Nil
BE (Westernport – Bass River) ⁴			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 ³	Amendment of programs	Amount taken ML/y ²	Entitlement transfer from	Entitlement transfer to
Bass River		3,000	14.0	Yes	Nil	Nil	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		
BE (Greater Yarra system – Thomson River Pool – Westernport Water) ⁴			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 ³
Greater Yarra System – Thomson River Pool		1,000	Nil	1,748	Yes	Nil	Nil	Nil
			13.1(g)	13.1(h)	13.1(i)			
			New entitlement	Failure to comply	Difficulties and remedial actions	Comment		
			Nil	No	No	Connection completed and commissioned ready for use.		

Notes:

1. Water storage level at 30 June 2016.
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.

Environment and Social Sustainability

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, provide educational opportunities and promote water awareness campaigns.

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 on the receiving environment.

Since 1 July 2015, 103.2ML of water was transferred through the Class-A recycled water network, to residential properties and commercial customers for irrigation of sport and recreation reserves.

Overall, across Westernport Water's two effluent treatment facilities, it reused 295ML of treated effluent, which is over 50ML more than the previous year. This equates to 22.2 percent reuse of treated effluent, a significant improvement over the 19 percent reuse achieved in 2014-15. This achievement was due to the overall increase in non-potable water use due to low rainfall and warmer weather conditions and the improved production of Class-A recycled water during the peak season.

Water conservation activities and programs offered in 2015-16 were aimed to develop smart water behaviours. These included tours and workshops, showerhead and trigger nozzle exchange, water audits and the community rebate program which helps financially vulnerable customers to reduce their water consumption. Westernport Water also supported local sustainability events and sponsored the environment category of the local Business Awards.

The Recycled Water Grant Program was announced in June 2016, and will help high water users to connect to existing recycled water infrastructure. Open from 1 July 2016, the program aims to help business and not-for-profit organisations invest in connecting to the existing recycled water network on Phillip Island. The program seeks expressions of interest from projects that are able to deliver water savings, support economic growth and help customers and the community prepare for climate variability.

Permanent water saving rules are a common set of easy to remember, ongoing rules that remain in place across Westernport Water's entire service area. These guide the efficient use of drinking water and were in effect for the entire 2015-16 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 communities

Value of community service obligation provided

	Notes	2015-16 (\$)	2014-15 (\$)	2013-14 (\$)	2012-13 (\$)
Concessions to pensioners		707,344	667,510	646,701	606,125
Rebates for not-for-profit organisations under the water and sewerage rebate scheme		28,748	29,297	26,585	25,350
Utility relief grant scheme payments	1	18,720	12,428	15,824	14,764
Water concession for life-support machines		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)	2	9,330	7,380	9,370	13,600
Community Rebate Program	3	3,400	0	0	0
Industry and community sponsorship including exchange programs and in-kind support	4	39,167	52,075	49,092	57,430
Total community service obligation provided		817,609	791,093	791,020	746,235

Notes:

1. Increase in utility relief grants is attributed to a focused effort on hardship and identifying vulnerable customers.
2. This program closed on 30 June 2015 – Rebates are claims made in the winding down period.
3. This program was introduced on 1 June 2015 and closed on 1 July 2016.
4. Two community drink fountains purchased in 2015-16 to be installed for community benefit in 2016-17.

The community rebate program was administered to assist financially vulnerable customers to reduce the cost of living and have a greater capacity to meet the costs of their water service. During the year the program helped customers to install efficient appliances, repair services, and install eligible water saving products with the service of a qualified plumber.

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.

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.

Sponsorship and community support was provided to over 48 community events and initiatives by Westernport Water during 2015-16. As in previous years, sponsorship that supported the Corporation's strategic direction and demonstrated relevance to water, wastewater, health, environment and conservation were viewed favourably.

In-kind support through the use of the hydration station and community billboard equalled to 58 percent of the total sponsorship expenditure. In-kind support also included exchange programs, water-wise giveaways, water-related activities, sustainability programs and support for community events.

A key sponsorship initiative was the Choose Tap Sports Club competition, which encouraged local sports clubs and their members to be leaders of change and encourage the consumption of tap water. Almost all sports clubs were provided sports team hydration kits and were incentivised to create customer driven publicity for Westernport Water and the "Choose Tap" education campaign.

The results of this competition were impressive, generating increased social media traffic, local area publicity, goodwill, positive community engagement, increased brand awareness and community advocates.

To further encourage sustainability and water conservation, the Corporation invested 33 percent of its sponsorship allocation into partnership programs, water industry initiatives and awards. Partnership programs with Landcare have added value to the community and enabled a number of educational workshops, as well as sustainability awards for residential and commercial customers. Other recognition and award programs included the Bass Coast Business Awards and National Water Week activities. The remaining nine percent of sponsorship funding was provided to local not-for-profit community groups as a direct cash contribution towards projects and events that aligned with the Corporation's priorities as outlined in the Corporate Plan.

Phillip Island Community Orchard (PICO) is a community run and funded project that is now in its third year. The Orchard community has established over 120 fruit trees, a horticultural demonstration plot, a native bush tucker garden and 500 native species that act as a shelter belt for the site. Connecting people and organisations, the Orchard has evolved into a place that is used by a number of community groups and education providers, and is supported by the business community. With an active and passionate group of volunteers the Orchard has thrived and been successful in obtaining funding from many sources to support its continued growth.

Education activities this year focused on improving community awareness of Westernport Water's products and services. Local schools participated in incursions and excursions that were based on "Choose Tap" and "Stop it. Don't block it" campaigns. The National Water Week poster competition was once again a success with many schools involved in activities during the week.

Partnering with community groups and businesses, Westernport Water has provided community learning opportunities and support for:

- Local sporting clubs through the provision or reusable sports hydration kits
- Schools with education programs and tree planting days
- Environment and sustainability awards
- Practical sustainability seminars and events
- Hands-on workshops
- Field days and tours.

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 are on the sustainability journey.

Schools water efficiency program (SWEP) enables schools to analyse their water consumption and be smarter about water use and sustainability. Providing students and teachers with access to real-time data, the program helps schools identify unexpected leaks and faulty appliances. Westernport Water is proud to report six out of eight schools in its service area are benefiting from the program.

Below: Phillip Island RIPS Choose Tap Sports Club Competition runner up.



Customers and community engagement was a focus in 2015-16. During September 2015, Westernport Water conducted its 13th Annual Customer Satisfaction Survey which provided valuable benchmarking data by combining with other Gippsland water corporations. Ongoing customer engagement was undertaken throughout the year with the Corporation's Customer Advisory Group and measures have been put in place to expand the group to engage with customers on the Pricing Proposal. Establishing social media profiles on Twitter, Facebook and LinkedIn has enabled Westernport Water to better communicate and engage with customers online. The Corporation also offered educational tours, practical workshops and attended community events enabling greater opportunities for employees to engage with customers.

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.

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

- The review of the Customer Consultative Panel charter which resulted in the name of the group being changed to Customer Advisory Group.
- Assessment of support systems and programs to care for vulnerable customers.
- The new corporate website, social media and customer communications.
- Water education, and the delivery of value added community services like the Phillip Island Community Orchard and the installation of drink fountains to promote tap water use.
- Consultation on products and services and customer and community campaigns.
- Customer engagement methods for matters relating to pricing and services.
- Policy and document reviews including, hardship, sponsorship, donations and water quality.

During 2015-16 the following people actively participated in the CAG: Neil Beddoe (Chairperson), Linda Cuttriss (Vice Chair), Phil Dixon, Viviane Verwey, Edgar Runge, Glenda Salter, Pam Lamaro and Fred Arden. Customer Advisory Group members are members of the community appointed by the Board of Westernport Water.

Customer satisfaction was measured through a telephone survey in September 2015. Westernport, Gippsland and East Gippsland Water worked together to gather information and obtain better value for money for survey services. This was the 13th consecutive year Westernport Water has conducted a customer satisfaction survey. The survey was revised slightly to allow for greater benchmarking, collaboration and the introduction of a Net Promoter Score (NPS).



Above: Phillip Island Community Orchard volunteers.

This year's survey drew attention to performance across a number of categories including customer perceptions, customer service, brand awareness, service delivery, environment and community awareness, and overall customer satisfaction.

It is pleasing to report performance is rising, and exceeds peers in brand recognition and awareness of wastewater supply. Overall satisfaction has increased, and dissatisfaction is down from eight percent to five percent. Customer perceptions of value for money rose from 51 percent to 58 percent, a statistically significant rise. However, on the subject of trust, Westernport Water received an NPS of -14. That is to say, fourteen percent more customers are likely to say something negative about the organisation than positive (35 percent compared to 21 percent).

The Corporation has identified and implemented a number of campaigns and initiatives aimed at improving community awareness of its products and services, customer satisfaction and trust.

Learning opportunities for the community were made available to local secondary students on a case by case basis. This year Westernport Water offered students work experience placements. Workplace learning involves students in structured, on-the-job experience during which they develop an understanding of the Water Industry and Operations.

The corporation continued to provide a Water Operations Traineeship to one employee, which provides on the job training, as well as further education leading to a Certificate II in Water Operations. All expenses associated with further education are funded by Westernport Water in addition to the salary paid.

Scholarship support continued for one local engineering student from Monash University during the reporting period. This year the student worked on the concept design for an alternative pipeline supply from the desalination connection to Candowie Reservoir. Together with this, the student assisted with the tender documents for a water main replacement program in Corinella and Dalyston, working closely with the consultant to develop the engineering drawings. The scholarship includes a 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.

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 2015-16, 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.
- Undertook pest plant and animal programs on land managed by the Corporation.
- Continued year two 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 the organisation 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 crucial to the environmental and social values of waterways. One such project is along Salt Water Creek as this area is of significant natural importance to Phillip Island and is part of the Phillip Island's Wildlife Corridor. The project looks at pest plant and animal pressures on native revegetation plantings to meet priorities of the strategy, improving the diversity and populations of native species in the region's waterways, wetlands and estuaries.

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

During 2015-16, Westernport Water continued to work with the 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 2015-16 to support biodiversity management included:

- An extended pest plant and animal program to address key target species and revegetation opportunities to improve biodiversity outcomes.
- Continuation 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.
- Identification of high risk riparian sites on private land by catchment partners Landcare and Melbourne Water.
- Participation in the development of a rabbit control strategy for Phillip Island and surrounding waterline suburbs.

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.

During 2015-16, the program of works on targeted weed species at the CWWTP and Candowie Reservoir was continued, with a dedicated program along Salt Water Creek on Phillip Island funded through the Melbourne Water Stream Frontage program. The pest animal program was also extended to include a specialist contractor to target species and complement the existing baiting programs at each of the Corporation's sites.

The partnership with Bass Coast Landcare Network is set to continue following the signing of a new five year Memorandum of Understanding in July 2016, which established the ground rules, priorities and relationship objectives of the partnership.

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 development, and the expansion of water recycling for irrigation. There has been a reduction in the per capita water use by Westernport Water customers over the past six years and the challenge is to continue to maintain this lower demand as forecast in the CRSWS.

Victorian Waterway Management Strategy and Regional Waterway Strategy is 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 Westernport Regional River Health Strategy identifies 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 to minimise impacts to water quality and reduce direct impacts to the local rivers and creek environments.

In 2015-16, Westernport Water invested in works on Tennent Creek downstream of Candowie Reservoir as part of the annual Landcare Land Management Operational Plan. Ongoing programs to address weed management in a significant strand of remnant vegetation downstream from the Candowie Reservoir spillway on Westernport Water land have continued in this period.

A Salt Water Creek rehabilitation program has been a focus on Phillip Island, but wallaby grazing on new native vegetation plantations is a problem. Extended fencing for protection of tree plantings and stream protection measures along Salt Water Creek within the Phillip Island Wildlife Corridor were required to increase the success of the revegetation program.

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 CWWTP upgrade plus the addition of a mixing zone condition in the Corporation's EPA licence to discharge to Bass Strait, Westernport Water is now compliant. 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 2015-16 the irrigation infrastructure at the CWWTP resulted in an increase use of recycled water to a eucalyptus plantation consisting of 14,000 Sugar Gums (*E. cladocalyx*). In 2015-16, approximately 69ML of recycled water was used for land based irrigation as a strategy to reduce discharge to ocean.

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 did not make any works applications to Aboriginal Affairs Victoria.

Environmental incidents are unplanned incidents that have the potential to impact on the environment or community. During 2015-16, the Corporation recorded and reported:

- Three sewer spills to EPA Victoria as a result of infrastructure failure. In all three incidents the environmental impact was low and determined through environmental monitoring and sampling. None of the reported incidents resulted in enforcement actions from EPA Victoria.
- One significant event at the CWWTP to EPA Victoria. The incident involved a geobag overfilling and bursting, dispersing sludge throughout the site. Operators responded quickly to the event by building containment bunds, preventing any discharge of sludge offsite or to waterways. The environmental impact of the sludge spill was determined as low through monitoring and environmental sampling.

The CWWTP EPA licence 74366, was amended as a result of an upgrade project which was completed this year. The upgrade has improved nutrient removal, reduced the environmental impact to Bass Strait and ensured compliance with the SEPP(WoV). The new licence also includes a mixing zone to ensure compliance with

open ocean discharge requirements outlined in the SEPP(WoV). The licence amendment also included an increase to the annual licence mean limit resulting in a 100 percent EPA licence compliance result for 2015-16.

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 and true waste
- A decrease in overall greenhouse gas emissions
- 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 Essential Services Commission (ESC) service standards for sewer systems
- Internal auditing of the EMS
- 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 assessed the use of aged biosolids as a means of remediating severely salt affected land. It has proven to be a sustainable and effective reusable resource capable of improving soil characteristics and pasture growth. During 2015-16, no biosolids were applied to land, however Westernport Water has continued to work with the landholder, RMIT University, and a contractor to monitor the receiving land. RMIT have also worked with undergraduate students and a postgraduate student to research a number of land management outcomes, including pasture growth and reduction of salinity as a result of biosolids applications and monitoring of groundwater levels on the site.

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 2014-15 and 2015-16 is presented below. The decrease in electricity consumption during 2015-16 can be attributed to continued reduction of energy use as a result of the virtualisation of IT infrastructure components, which reduced the energy demand from the main office IT server room, and adjustments to the office building central heating. During 2015-16, the office building also underwent a lighting refresh to replace lighting with more efficient LED.

Indicator	2015-16			2014-15		
	Electricity	Natural gas	Green power	Electricity	Natural gas	Green power
Total energy usage segmented by primary source (MJ)	530,049	–	–	674,695 ¹	–	–
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO ₂ e)	166	–	–	221	–	–
Percentage of electricity purchased as green power	0	–	–	0	–	–
Units of energy used per FTE (MJ/FTE)	7,089	–	–	10,552	–	–
Units of energy used per unit of office area (MJ/m ²)	547	–	–	696	–	–

Notes:

1. During 2015-16 there was a decrease in energy use at the main office building, attributed to two actions, a reduction in energy from the lighting refresh and the continued improvement due to the removal of IT servers.

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 an office refresh and declutter project, with a general clean up of the main Newhaven office resulting in 2.6 tonnes of general waste going to landfill.

Indicator	2015-16			2014-15		
	Landfill	Commingled recycling	Compost	Landfill	Commingled recycling	Compost
Total units of waste disposed of by destination (kg/yr)	11,781	2,688	20	11,232	2,688	28
Units of waste disposed of per FTE by destinations (kg/FTE) ¹	158	36	0	179	42	0.4
Recycling rate (percentage of total waste)	22			19		
Greenhouse gas emissions associated with waste disposal (t CO ₂ e)	13			12		

Notes:

1. A decrease in units of waste disposal per FTE is directly related to an increase in FTE from the previous year.

Paper usage saw an increase in reams of paper used, however the increase in FTE during the 2015-16 financial year saw a reduction in the overall paper usage per person. This indicates that overall paper usage at the site is dependent on the number of employees. This creates an opportunity to examine trends in paper usage by department and users to identify opportunities to reduce overall paper usage.

Indicator	2015-16		2014-15	
Total units of copy paper used (reams)	390		336	
Units of copy paper used per FTE (reams/FTE)	5		5.3	
Percentage of 50-75% recycled content copy paper purchased	100		100	

Notes: 2015-16 paper usage was 15% higher than the previous year, however there was also a 15% increase in FTE from the previous year.

Water data is based on water meter readings at the administrative corporate office site but also includes water usage from the corporation's 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.

Indicator	2015-16	2014-15
Units of metered water consumed in offices per FTE (kilolitres/FTE)	18.14	9.31
Units of metered water consumed in offices per unit of office area (kilolitres/m ²)	1.29	0.61
Total Corporate water consumption in offices (kilolitres)	1,247	595

Notes:

1. The increase in water use is attributed to a number of small activities at the site.

Vehicle emissions are generated from the Corporation's fleet comprising of 31 vehicles in total. 84 percent of the vehicle fleet is operational, 10 percent being pool vehicles and the remaining 6 percent being executive vehicles. The fleet is made up of 17 4cl vehicles, 11 4WD vehicles, 1 6cl, 1 hybrid and 1 truck. Of the fleet 81 percent are powered by diesel and 19 percent unleaded fuel.

Operational vehicles	2015-16	2014-15
Total energy consumption by vehicles (MJ) ¹	3,478,246	2,734,243
Total vehicle travel associated with entity operations (km)	973,188	507,693
Total greenhouse gas emissions from vehicle fleet (t CO ₂ e)	233	190
Total distance travelled by aeroplane (km)	2,070	6,417

Notes:

1. The increase by 15% of FTE is believed to have contributed to an increase in vehicle use during the 2015-16 year.

Greenhouse gas emissions and net energy consumption are generated from a number of different activities and sources: office facilities (4.8 percent), wastewater treatment plants (58 percent), water treatment plant (36 percent), and other uses such as remote pumping stations.

Greenhouse Gas Emissions (GGE) during 2015-16 reduced overall as a result of a decrease in electricity consumption at the Newhaven office and decreases for both Water treatment and Wastewater treatment. Whilst a greater volume of drinking water was produced in 2015-16, the quality of water sourced from the reservoir was higher resulting in less treatment required and less electricity consumption at the Water Treatment Plant. Wastewater treatment emissions were also down due to reduced treated volume in 2015-16 compared to previous years and efficiency measures implemented as a part of the CWWTP upgrade project.

There was however, an increase in vehicle fleet emissions and waste disposal in 2015-16. Vehicle emissions were higher as a result of an increase in FTE and new staff undertaking training as part of their onboarding program, requiring increased travel to education facilities. Waste disposal increased from the disposal of a significant quantity of alum sludge waste to landfill from the water treatment plant and an office clean up that resulted in 2.2 tonnes of general waste disposed to landfill.

Greenhouse Gas Emissions (GGE)							
	Note	2015-16	% difference	2014-15	2013-14	2012-13	2011-12
Vehicle fleet (t CO ₂ -e)	1	233	22%	190	221	216	215
Wastewater treatment (t CO ₂ -e)	2	4,074	-10%	4,512	4,230	3,779	4,681
Water supply & treatment (t CO ₂ -e)		1,283	-5%	1,351	1,599	1,832	1,849
Waste disposal (new) (t CCO ₂ -e)	3	295	51%	195	158	158	181
Other (t CO ₂ -e) ⁵	4	168	-25%	224	246	274	355
Total (t CO ₂ -e)		6,053	-3%	6,473	6,455	6,260	7,280
Offsets purchased (new)		0	0	0	0	0	0

Notes:

1. An increase in vehicle emissions is a result of an increase in FTE and necessary travel as part of the Learning and Development program.
2. A decrease in Wastewater treatment GHG emission is a result of a reduction in treated volume in 2015-16 compared to previous years and an increase in efficiency measures as a result of the upgrade at the CWWTP.
3. An increase in waste disposal in 2015-16 is the result of a Newhaven office clean up and a significant volume of Alum sludge disposed to landfill from the water treatment plant site.
4. A decrease in other GHG emissions in 2015-16 is the result of reduced electricity consumption at the Newhaven office site.

Procurement

The Corporation's main areas of procurement are contractors (40 percent), and goods and services (60 percent). 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
- Clauses in quotes and tender documents requiring tenderers to disclose environmental 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.

Details of consultancies over \$10,000

In 2015-16, there were nine consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2015-16 in relation to these consultancies is \$317,411(excl. GST). Details of individual consultancies are outlined below:

Consultancies awarded 01 July 2015 to 30 June 2016

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (\$)(ex GST)	Expenditure (\$) 2015-16 (ex GST)	Future expenditure (\$) (ex GST)
Asstec Australia Pty Ltd	Asset Management Plan – System improvement plan	Jul 2015	Jul 2017	60,000	29,700	30,000
Cee Consultants Pty Ltd	Engineering and quality analysis	Mar 2016	Oct 2016	50,418	42,180	8,238
Charlie Mac and Associates	IT Systems and utility billing development	Oct 2015	Jun 2017	70,000	70,625	<10,000
CMP Consulting Group	Engineering study for Phillip Island water supply security	Feb 2016	Aug 2016	18,630	12,878	5,752
DELWP	Valuation Fee – Valuer General	Mar 2016	Aug 2016	55,000	54,257	5,000
E2 Design Lab ¹	San Remo IWMP Stage 2 Concept Design	Jun 2015	Jul 2015	30,000	19,260	0
Raymac Enterprises Pty Ltd	Supply of civil engineering consulting services; Contract Management System	Jul 2015	Oct 2016	18,050	11,495	6,555
Rigby Cook Lawyers	Employment and legal advice	Mar 2016	Jun 2016	24,500	24,416	0
Soda Consulting	Organisational improvement plan consultancy	Sep 2015	Sep 2016	90,000	52,600	35,000

Notes:

1. E2 Design Lab was originally awarded a contract in 2012-13 for an options study for the IWCM Project. A separate contract was then awarded for the stage 2 concept design.

Procurement targets have been set for 2015-16:

- to always purchase printing paper containing 100 percent recycled properties; and
- to always purchase vehicles with low fuel consumption and low greenhouse gas emissions, fit for purpose.

Government advertising expenditure in 2015-16 on government campaign expenditure did not exceed \$100,000.

Disclosure of major contracts

Westernport Water did not award any major contracts (greater than \$10M) during 2015-16.

Contracts awarded over \$1M in 2015-16

Westernport Water did not award any new major contracts with a value greater than \$1 million during 2015-16. A contract for \$1.8 million originally awarded in 2013-14 was completed in 2015-16.

Details of consultancies under \$10,000

In 2015-16, there were five consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. Total expenditure incurred during 2015-16 in relation to these consultancies is \$26,845 (excl. GST).

Information and Communication Technology (ICT) expenditure

ICT expenditure

The Corporation undertook no ICT projects or initiatives during 2015-16 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 2015-16, the Corporation had a total ICT expenditure of \$811,000, with the details shown below (excludes direct employee costs).

As reflected in the Westernport Water Corporate Plan 2016-21, amendments to the chart of accounts have been made from July 2016 to ensure continuance of full transparency and compliance with the ICT Reporting Standards and ICT Expenditure Reporting Guidelines as developed and approved by the Victorian Secretaries Board, September 2015.

(\$ thousand)			
Business As Usual (BAU) ICT expenditure (Total) ²	Non Business As Usual (non BAU) ICT expenditure (Total = Operational expenditure and Capital Expenditure)	Non BAU ICT expenditure • Operational expenditure (OPEX) ¹	Non BAU ICT expenditure • Capital expenditure CAPEX
560	251	135	116

Note:

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



Above: Westernport Water Head Office.

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 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.

Westernport Water conducted no other major projects or works on buildings owned by it greater than \$50,000 in 2015-16.

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 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

Each FOI application should be accompanied by an application fee of \$27.90 (being 2 fee units presently set by the Treasurer at \$13.94 applying from 1 July 2016); the \$27.90 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.

During the reporting period Westernport Water received one request for information under the Act. Full access was granted to this request.

Additional information has been included in Westernport Water's Annual Report, on the pages indicated below:

- Assessments and measures undertaken to improve the occupational health and safety of employees from page 23.
- A statement on industrial relations within Westernport Water on page 20.
- A list of Westernport Water's major committees; the purposes of each committee; and the extent to which the purposes have been achieved on page 19.

Additional information available on request

- A statement of completion of declarations of pecuniary interests by relevant officers have been completed by all relevant officers of the Corporation.

The information is available on request from the Freedom of Information Officer.

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 four complaints (0.21 complaints per 1,000 customers) about Westernport Water, who were disputing their water bill.

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 and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

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

	2015-16 number	2014 15 number
The number of disclosures made by an individual to the Department and notified to the Independent Broad based Anti corruption Commission		
Assessable disclosures	0	0

Risk management at Westernport Water

Risk management attestation

I, Roland Lindell, certify that Westernport Water has complied with the Ministerial Direction 4.5.5; except for the specific requirements relating to undertaking a review of the risk management framework and a risk improvement plan in the past 12 months, failure to complete an annual IT system Disaster Recovery test and formalisation of interagency risks and determination of the agency responsibilities and resources.

Westernport Water's Audit and Risk Committee has verified this.



Roland Lindell

Chairperson

Westernport Water

23 August 2016

Performance Report

for the Year Ended 30 June 2016

Financial Performance Indicators							
KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to prior year %	Variance to Target %	Notes
F1	Cash Interest Cover Cash Flow from Operations before Net Interest and Tax / Net Interest Payments	16.9	21.0	10.9	24.3%	92.7%	1
F2	Gearing Ratio (%) Total Debt (Including Finance leases) / Total Assets x 100	5.5%	4.3%	5.9%	-21.8%	-27.1%	2
F3	Internal Financing Ratio (%) (Net Operating Cash Flow – Dividends) / Capital Expenditure x 100	127.1%	139.0%	111.6%	9.4%	24.6%	3
F4	Current Ratio (*) Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.89	1.09	0.56	22.5%	94.6%	4
F5	Return on Assets (%) (*) Earnings before net interest and tax / average assets x 100	1.5%	0.1%	0.7%	-93.3%	-85.7%	5
F6	Return on Equity (%) Net profit after tax / average total equity x 100	1.4%	-0.1%	0.8%	-107.1%	-112.5%	6
F7	EBITDA Margin (%) Earnings before Interest Tax Depreciation and Amortisation / Total Revenue x 100	40%	30%	33.0%	-25.0%	-9.1%	7

Notes:

- Cash interest cover is favourable to target due to the change in our customer account billing cycles in Oct 2014 and improved cash flow. 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 in 2014-15 and 2015-16 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.
- 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 (refer note 1). Variances from target and prior year reflect improved cash position from change in billing structure and reduced debt.
- Additional cash flow during the year (refer note 1) provided funds for financing the 2014-15 capital investment program, this cash flow effect was maintained during 2015-16. Target for 2015-16 assumed full utilisation of borrowings to fund capital spend which did not occur creating a positive variance from target.
- An increase in current receivables due to change in billing structure at year end (2014-15) and reduced borrowings is contributing to the favourable variance from target for 2015-16. This change in billing structure occurred after the budget had been finalised. Customer accounts are now raised progressively in June rather than in July, increasing receivables at year end (refer note 1). The full effect of this was seen throughout 2015-16.
- ROA result as compared to target is mainly due to the lower revenue from development activity during 2015-16, and higher depreciation charges from additional development assets recognised in 2014-15 from prior year activity. These additional charges were not recognised in the target.
- ROE decreased from prior year and to target due to higher operating expenditure including depreciation not included in target and bringing forward of some annual planned maintenance works. The revaluation of fixed assets has raised the equity base for calculation purposes in 2015-16.
- EBITDA margin result as compared to prior year and target is due to the earning position – refer note 2 and 6. A key strategic focus for 2014-15 was to improve processes and promote efficient spend. This has contributed to the favourable results reported for the 2014-15 financial year. The lower result for 2015-16 is due to operational focus and the bringing forward of some planned maintenance works.

Financial Indicators:

Interest Financial Ratio – Low ratio indicates less operating cash available to fund the capital investment program

Gearing Ratio – Low ratio indicates less reliance on debt to finance assets

Interest Cover (EBIT) – Ability to meet ongoing interest expense and service debt from earnings

Interest Cover (Cash) – Ability to meet ongoing interest expense and service debt from operating cash inflows

Current Ratio (working capital) – The higher the current ratio, the more capacity to pay obligations in the short term.

Return on Assets – indicates how profitable a company is relative to its total assets. The higher the ROA indicates that more money is being earned on less investment.

Return on Equity – profitability indicator. A higher result indicates a better use of equity to generate profits.

EBITDA Margin – a measure of how much cash profit is made during the year.

Performance Report (continued)

for the Year Ended 30 June 2016

Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to prior year %	Notes	Variance to Target %	Notes
WS1	Unplanned water supply interruptions No. of customers receiving 1 or more unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100	20%	27%	10%	35.0	1a	170.0	1b
WS2	Interruption time Average duration of unplanned water supply interruptions (minutes)	103.4	80.2	90.0	-22.4	2a	-10.9	2b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100	98%	99%	100%	1.0	-	-1.3	-
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers	100%	85%	100%	-15.0	3a	-15.0	3b
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions restored within five hours	100%	83%	100%	-17.0	4a	-17.0	4b

Notes:

- 1a & 1b. The unfavourable variance to the prior year and target is the result of failures of the pipelines to towns that have a single source of water supply, namely Corinella, Dalyston and Archies Creek. These towns are supplied by cast iron cement lined pipe that have been assessed and the pipelines were replaced under the capital program for water main replacement. The ongoing water main replacement program will continue to review asset condition and criticality, giving priority to areas supplied via a single source.
- 2a & 2b. A favourable variance to prior year and target is largely due to interruptions being restored in a shorter time period as a result of response process improvements.
- 3a & 3b. The unfavourable variance was due to 2 out of 13 sewer spills for the year not being contained within 5 hours. Spill 1 was initially reported as a minor water leak and therefore not triggering the normal high level response procedure. Spill 2 was a leak on a rising main which required continuous management of flows prior to and during the works, resulting in a longer completion time for the repair.
- 4a & 4b. The unfavourable variance to the prior year and target was the result of 2 of a total of 12 sewer spills interrupting residential customer not contained within the required 5 hours. The increase in response time was the result of the two spills – note 3a and 3b.



Left: Work crew responding to burst main. **Middle:** Maintenance crews flushing water supply. **Right:** Emergency repairs.

Performance Report (continued)

for the Year Ended 30 June 2016

Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to prior year %	Notes	Variance to Target %	Notes
CR1	Water quality complaints No. of complaints per 100 customers for:	0.15	0.21	0.27	40.0	5a	-22.2	5b
CR2	Sewerage service quality complaints No. of complaints per 100 customers.	0	0	0	0.0	-	0.0	-
CR3	Sewerage odour complaints No. of complaints per 100 customers.	0.03	0.06	0	100.0	6a	0.0	-
CR4	Billing complaints No. of complaints per 100 customers.	0.07	0.05	0.10	-28.6	7a	-50.0	6b

Notes:

- 5a. The unfavourable variance to the previous year is due to an increase in dirty water and milky water complaints as a result of bursts and leaks on distribution water mains. The Corporation is looking to introduce a new maintenance response program to address potential sources of contamination that might occur during a mains repair and put in place measures to prevent that contamination from occurring, eliminating source of complaints.
- 5b. The favourable variance to prior year is due the target being determined by the previous 5 year average number of water quality complaints. The 5 year average included the 2013-14 high complaints year as a result of a large algae bloom in the reservoir. The 2015-16 year did not see any large water quality issues in the source water.
- 6a. The unfavourable variance in sewer odour complaints is due to a total of 12 odour complaints in 2015-16, double the previous years complaints. Complaints during the period were up due to works at a major sewerage pump station to install an air treatment facility, resulting in short periods that limited odour control was in place due to works. This resulted in an increase in odour complaints.
- 7a & 6b. The favourable variable against the prior year and the target is the result of introduction of billing our customers in smaller numbers contributing to a reduction in the number of complaints received in 2015-16 by providing a more responsive customer service.

Environmental Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to prior year %	Notes	Variance to Target %	Notes
E1	Effluent reuse volume Percentage recycled	20%	22%	32%	10.0	8a	-31.3	7b
E2	Total net CO2 emissions Net tonnes CO2 equivalent	6,473	6,053	6,300	-6.5	9a	-3.9	-

Notes:

- 8a. The favourable variance to the prior year is the result of overall increase in demand due to lower rainfall, warmer weather conditions and the increased production of Class A recycled water during the peak season.
- 7b. There was an unfavourable variance to target as the corporate target was based on the original projected residential and commercial Class A water take-up. There has been a lower than projected residential growth and a highly seasonal demand from the commercial customers, effluent reuse is not expected to exceed 25% of wastewater treated in the short to medium term. The corporate target has been revised accordingly in 2016-17.
- 9a. The favourable reduction in Greenhouse Gas Emissions compared to the previous year is the result in reductions in electricity consumption in the year. The following activities contributed to the overall reduction in electricity consumption; Newhaven Office lighting refresh, IT server room changes and decreases in both water treatment and wastewater treatment electricity consumption as a result of improvements to plant operations.

Certification of Performance Report for 2015-16

We certify that the accompanying Performance Report for Westernport Region Water Corporation in respect of the 2015-16 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 2015-16 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



Ross Ingram
Acting General Manager Business Services
Chief Finance Officer
Westernport Water

Date this 20th day of September 2016.

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Westernport Region Water Corporation

The Performance Report

I have audited the accompanying performance report for the year ended 30 June 2016 of Westernport Region Water Corporation which comprises the performance report, the related notes and the certification of performance report.

The Board Members' Responsibility for the Performance report

The board members of Westernport Region Water Corporation are responsible for the preparation and fair presentation of the performance report and for such internal control as the board members determine 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.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the performance report of Westernport Region Water Corporation in respect of the 30 June 2016 financial year presents fairly, in all material respects.

MELBOURNE
22 September 2016

Peter D. Gallagher
for Andrew Greaves
Auditor-General

Auditing in the Public Interest

Financial Statements contents

Financial Statements		Page
Comprehensive Operating Statement		37
Balance Sheet		38
Statement of Changes in Equity		39
Cash Flow Statement		39
Notes to the Financial Report		
Note 1	Summary of significant accounting Policies	40
Note 2	New Accounting Standards and Interpretations	47
Note 3	Critical accounting estimates and judgements	49
Note 4	Asset Revaluations	49
Note 5	Revenue and expense disclosures	50
Note 6	Income tax	52
Note 7	Cash and cash equivalents	54
Note 8	Receivables	54
Note 9	Inventories	55
Note 10	Biological Assets	55
Note 11	Infrastructure, property, plant and equipment	56
Note 12	Intangible assets	62
Note 13	Payables	63
Note 14	Other Current Liabilities	63
Note 15	Interest bearing liabilities	63
Note 16	Provisions and employee benefits	64
Note 17	Contributed Capital	65
Note 18	Reserves	65
Note 19	Accumulated Funds	65
Note 20	Financial Instruments	66
Note 21	Commitments	71
Note 22	Contingent liabilities and contingent assets	71
Note 23	Superannuation	72
Note 24	Remuneration of executives and payments to other personnel	74
Note 25	Reconciliation of profit / (loss) for the period after related income tax to net cash flows from operating activities	77
Note 26	Remuneration of auditors	78
Note 27	Events occurring after the balance sheet date	78
Appendices		
A.	Accountable officer's and chief finance and accounting officer's declaration	79
B.	Auditor General's report	80

Financial Statements declaration

Responsible Body Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present Westernport Water's Annual Report for the year ending 30 June 2016.



Roland Lindell
Chairperson
Westernport Water
20 September 2016

Comprehensive Operating Statement for the financial year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Revenue			
Sales Revenue	5 (a)	19,454	18,856
Other Revenue	5 (a)	1,744	2,331
Total Revenue		21,198	21,187
Expenses			
Borrowing Expense	5 (b)	431	453
Depreciation and Amortisation Expenses	5 (b)	6,116	5,780
Employee Expenses	5 (b)	6,869	5,986
Repairs and Maintenance	5 (b)	775	833
Environmental Contributions	5 (b)	794	770
Outsourced Services	5 (b)	4,103	3,033
Other	5 (b)	2,315	2,083
Total Expenses		21,403	18,938
Net Profit before Income Tax Equivalents Expense		(205)	2,249
Income Tax Equivalents Expense / (Benefit)	6 (a)	(62)	210
Net Result for the period	19	(143)	2,039
Other Comprehensive Income			
<i>Items that will not be reclassified to profit or loss</i>			
Net gain on revaluation of land, buildings and infrastructure	11(b)	30,443	329
Income tax relating to other comprehensive income	6	(9,133)	(98)
Total Other Comprehensive Income for the Period	18	21,310	231
Comprehensive Result		21,167	2,270

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

Balance Sheet

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	1(d), 7	2,176	850
Receivables	1(d), 8	2,131	2,706
Inventories	1(d), 9	380	341
Prepayments		130	101
Biological Assets – Cattle held for sale	1(d) 10	90	123
Total Current Assets		4,907	4,121
Non-current assets			
Receivables	1(d), 8	55	66
Inventories	1(d), 9	–	–
Infrastructure, property, plant and equipment	1(d), 11	206,275	176,901
Intangible assets	1(d), 12	1,481	1,884
Total non-current assets		207,811	178,851
TOTAL ASSETS		212,718	182,972
LIABILITIES			
Current liabilities			
Payables	1(e), 13	2,032	2,045
Interest bearing liabilities	1(e), 15	2,250	550
Employee benefits	1(e), 16	1,365	1,397
Other liabilities	1(e), 14	1,107	778
Total current liabilities		6,754	4,770
Non-current liabilities			
Interest bearing liabilities	1(e), 15	6,940	9,440
Employee benefits	1 (e), 16	255	233
Net deferred tax liabilities	1(e), 6	33,837	24,764
Total non-current liabilities		41,032	34,437
TOTAL LIABILITIES		47,786	39,207
NET ASSETS		164,932	143,765
EQUITY			
Contributed capital	1(g), 17	51,323	51,323
Reserves	18	53,406	32,096
Accumulated surplus/(deficit)	19	60,203	60,346
TOTAL EQUITY		164,932	143,765
Commitments for Expenditure	21		
Contingent Assets and Contingent Liabilities	22		

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

Statement of Changes in Equity

for the financial year ended 30 June 2016

	Notes	Accumulated Funds \$'000	Contributions by Owners \$'000	Reserves \$'000	Total Equity \$'000
Balance as at 30 June 2015		60,346	51,323	32,096	143,765
Net Result for the period	19	(143)	–	–	(143)
Other Comprehensive Income	18	–	–	21,310	21,310
Balance as at 30 June 2016		60,203	51,323	53,406	164,932
Balance as at 30 June 2014		58,307	51,323	31,865	141,495
Net Result for the period	19	2,039	–	–	2,039
Other Comprehensive Income	18	–	–	231	231
Balance as at 30 June 2015		60,346	51,323	32,096	143,765

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

Cash Flow Statement

for the financial year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities			
Receipts from Customers		21,557	20,377
Receipts from Other Sources		865	393
Payments to Suppliers and Employees		(16,194)	(13,688)
GST Net Received		1,094	853
Interest Received		22	12
Interest Paid		(346)	(436)
Environmental Contributions		(530)	(770)
Net Cash Inflow from Operating Activities	25 (a)	6,468	6,741
Cash Flows from Investing Activities			
Payments for Property, Plant, Equipment, and Intangibles		(4,652)	(5,302)
Proceeds from Sale		310	43
Net Cash (Outflow) from Investing Activities		(4,342)	(5,259)
Cash Flows from Financing Activities			
Proceeds from Borrowings		1,800	–
Repayment of Borrowings		(2,600)	(1,950)
Net Cash Inflow from Financing Activities		(800)	(1,950)
Net Increase (Decrease) in Cash and Cash Equivalents		1,326	(468)
Cash and Cash Equivalents at the Beginning of the Year		850	1,318
Cash and Cash Equivalents at the End of the Year	7, 25 (b)	2,176	850

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

Notes to the Financial Report

for the year ended 30 June 2016

Note 1 Summary of significant accounting Policies

(a) 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 that consists of a Comprehensive Operating Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity, and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Westernport Regional 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 20 September 2016.

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.

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 – see 1(f) for a variation in relation to employee benefits.

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 financial assets, all classes of property, plant and equipment.

Accounting estimates

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

The most significant accounting estimates undertaken in the preparation of this financial report relate to:

- estimation of asset useful lives for assets reported at fair value;
- fair value assessment for infrastructure, land and buildings as per the revaluation conducted under the auspices of the Valuer-General Victoria;
- impairment of assets;
- unearned revenue;
- recognition of deferred tax assets and liabilities;
- accrued billings; and
- provisions.

(b) Revenue

Service and usage charges

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

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. 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.

Fixed 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.

Lease Rental Income

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

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 1 Summary of significant accounting Policies (continued)

(b) Revenue (continued)

Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004 Contributions, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as government grants and contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners in accordance with FRD 119A *Transfers through Contributed Capital*.

Interest

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

Developer contributions

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

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.

Other income

Lease or Rental income

Income from operating leases (i.e. rentals) is recognised in income on a straight-line basis over the lease term.

(c) Expenses

Interest expense and borrowing costs

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Included in Borrowing Costs is the Financial Accommodation Levy (FAL) which is administered by the Department of Treasury and Finance. The purpose of the FAL is to neutralise the competitive advantage of the Corporation having access to funding through Treasury Corporation Victoria.

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

Grants and other transfers

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals; other transfer payments made to State-owned agencies, local government, non-government schools, and community groups.

Depreciation and Amortisation of Non-current Assets

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

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

Intangible assets with finite useful lives are amortised as an expense on a 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 in Note 1(d).

Depreciation rates within each asset class are consistent with the previous year and fall within the following ranges:

Physical Assets:	Periods
Buildings	40-70 years
Infrastructure	
Water	
– Storages	20-100 years
– Distribution Network	15-80 years
– Treatment Plants	15-70 years
Wastewater	
– Storage	10-70 years
– Distribution Network	25-70 years
– Treatment Plants	15-70 years
Other Assets	
– Equipment	5-10 years
– Machinery	5-10 years
– Furniture & computers	2.5-13 years
– Motor Vehicles	4 years
– Gas Network	15-50 years
Intangible Assets:	
– Software	3-5 years
– Software development costs	10 years
– Patents and Licences	Indefinite

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 1 Summary of significant accounting Policies (continued)

(c) Expenses (continued)

Employee benefits

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

Superannuation

The amount 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.

Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

Environmental contributions

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended to cover the period 1 July 2012 until 30 June 2020.

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 authority 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.

Resources provided free of charge

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

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchases if not donated.

Other expenses

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

(d) Assets

Cash and cash equivalents

Cash and deposits recognised on the Balance Sheet comprise cash on hand and cash at bank, deposits at call and those highly liquid investments (with an original maturity of three months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and readily convertible to known amounts of cash with an insignificant risk of changes in value.

For Cash Flow Statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as interest bearing liabilities on the Balance Sheet.

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, loans to third parties, accrued investment income; and
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables

Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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

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

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 1 Summary of significant accounting Policies (continued)

(d) Assets (continued)

Inventories

Inventories comprise stores and materials 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.

Inventories also include goods held for distribution at no or nominal cost. Inventories held for distribution are measured at cost, adjusted for any loss of service potential. Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Biological assets

Livestock are recognised as biological assets. These biological assets are measured at fair value less costs to sell and are revalued by a registered stock valuer at 30 June each year. If livestock is acquired near the end of the financial year and there is no change in biological transformation and there has been no change in the market, a livestock valuation may not be undertaken as the purchase price is deemed to be an equivalent of fair value.

The 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 the biological assets is recognised in the comprehensive operating statement as other economic flow.

Prepayments

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

Infrastructure, property, plant and equipment

Recognition of Non-current Physical Assets

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

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

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

Measurement of Non-current Physical Assets

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

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.

Plant, equipment, and motor vehicles are measured at fair value.

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

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 1 Summary of significant accounting Policies (continued)

(d) Assets (continued)

Infrastructure property plant and equipment (continued)

The fair value assessment for water infrastructure occurred as at 30 June 2016 and was undertaken with involvement from Valuer General of Victoria (VGV), under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise are provided in Note 11.

Revaluation of Non-current Physical Assets

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.

Impairment of Assets

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

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

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

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

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

Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

Fair value

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, investment properties 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.

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.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 1 Summary of significant accounting Policies (continued)

(d) Assets (continued)

Fair value (continued)

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

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

(e) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession notes. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables 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 a contract.

The contractual payables are unsecured and are usually paid within 28 days of recognition.

Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. 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 non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Borrowings known as 11am debt are classified as current borrowings.

Provisions

Provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee benefits

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.

(i) Wages and salaries, annual leave

Liabilities for wages and salaries, including non monetary benefits and annual leave are all recognised in the provision for employee benefits as 'current liabilities', because the Corporation does not have an unconditional right to defer settlements of these liabilities.

Depends on the expectation of the timing of settlement, liabilities for wages and salaries, 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

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 1 Summary of significant accounting Policies (continued)

(e) Liabilities (continued)

(ii) Long service leave

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

Unconditional LSL is disclosed in the notes to the financial statements 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; and
- present value if the Corporation does not expect to wholly settle within 12 months.

Conditional LSL 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 in the 'net result from transactions', except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as an other economic flow.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Department recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

On-costs

Provisions for on costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

Performance payments

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

(f) Equity

Contributions by owners

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

Asset revaluation reserve

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

(g) Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office. The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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.

(h) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 21) at their nominal value and inclusive of the goods and services tax (GST) payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(i) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 22) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 1 Summary of significant accounting Policies (continued)

(j) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Corporation and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

(k) Dividend Policy

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is nil.

(l) Goods and Services Tax

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables on the Balance Sheet.

Cash flows are presented on a gross basis – i.e. inclusive of GST. The GST components of cash flows arising from investing and financing activities which is recoverable or payable to the ATO are presented as operating cash flows.

Note 2 New Accounting Standards and Interpretations issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2016 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 Financial Instruments	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	Expected impact to be immaterial.
AASB 15 Revenue from Contracts with Customers	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	Expected impact to be immaterial.
AASB 16 Leases	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	Recognition of ICT leases
AASB 2010 7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. 	1 January 2018	1 July 2018	Minimal impact on reported balances

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 2 New Accounting Standards and Interpretations issued that are not yet effective (continued)

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 2014 1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASBs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018	1 July 2018	Expected impact to be immaterial.
AASB 2014 4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	AASB 2014 4 amends AASB 116 and AASB 138 to: <ul style="list-style-type: none"> establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; clarify that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. 	1 January 2016	1 July 2016	Expected impact is no change to current practice.
AASB 2014 5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends.	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018.	1 July 2017	Expected impact to be immaterial.
AASB 2014 7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASBs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	1 July 2018	Expected impact to be immaterial.
AASB 2014 9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]	Amends AASB 127 to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. In particular, dividends from a subsidiary, a joint venture or an associate are recognised in profit or loss in the separate financial statements of an entity when the entity's right to receive the dividend is established. The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.	1 January 2016	1 July 2016	Expected impact to be immaterial.
AASB 2014 10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	Amends AASB 10 and AASB 128 to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: <ul style="list-style-type: none"> a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. 	1 January 2016	1 July 2016	Expected impact to be immaterial.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 2 New Accounting Standards and Interpretations issued that are not yet effective (continued)

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 2015 1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</i> [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Amends the methods of disposal in AASB 5 Non current assets held for sale and discontinued operations. Amends AASB 7 Financial Instruments by including further guidance on servicing contracts.	1 January 2016	1 July 2016	Expected impact to be immaterial.
AASB 2015 6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not for Profit Public Sector Entities</i> [AASB 10, AASB 124 & AASB 1049]	AASB 2015 6 extends the scope of AASB 124 <i>Related Party Disclosures</i> to not for profit public sector entities. Guidance has been included to assist the application of the Standard by not for profit public sector entities.	1 January 2016	1 July 2016	Expected impact to be immaterial.

The following accounting pronouncements are also issued but not effective for the 2015-16 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 14 *Regulatory Deferral Accounts*
- AASB 1056 *Superannuation Entities*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014 1 *Amendments to Australian Accounting Standards [Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
- AASB 2014 3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- AASB 2014 6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
- AASB 2015 5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*
- AASB 2015 9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*
- AASB 2015 10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*

Note 3: Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- estimation of asset useful lives for assets reported at fair value;
- interim fair value assessment for infrastructure, land and buildings ;
- impairment of assets;
- unearned revenue;
- recognition of deferred tax assets and liabilities;
- accrued billings; and
- provisions.

Note 4: Asset Revaluations

Land & Buildings, Water and Wastewater Infrastructure assets were assessed for fair value review under the auspices of the Valuer-General of Victoria and in accordance with the *Financial Management Act 1994*, and in conformity with Australian Accounting Standards, Victorian Government Policies and valuation guidelines.

The valuation of land & buildings was performed on a fair value basis using market evidence.

The valuation of infrastructure assets was performed based on the depreciated replacement cost of the assets.

The effective date of the valuations is 30 June 2016.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 5. Revenue and Expense Disclosures

	2016 \$'000	2015 \$'000
(a) Revenue		
Sales Revenue		
Service Charges:		
Water	6,613	6,556
Waste	9,355	9,252
Other	81	87
Total Service Charges	16,049	15,895
Usage Charges:		
Water	3,674	3,255
Other	65	50
Tradewaste	78	49
Total Usage Charges	3,817	3,354
Government Rebate applied to customer accounts	(412)	(393)
Total Sales Revenue	19,454	18,856
Other Revenue:		
Developer Contributions:		
Headwork Charges paid by developers	610	401
Developer Contributed Assets – Water	155	299
Developer Contributed Assets – Waste	378	1,198
Developer Contributed Assets – Reuse	8	4
Total Developer Contributions	1,151	1,902
Government Grants and Funding	–	45
Interest Earned – Deposits and Investments	58	24
Profit/(loss) on Disposal of Property Plant and Equipment	135	22
Recoverable Works	–	18
Miscellaneous	400	320
Total Other Revenue	1,744	2,331
Total Revenue	21,198	21,187

Note 5. Revenue and Expense Disclosures (continued)

	2016 \$'000	2015 \$'000
(b) Expenses		
Interest and Borrowing Costs	431	453
<i>Depreciation and Amortisation Expenses:</i>		
Buildings	69	66
Water Infrastructure Assets	2,472	2,331
Wastewater Infrastructure Assets	2,527	2,245
Infrastructure Gas	6	7
Plant and Equipment	616	623
Intangibles	426	508
Total	6,116	5,780
<i>Employee Costs:</i>		
Annual Leave Benefits	501	382
Long Service Leave Benefits	135	158
Superannuation Contributions	471	448
Superannuation Contributions – Defined Benefits	48	44
Other Employee Costs	5,714	4,954
Total	6,869	5,986
Repairs and Maintenance	775	833
Environmental Contribution	794	770
<i>Outsourced Services:</i>		
Consultants	658	485
Contractors	3,182	2,239
Testing and Sampling	202	258
Collection Fees	61	51
Total	4,103	3,033
<i>Other Expenses:</i>		
Computer Expenses	560	634
Electricity	571	550
Training and Travel	164	118
Bad and Doubtful Debts	121	31
Advertising & Promotions	33	33
Insurance	108	128
Licences & Registrations	83	71
Other Bank Charges	52	55
Subscriptions & Memberships	118	70
Vehicle Repairs & Maintenance	152	161
Miscellaneous Expenses	353	232
Total	2,315	2,083
Total Expenses	21,403	18,938

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 6. Income Tax Equivalents

	2016 \$'000	2015 \$'000
(a) Income tax recognised in the Comprehensive Operating Statement		
Current tax		
In respect to the current year		-
	-	-
Deferred tax		
In respect to the current year	(62)	210
	(62)	210
Total income tax expense recognised in the current year	(62)	210

The income tax expense for the year can be reconciled to the accounting profit as follows:

Profit before tax from continuing operations	(203)	2,249
Current Year Income tax equivalents calculated at 30% (2015: 30%)	(62)	675
Non-deductible expenses	-	2
Adjustment for prior period ¹		(467)
Income tax as reported in the Comprehensive Operating Statement	(62)	210

The tax equivalent rate used in the reconciliations above is the national tax equivalent rate payable of 30 per cent payable by Australian national tax equivalent entities on profits under Australian tax law.

There was no deferred tax recognised in other comprehensive income during the period. As there is no tax payable from the current year trading result, there is no current tax equivalent asset or liability.

Gross cumulative tax equivalent losses at 30 June 2016 are \$7,868,418 (2015: \$7,166,881), tax effect, 2016 \$2,360,525 (2015 \$2,150,064).

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 6. Income Tax Equivalents (continued)

	2016 \$'000	2015 \$'000			
(b) Net deferred tax balances					
Net deferred tax liabilities are presented in the Balance Sheet as follows:	33,837	24,764			
Taxable and deductible differences arise from the following:					
2016	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Other \$'000	Closing Balance \$'000
Deferred tax equivalent assets:					
Provisions	1,309	2	–	–	1,311
Tax losses	2,151	210	–	–	2,361
Other	67	46	–	–	113
Total	3,527	258	–	–	3,785
Deferred tax equivalent liabilities:					
Receivables	–	(11)	–	–	(11)
Property, plant and equipment	(28,237)	(201)	(9,133)	–	(37,571)
Intangibles	(50)	22	–	–	(28)
Other	(4)	(8)	–	–	(12)
Total	(28,291)	(198)	(9,133)	–	(37,622)
Net deferred tax equivalent (liabilities):	(24,764)	60	(9,133)	–	(33,837)
2015	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Other \$'000	Closing Balance \$'000
Deferred tax equivalent assets:					
Provisions	1,049	260	–	–	1,309
Tax losses	2,562	(411)	–	–	2,151
Other	130	(63)	–	–	67
Total	3,741	(214)	–	–	3,527
Deferred tax equivalent liabilities:					
Receivables	(67)	67	–	–	–
Property, plant and equipment	(28,091)	(515)	(98)	467	(28,237)
Intangibles	(37)	(13)	–	–	(50)
Other	(5)	–	–	1	(4)
Total	(28,200)	(461)	(98)	468	(28,291)
Net deferred tax equivalent (liabilities):	(24,459)	(675)	(98)	468	(24,764)

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 7. Cash and Cash Equivalents

	2016 \$'000	2015 \$'000
Cash at bank and on hand	2,176	850
Total	2,176	850

Note 8. Receivables

	2016 \$'000	2015 \$'000
Current		
Contractual		
Trade receivables	1,291	1,651
Unbilled water and sewerage income	507	471
Other receivables	262	648
Less allowance for impaired trade receivables	(125)	(216)
Total	1,935	2,554
Statutory		
GST recoverable	196	152
Non-current		
Contractual		
Trade receivables	112	123
Less allowance for impaired trade receivables	(57)	(57)
	55	66
Total receivables	2,186	2,772

An ageing analysis of receivables is provided in Note 20 (c) Credit Risk.

Movement in allowance for impaired trade receivables.

Opening balance	273	273
Increase (decrease) in allowance	(91)	-
Closing balance	182	273

Individual outstanding receivable accounts are assessed to determine impairment each year.

Significant doubtful debts were written off during the year resulting in the movement in the provision downward to reflect the lower amount now considered doubtful.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 9. Inventories (at cost)

	2016 \$'000	2015 \$'000
Current		
Stores and consumables at cost	340	301
Chemicals	40	40
Total	380	341

The value approximates the fair value as the inventory turns over with such frequency it reflects current replacement cost. No adjustments are performed apart from reviewing inventory for impairment which is disclosed through the Comprehensive Operating Statement.

Note 10. Biological Assets – Livestock

	2016 \$'000	2015 \$'000
Movements during the reporting period		
Carrying amount at beginning of period	123	50
Increases due to purchases	90	–
Decreases due to sales	(123)	–
Decreases due to deaths		–
Increases (decreases) due to fair value adjustment		73
Carrying amount at end of period	90	123

	2016 Headcount	2015 Headcount
Livestock	81	88

Westernport Water recognises livestock as biological assets.

As at 30 June 2016 commitments for the acquisition of livestock \$Nil (2015: \$Nil).

The Corporation is exposed to financial risk in respect of its biological assets. These risks are managed by pasture being irrigated, sourced from the treated outflows from the King Road Treatment Plant. This ensures a reliable growth of fodder for livestock to reach their optimum weight for market. Market conditions are frequently monitored and livestock traded as and when conditions are favourable.

Fair Value Hierarchy 2016	Carrying Amount \$'000	Fair Value Measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Livestock	90	0	90	0

Fair Value Hierarchy 2015	Carrying Amount \$'000	Fair Value Measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Livestock	123	0	123	0

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period. Movement in livestock balances reflect trading patterns throughout the period.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 11. Property, Plant and Equipment

	2016 \$'000	2015 \$'000
Freehold Land		
At Fair Value	9,980	9,642
	9,980	9,642
Buildings		
At Fair Value	2,724	2,524
Accumulated Depreciation	(69)	–
	2,655	2,524
Water – Infrastructure Assets		
At Fair Value	109,323	83,822
Accumulated Depreciation	(11,092)	(8,620)
	98,231	75,202
Wastewater – Infrastructure Assets		
At Fair Value	100,332	89,938
Accumulated Depreciation	(10,807)	(8,280)
	89,525	81,658
Infrastructure Assets – Gas		
At Fair Value	282	282
Accumulated Depreciation	(36)	(30)
	246	252
Equipment and Motor Vehicles		
At Fair Value	9,609	8,949
Accumulated Depreciation	(6,063)	(5,800)
	3,546	3,149
Work In Progress		
At Cost	2,092	4,474
Total	206,275	176,901

The asset classes of land and buildings were initially valued at 30 June 2011 on behalf of the Valuer-General by Egan National Valuers (Vic) in accordance with the *Financial Management Act 1994* and in conformity with Australian Accounting Standards, Victorian Government Policies and valuation guidelines. The valuation was performed on a fair value basis using market evidence.

In line with the Department of Treasury & Finance Financial Reporting Directive (FRD 103F), an interim managerial fair value assessment resulted in an increment recognised for Buildings as at 30 June 2015. Infrastructure assets were independently valued at 30 June 2011 by the Valuer-General, using AECOM valuers. The valuation methodology used was the depreciated replacement cost method, with current replacement costs based on the optimum modern equivalent in accordance with the relevant legislation, industry standards and guidelines.

These 2011 valuation reports have subsequently been superseded by new valuations conducted by the Valuer-General with an effective date of 30 June 2016, refer Note 4.

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

Also refer to Note 1 (d) in relation to valuation of the above non-current physical assets.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 11b. Property, Plant and Equipment (continued)

Movements during the reporting period

Asset Group \$'000	Opening WDV	Additions	Disposals	(Impair)/Reval	Reclass	Acc Depr W/Back	Transfer	Depreciation	Closing WDV
Land	9,642	–	–	338	–	–	–	–	9,980
Buildings	2,524	–	–	162	–	–	38	(69)	2,655
Infrastructure – water	75,202	155	–	23,693	–	–	1,653	(2,472)	98,231
Infrastructure – wastewater	81,658	378	–	6,250	–	–	3,766	(2,527)	89,525
Infrastructure – gas	252	–	–	–	–	–	–	(6)	246
Equipment & motor vehicles	3,149	1,053	(392)	–	–	352	–	(616)	3,546
Under construction	4,474	3,121	–	–	(40)	–	(5,457)	–	2,098
Net Book Value as at 30 June 2016	176,901	4,767	(392)	30,443	(40)	352	–	(5,690)	206,281

Asset Group \$'000	Opening WDV	Additions	Disposals	(Impair)/Reval	Reclass	Transfer	Depreciation	Closing WDV
Land	9,642	–	–	–	–	–	–	9,642
Buildings	2,261	–	–	329	–	–	(66)	2,524
Infrastructure – water	76,019	299	–	–	–	1,215	(2,331)	75,202
Infrastructure – wastewater	78,623	1,199	–	–	–	4,081	(2,245)	81,658
Infrastructure – gas	246	–	–	–	–	13	(7)	252
Equipment & motor vehicles	3,464	329	(22)	–	–	–	(622)	3,149
Under construction	5,034	5,162	–	–	(89)	(5,633)	–	4,474
Net Book Value as at 30 June 2015	175,289	6,989	(22)	329	(89)	(324)	(5,271)	176,901

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 11b. Property, Plant and Equipment (continued)

Fair Value Hierarchy 2016	Carrying Amount \$'000	Fair Value Measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at Fair Value				
Non Specialised Land	582	–	600	–
Specialised Land	9,060	–	–	9,380
Buildings at Fair Value				
Non Specialised Buildings	2,655	–	2,655	–
Water Infrastructure at Fair Value	98,231	–	–	98,231
Wastewater Infrastructure at Fair Value	89,525	–	–	89,525
Infrastructure – Gas	246	–	–	246
Equipment and Motor Vehicles	3,546	–	3,546	–
Total Property Plant and Equipment	203,845	–	6,801	197,382

Fair Value Hierarchy 2015	Carrying Amount \$'000	Fair Value Measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at Fair Value				
Non Specialised Land	582	–	582	–
Specialised Land	9,060	–	–	9,060
Buildings at Fair Value				
Non Specialised Buildings	2,524	–	2,524	–
Water Infrastructure at Fair Value	75,202	–	–	75,202
Wastewater Infrastructure at Fair Value	81,658	–	–	81,658
Infrastructure – Gas	252	–	–	252
Equipment and Motor Vehicles	3,149	–	3,149	–
Total Property Plant and Equipment	172,427	–	6,255	166,172

Refer Note 1 for the accounting policy relating to disclosure of the fair value measurement hierarchy.

The Corporation has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

The fair value measurement hierarchy for assets as at 30 June 2016 is presented above. Please note this only includes those assets measured at fair value.

The fair values of non financial assets are categorised into a hierarchy rating the inputs to the valuation techniques used to measure fair value. The Corporation's property plant and equipment are all categorised in level 2 and level 3 in the hierarchy. There are no assets which have quotable prices from active markets which is attributable to level 1 in the hierarchy. The level 2 assets are based on independent market valuations but are not immediately marketable. The fair value of most of our property plant and equipment is impacted by unobservable inputs to the determination of their fair values and consequently are reported as level 3 in the hierarchy.

During the year there were no transfers of assets between level 1 and 2 within the hierarchy.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 11b. Property, Plant and Equipment (continued)

Non-specialised land and non-specialised buildings

Non-specialised land and non-specialised buildings are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers JLL to determine the 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 the sales analysed, 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, non-specialised buildings and artworks do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land and buildings

For the majority of the Corporation's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

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.

For Department's majority of specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

Water and sewer infrastructure

Water and sewer infrastructure are valued using the depreciated optimized 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 JLL 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.

Plant and equipment

Plant and equipment is held at fair value. 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.

There were no changes in valuation techniques throughout the period to 30 June 2016.

For all assets measured at fair value, the current use is considered the highest and best use.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 11b. Property, Plant and Equipment (continued)

Level 3 – Movement during the reporting period	Land	Water Infrastructure	Wastewater Infrastructure	Gas Infrastructure	Total
2016	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	9,060	75,202	81,658	252	166,172
Purchases	–	155	378		533
Transfers in		1,653	3,766		5,419
Depreciation	–	(2,472)	(2,527)	(6)	(5,005)
Revaluation	320	23,693	6,250		30,263
Closing Balance	9,380	98,231	89,525	246	197,382

Level 3 – Movement during the reporting period	Land	Water Infrastructure	Wastewater Infrastructure	Gas Infrastructure	Total
2015	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	9,060	76,019	78,623	246	163,948
Purchases	–	1,514	5,280	13	6,807
Depreciation	–	(2,331)	(2,245)	(7)	(4,583)
Revaluation	–	–	–	–	–
Closing Balance	9,060	75,202	81,658	252	166,172

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 11b. Property, Infrastructure, Plant, and Equipment (continued)

Fair value unobservable inputs

Asset Type	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO)
Water Infrastructure – Headworks	Depreciated replacement cost	Cost per unit (Qty 1 Reservoir) The useful life of the infrastructure headworks
Water Infrastructure – Treatment	Depreciated replacement cost	Cost per unit (Qty 1 Treatment Plant) The useful life of infrastructure treatment
Water Infrastructure – Distribution	Depreciated replacement cost	Cost per km (425km) The useful life of infrastructure distribution
Wastewater Infrastructure – Collection	Depreciated replacement cost	Cost per km (337km) The useful life of infrastructure collection
Wastewater Infrastructure – Treatment	Depreciated replacement cost	Cost per unit (Qty 2 Treatment Plants) The useful life of wastewater infrastructure treatment
Gas Infrastructure	Depreciated replacement cost	Cost per km unit (2.4km) The useful life of gas infrastructure
Equipment and Motor Vehicles	Depreciated replacement cost	Cost per unit The useful life of plant and equipment

(1) – there were no changes from the 2014-15 weighted average cost per unit for fair value assessment of unobservable inputs

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 12. Intangibles

	2016 \$'000	2015 \$'000
Computer Software		
At Cost	3,538	3,454
Accumulated Amortisation	(2,571)	(2,155)
	967	1,299
Licences		
At Cost	533	514
Accumulated Amortisation	(21)	(11)
	512	503
Total Intangibles	4,071	3,968
Less Accumulated Amortisation	(2,592)	(2,166)
Work in Progress	2	82
Total	1,481	1,884

Intangibles – Reconciliation

2015-16	\$'000	Opening WDV	Additions	Reclass	Transfer	Amortisation	Closing WDV
Software		1,299		–	84	(416)	967
Licences		503	–	–	19	(10)	512
Work in progress		82	23		(103)	–	2
Net Book Value as at 30 June 2016		1,884	23	–	–	(426)	1,481

2014-15	\$'000	Opening WDV	Additions	Reclass	Transfer	Amortisation	Closing WDV
Software		1,188	–	–	616	(505)	1,299
Licences		506	–	–	–	(3)	503
Work in progress		512	97	89	(616)	–	82
Net Book Value as at 30 June 2015		2,206	97	89	–	(508)	1,884

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 13. Payables

	2016 \$'000	2015 \$'000
Current		
Contractual		
Trade Creditors	961	1,283
Accrued Expenses	632	316
Accrued Borrowing Expense	79	83
Security Deposits	163	134
Overpaid Rates and Charges	139	129
Other	58	51
	<u>2,032</u>	<u>1,996</u>
Statutory		
Taxes payable	–	49
	<u>2,032</u>	<u>2,045</u>

Payables maturity analysis disclosed in Note 20(d).

Note 14. Other Current Liabilities

	2016 \$'000	2015 \$'000
Revenue Billed in Advance	1,107	778
	<u>1,107</u>	<u>778</u>

Note 15. Borrowings

	2016 \$'000	2015 \$'000
All borrowings have been transacted through Treasury Corporation Victoria (TCV). All borrowings are secured by a Guarantee from the Treasurer of Victoria.		
There were no defaults of principal or interest payments on any outstanding loans during the reporting period.		
Borrowings:		
Current	2,250	550
Non-current	6,940	9,440
Total	<u>9,190</u>	<u>9,990</u>

Borrowing maturity analysis disclosed in Note 20(d).

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 16. Provisions

	2016 \$'000	2015 \$'000
Current		
<i>Provision for Employee Benefits</i>		
<i>Annual Leave</i>		
Unconditional and expected to settle within 12 months	108	201
Unconditional and expected to settle after 12 months	416	416
<i>Long Service Leave</i>		
Unconditional and expected to settle within 12 months		164
Unconditional and expected to settle after 12 months	661	447
	1,185	1,228
<i>Provision for On-costs</i>		
Unconditional and expected to be settled within 12 months	145	138
Unconditional and expected to be settled after 12 months	35	31
	180	169
Total Current Provisions	1,365	1,397
Non-current		
<i>Provision for Employee Benefits</i>		
Conditional long service leave, measured at present value	220	202
<i>Provision for On-costs</i>	35	31
Total Non-current Provisions	255	233
Total Provisions	1,620	1,630
<i>Provisions</i>		
Current Employee Benefits	1,185	1,228
Non-current Employee Benefits	220	202
Total Employee Benefits	1,405	1,430
<i>Current On-costs</i>	180	169
<i>Non-current On-costs</i>	35	31
Total On-costs	215	200
Total Provisions	1,620	1,630

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 16. Provisions (continued)

	2016 \$'000	2015 \$'000
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
Weighted average increase in employee costs	4.13%	4.44%
Weighted average discount rate	1.99%	3.03%
Weighted average settlement	13 yrs	13 yrs
<i>Movement in Provision for On-costs</i>		
Opening balance	200	208
Additional provisions recognised	12	65
Additions due to transfers in	3	-
Reductions arising from payments	(9)	(55)
Reductions due to transfers out	(5)	-
Reductions resulting from re-measurement	-	(5)
Unwind of discount and effect of changes in discount rate	14	(13)
Closing balance	215	200

Note 17. Contributions Capital

	2016 \$'000	2015 \$'000
Opening balance	51,323	51,323
Closing Balance	51,323	51,323

Note 18. Reserves

	2016 \$'000	2015 \$'000
Asset Revaluation Reserve		
Opening Balance	32,096	31,865
Movement for year – Building revaluation (net of tax)	21,310	231
Closing Balance	53,406	32,096

Note 19. Accumulated Funds

	2016 \$'000	2015 \$'000
Opening Balance	60,346	58,307
Profit after Income Tax Expense	(143)	2,039
Closing Balance	60,203	60,346

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 20. Financial Instruments

(a) Significant Accounting Policies

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

The Board has the primary responsibility to set appropriate policies to manage these risks. The Corporation uses different methods to measure and manage the different financial risks. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk to determine market risk.

This note presents information about the Corporation's exposure to each of these risks, and objectives, policies and processes for measuring and managing risk.

Details of significant accounting policies and methods adopted in the recognition and measurement with respect to each class of financial assets and liabilities are included under Notes 1(d), 1(e) and 1 (g).

Categories of financial assets and financial liabilities at balance date were:

Financial Instruments	2016 Carrying Amount \$'000	2015 Carrying Amount \$'000
Financial assets		
Cash and cash equivalents	2,176	850
Loans and Receivables – Contractual	1,990	2,620
Total Financial Assets	4,166	3,470
Financial liabilities		
Payables at amortised cost – Contractual	2,032	1,996
Borrowings at amortised cost	9,190	9,990
Total Financial Liabilities	11,222	11,986

Net holding gain / loss on financial instruments by category:

Financial Instrument	Interest Income and (Expense) \$'000	Fee Income and (Expense) \$'000	(Impairment Loss) \$'000	Total \$'000
2016				
Financial assets				
Cash and cash equivalents	21	–	–	21
Loans and Receivables	37	–	(121)	(84)
Total Financial Assets	58	–	(121)	(63)
Financial liabilities				
Payables at amortised cost	–	–	–	–
Borrowings at amortised cost	(431)	–	–	(431)
Total Financial Liabilities	(431)	–	–	(431)
Net Income / (Expense) on Financial Instruments	(373)	–	(121)	(494)

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 20. Financial Instruments (continued)

(a) Significant Accounting Policies (continued)

Net holding gain / loss on financial instruments by category:

Financial Instrument	Interest Income and (Expense)	Fee Income and (Expense)	(Impairment Loss)	Total
2015	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	16	–	–	16
Loans and Receivables	8	–	(31)	(23)
Total Financial Assets	24	–	(31)	(7)
Financial liabilities				
Payables at amortised cost	–	–	–	–
Borrowings at amortised cost	(453)	–	–	(453)
Total Financial Liabilities	(453)	–	–	(453)
Net Income / (Expense) on Financial Instruments	(429)	–	(31)	(460)

(b) Market risk

The Corporation's exposure to market risk is primarily through interest rate risk, there is only a limited exposure to foreign currency risk and commodity price risk.

Interest Rate Risk

The objectives of the Corporation's interest rate risk management policy is to contain the potential adverse financial impact from unfavourable movements in interest rates, predominantly associated with interest bearing liabilities, and to capture the potential for reducing costs by management of the Corporation's debt. The Corporation's interest rate risk is managed by settling borrowings with terms and maturity structures which reflect the medium and longer term capital requirements and tariff structures of the Corporation. The aim of interest rate risk management is to minimise the longer term cost of borrowings by adopting debt portfolio maturities and to spread debt between fixed and floating instruments. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest 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 cash flow interest rate risk through its cash at bank and on hand that are at floating rates.

The carrying amounts of financial assets and liabilities that are exposed to interest rates are set out in the table below.

2016	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
Financial Assets							
Cash at Bank	2,176	–	–	–	–	2,176	0.40%
Receivables	–	–	–	–	1,990	1,990	–
Total	2,176	–	–	–	1,990	4,166	–
Financial Liabilities							
Borrowings – TCV	–	2,250	5,190	1,750	–	9,190	3.34%
Payables	–	–	–	–	2,032	2,032	–
Total	–	2,250	5,190	1,750	2,032	11,222	–
Net Financial (Liabilities) Assets	2,176	(2,250)	(5,190)	(1,750)	(42)	(7,056)	–

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 20. Financial Instruments (continued)

(b) Market risk (continued)

2015	Variable interest rate \$'000	Fixed interest rate maturing in:			Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average interest
		< 1 year \$'000	1 – 5 years \$'000	> 5 years \$'000			
Financial Assets							
Cash at Bank	850	–	–	–	–	850	0.40%
Receivables	–	–	–	–	2,620	2,620	–
Total	850	–	–	–	2,620	3,470	–
Financial Liabilities							
Borrowings – TCV	550	1,500	3,500	4,440	–	9,990	3.40%
Payables	–	–	–	–	1,996	1,996	–
Total	550	1,500	3,500	4,440	1,996	11,986	–
Net Financial (Liabilities) Assets	300	(1,500)	(3,500)	(4,440)	624	(8,516)	–

The table above highlights the Corporation's total exposure to variable interest rates at 30 June 2016 was a net asset of \$2,176,000 (2015: Net asset of \$300,000).

The Corporation is exposed to movements in interest rates on variable interest bearing liabilities. The current TCV outlook on interest rates is that monetary policy remains fairly neutral with the RBA more likely to leave the cash rate on hold until end 2016. Management considers interest rates are unlikely to move by 1% and consider a 0.5% more probable.

The table below shows the impact on the net result of a 0.5% increase and a 0.5% decrease in interest rates.

All borrowings are through TCV, except for the overdraft which was undrawn at 30 June 2016 and undrawn at 30 June 2015.

The interest rate sensitivity is largely based upon forecasts provided by TCV.

Interest Rate Sensitivity	Net Result	Net Result	Net Result	Net Result
	0.5% increase 2016 \$'000	0.5% decrease 2016 \$'000	1.0% increase 2015 \$'000	1.0% decrease 2015 \$'000
Cash and Cash Equivalents	11	(11)	9	(9)
Interest Bearing Liabilities – Variable	–	–	(6)	6
Total	11	(11)	3	(3)

Foreign exchange risk

The Corporation is exposed to an insignificant foreign currency risk relating to purchases of supplies and consumables from overseas.

While there is a limited amount of purchases denominated in foreign currencies the risk is further reduced by a short time frame between commitment and settlement. The Corporation did not enter into any foreign exchange derivative instruments during the year.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 20. Financial Instruments (continued)

(c) Credit risk

Exposure to credit risk arises from the potential default of a counterparty with respect to the Corporation's financial assets. Financial assets include cash at bank and on hand, trade and other receivables. Credit risk is measured at fair value.

For cash at bank it is the Corporation's policy to only deal with Australian banks with a minimum Standard and Poor's long term credit rating of A. The rating of counterparties are monitored on an ongoing basis.

Trade receivables consist of a large number of customers and industries over the region. The Corporation does not hold any collateral over any trade receivable. All receivable balances are monitored on an ongoing basis. The services of an external collection agency are utilised as part of credit process.

Allowance for impaired receivables is recognised for trade receivables when there is objective evidence that the receivable is uncollectable. Usually this refers to default of payment, customer hardship or other financial difficulty.

Age of Trade Receivables that are past due but not impaired.

Trade and Other Receivables	2016 \$'000	2015 \$'000
Not past due ¹	79	247
0 – 30 days	64	71
31 – 60 days	99	137
61 – 90 days	287	79
91 days and over ²	692	967
Total	1,221	1,501

Age of impaired trade receivables

Impaired Trade Receivables	2016 \$'000	2015 \$'000
Not past due	–	–
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
91 days and over	182	273
Total	182	273

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 20. Financial Instruments (continued)

(d) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecasts and actual cash flows and matching maturity profiles of financial assets and financial liabilities.

The following table identifies the contractual maturities on rollover and refinancing of financial liabilities as per the Treasurer of Victoria's borrowing limits. Financial liabilities table below is prepared on undiscounted cash flow basis at the reporting date.

2016	3 months or less \$'000	3 – 12 months \$'000	1 – 2 years \$'000	2 – 5 years \$'000	> 5 years \$'000
Borrowings – TCV	1,500	750	1,250	3,940	1,750
Payables	2,032	–	–	–	–
Total	3,532	750	1,250	3,940	1,750

2015	3 months or less \$'000	3 – 12 months \$'000	1 – 2 years \$'000	2 – 5 years \$'000	> 5 years \$'000
Borrowings – TCV	550	1,500	2,250	1,250	4,440
Payables	1,996	–	–	–	–
Total	2,546	1,500	2,250	1,250	4,440

(e) Net Fair Value

At 30 June 2016 the Corporation was not carrying any financial assets or liabilities which were tradeable in an active market with reference to quoted prices. The Corporation had not entered into any derivatives or forward foreign currency contracts at balance date.

The fair value of the financial assets and liabilities at year end were:

Financial Instrument	Total carrying amount per the Balance Sheet		Aggregate net fair value	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets				
Cash at Bank	2,176	850	2,176	850
Receivables	1,990	2,620	1,990	2,620
Total	4,166	3,470	4,166	3,470
Financial liabilities				
Borrowings – TCV	9,190	9,990	9,563	10,335
Payables	2,032	1,996	2,032	1,996
Total	11,222	11,986	11,595	12,331

The methods and assumptions used to determine these net fair values of the financial assets and liabilities are as follows:

- Cash at bank and on hand – the carrying amount approximates the fair value due to the short term nature of the instrument;
- Receivables, trade creditors and accruals – the carrying amount approximates the fair value;
- Borrowings – are carried at amortised cost which is different to net fair value due to market sensitivity of the debt portfolio as at 30 June 2016. Borrowings held until maturity are paid at the carrying amount. The fair value assessment is based upon a market value approximation prepared by TCV.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 21. Commitments for Expenditure

(a) Commitments

	2016 \$'000	2015 \$'000
Capital Expenditure Commitments		
Buildings and infrastructure	402	543
Biological Assets	–	–
Total capital expenditure commitments	402	543
Lease payments expensed during the year ¹	91	11
IT managed services		353
Projects under contract	1,191	432
Environmental Contributions ²	3,176	794
Total operating and lease commitments	4,458	1,590
Total commitments (inclusive of GST)	4,860	2,133

(b) Commitments Payable

	2016 \$'000	2015 \$'000
Capital Expenditure Commitments Payable		
Payments within 1 year	402	543
Payments 1 – 5 years	–	–
Payments longer than 5 years	–	–
Total	402	543
Operating and Lease Commitments Payable		
Payments within 1 year	1,311	1,378
Payments 1 – 5 years	3,147	212
Payments longer than 5 years	–	–
Total	4,458	1,590
Total commitments (inclusive of GST)	4,860	2,133
Less GST recoverable from the Australian Tax Office	153	122
Total commitments (exclusive of GST)	4,707	2,011

(1) Lease commitments represent payments due on current operating leases for the Corporation's reticulated gas tank site. The leases are cancellable but incur a penalty of the present value of future lease payments.

(2) The Corporation is committed to making Environmental Contributions as required by the *Water Industry (Environmental Contributions) Act 2004*, up until June 2020 refer Note 1 (c).

Note 22. Contingent Assets and Contingent Liabilities

The Corporation was not aware of any contingent assets or contingent liabilities at the time of finalising the financial report (2015:\$0).

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 23. Superannuation

Westernport Water makes 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 2016, this was 9.5% required under Superannuation Guarantee legislation (for 2014/15, this was 9.25%)).

Defined Benefit

Westernport Water 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 Water in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding Arrangements

Westernport Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. It was determined that the Vested Benefit Indexed (VBI) of the Defined Benefit category of which Westernport Water is a contributing employer was 105.8% (103.4% at 30 June 2015).

The Australian Prudential Regulation Authority (APRA) has introduced a prudential standard (SPS 160 – Defined Benefit Matters) to determine the funding requirements of a defined benefit (DB) arrangement. Under this standard:

- the VBI is the measure to determine whether there is an unfunded liability; and
- any unfunded liability that arises must be paid within three years.

Under SPS 160, the VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the actuarial investigation determined the defined benefit category was in a satisfactory financial position under SPS 160. As a result, the Fund Actuary determined that no change was necessary to the defined benefit category's funding arrangements from prior years.

The Fund's employer funding arrangements comprise of three components (which are detailed below) are:

1. Regular contributions – which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls – which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments – which are additional contributions to cover the increase in liability arising from retrenchments.

Westernport Water is also required to make additional contributions to cover the contribution tax payable on components 2 and 3 referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

Employer Contributions

Regular contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Westernport Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with the SG increases.

In addition, Westernport Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund 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. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

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 Region Water Corporation) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

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.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period; and
- The pensioner (including any potential pensioner liabilities arising from deferred members) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

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. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

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.

Differences between calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in the Westernport Water's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Latest actuarial investigation surplus amounts

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which Westernport Water is a contributing employer:

=> VBI surplus of \$77.1 million; and

=> Total service liability surplus of \$236 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 2014.

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 Water was notified of the results of the actuarial investigation during January 2015.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 23. Superannuation (continued)

Superannuation contributions

Contributions by Westernport Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2016 are detailed below:

Scheme Name	Type of Scheme	Rate 2016	2016 \$'000	Rate 2015	2015 \$'000
Vision Super	Defined Benefits	9.50%	78	9.5%	76
Vision Super	Accumulation	9.50%	199	9.5%	169
Other	Accumulation	9.50%	362	9.5%	359

Total super contributions include additional salary sacrificed amounts reported as salary and wages in Other Employee Costs (Not 5b).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2016 (2015:Nil)

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2017 is \$78,000 (2016: \$78,000)

Note 24. Responsible Persons and Executive Officer Disclosures

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994* (FMA), the following disclosures are made regarding responsible persons for the period ending 30 June 2016.

(a) Responsible Persons

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

• The Hon. Lisa Neville MP	Minister for Environment, Climate Change and Water	1 July 2015 to 22 May 2016
	Minister for Water	23 May 2016 to 30 June 2016
• Mr Roland Lindell	Chairman	1 July 2015 – 30 June 2016
• Ms Jennifer Acton	Deputy Chair	1 October 2015 – 30 June 2016
• Mr Peter Quigley	Managing Director	1 September 2015 – 30 June 2016
• Mr John Duscher	Director	1 July 2015 – 30 June 2016
• Ms Emma O'Connell	Director	1 October 2015 – 30 June 2016
• Ms Carol Pagnon	Director	1 July 2015 – 30 June 2016
• Ms Barbara Wagstaff	Director	1 July 2015 – 30 June 2016
• Mr Rueben Berg	Director	1 October 2015 – 30 June 2016

Resignations

• Mr Trevor Nink	Chairman	1 July 2015 – 30 September 2015
• Mr Murray Jackson	Managing Director	1 July 2015 – 31 August 2015
• Hon Geoff Coleman	Director	1 July 2015 – 30 September 2015
• Mr Guy Wilson-Browne	Director	1 July 2015 – 9 October 2015

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 24. Responsible Persons and Executive Officer Disclosures (continued)

(b) Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the register of members' Interests which each member of the parliament completes.

Total Remuneration of Responsible Persons excluding the Ministers for Water, for payments which include termination payments, bonuses, superannuation contributions was : \$516,407 (2015: \$438,798)

The number of Responsible Persons whose remuneration from the Corporation was within the specified bands is as follows:

Income bands (\$)			2016	2015
0	–	9,999	2	1
10,000	–	19,999	4	–
20,000	–	29,999	3	5
30,000	–	39,999	–	–
40,000	–	49,999	1	–
50,000	–	59,999	–	1
120,000	–	129,000	1	–
200,000	–	209,999	1	–
260,000	–	269,999	–	1
TOTAL			12	8

Transactions with Responsible Persons

There were no amounts paid by the Corporation in connection with the retirement of Responsible Persons of the Corporation during the financial year. There were no loans in existence by the Corporation to responsible or related parties during the financial year. There were no other transactions between the Corporation and Responsible Persons and their related parties during the financial year except a number of Responsible Persons are residents or owners of properties in the region in which the Corporation provides water and wastewater services. The terms and conditions of the transactions with Responsible Persons were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to all other customers of the Corporation.

Where matters for resolution were discussed in respect to the above transactions, directors were not present in the meetings.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 24. Responsible Persons and Executive Officer Disclosures (continued)

(c) Executive Officers Remuneration

The number of executive officers, other than Responsible Persons, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts. Some contracts provide for an annual bonus payment whereas other contracts only include the payment of bonuses on the successful completion of the full term of the contract. A number of these contract completion bonuses became payable during the year. A number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long service leave and retrenchment payments.

Income Bands			Total Remuneration		Base Remuneration	
			2016	2015	2016	2015
10,000	–	19,999	–	–	1	–
60,000	–	69,999	–	–	1	–
70,000	–	79,999	2	–	–	–
100,000	–	109,999	–	–	1	1
110,000	–	119,999	–	–	1	–
120,000	–	129,999	1	1	–	–
130,000	–	139,999	–	–	1	–
140,000	–	149,999	–	–	2	1
150,000	–	159,999	–	–	–	2
160,000	–	169,999	2	1	–	–
170,000	–	179,999	–	1	–	–
180,000	–	189,999	–	1	–	–
200,000	–	209,999	1	–	–	–
220,000	–	229,999	1	–	–	–
Total number of executive employees			7	4	7	4
Total annualised employee equivalent (AEE) ¹			4	4	4	4
Total remuneration amount \$'000²			1,049	652	737	564

(1) Annualised employee equivalent is based on paid working hours of 38 hours per week over the 52 weeks for a reporting period

(2) The significant variation of total remuneration from prior period is mainly due to termination payouts due to a change in the executive team during the year.

Other Personnel

The Corporation did not engage other personnel charged with significant management responsibilities in the reporting period.

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 25. Notes to the Statement of Cash Flow

(a) Reconciliation of Net Profit After Income Tax to Net Cash Inflow From Operating Activities

	Notes	2016 \$'000	2015 \$'000
Net Profit (Loss) after Income Tax Equivalents		(143)	2,039
Add (Less) Non-Cash Items:			
Depreciation and Amortisation Expense	5(b)	6,116	5,780
Loss (Profit) on Sale of Non-current Assets	5(a)	(135)	(22)
Contributed Assets	5(a),27	(541)	(1,501)
Inventory Adjustments		–	(55)
Receivables Impairment Expense	8	–	
Bad Debt Write Off	5(b)	121	31
Tax Expense taken direct to equity	6	(9,133)	
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	9	697	(419)
(Increase) Decrease in Inventory	9	(39)	127
(Increase) Decrease in Biological Assets	10	33	(73)
(Increase) Decrease in Prepayments		(29)	51
Increase (Decrease) in Payables	13	124	(387)
Increase (Decrease) in Employee Benefits	16	(10)	87
Increase (Decrease) in Deferred Tax Liabilities		9,071	305
Increase (Decrease) in Other liabilities (unearned revenue)	14	336	778
Net Cash Inflows from Operating Activities		6,468	6,741

(b) Reconciliation of Cash and Cash Equivalents

	Notes	2016 \$'000	2015 \$'000
Cash at Bank and on Hand	7	2,176	850
Cash as per Statement of Cash Flows		2,176	850

Notes to the Financial Report

for the year ended 30 June 2016 (continued)

Note 26. Remuneration of Auditors

	2016 \$'000	2015 \$'000
Audit Services – Victorian Auditor-General's Office (VAGO)		
Annual external audit fee	39	29
Additional audit fees (2014-15 audit)	–	4
 Non-VAGO audit and assurance services		
Internal audit	82	65
Audit of regulatory returns (OH&S, Tax, ESC, Gas)	24	63
 Total non-VAGO audit and assurance services	106	128
 Total Remuneration of Auditors	145	161

Note 27. Subsequent Events

Barbara Wagstaff has submitted her resignation as a Board Member and Chair of the Audit & Risk Committee effective from 15 August 2016.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected, or may significantly affect the operations of the Corporation, the results of those operations, or state of affairs of the Corporation in future financial years.

Westernport Region Water Corporation

Statutory Certification

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to and forming part of the financial statements, present fairly the financial transactions during the year ended 30 June 2016 and the financial position of the Corporation as at 30 June 2016.

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



Roland Lindell
Chairperson
Westernport Water



Peter Quigley
Managing Director
Westernport Water



Ross Ingram
Acting General Manager Business Services
Chief Finance Officer
Westernport Water

Dated this 20th day of September 2016.

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Westernport Region Water Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of Westernport Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Westernport Region Water Corporation as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
22 September 2016



for Andrew Greaves
Auditor-General

Auditing in the Public Interest

Glossary

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
BE	Bulk Entitlement
CAG	Customer Advisory Group
CFAO	Chief Finance and Accountable Officer
CHMP	Cultural Heritage Management Plan
CICL	Cast Iron Cement Lined
CRSWS	Central Region Sustainable Water Strategy
CWWTP	Cowes Waste Water Treatment Plant
DoH	Department of Health
DELWP	Department of Environment, Land, Water and Planning
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
FTE	Full Time Equivalent
GGE	Greenhouse Gas Emissions
GIS	Geospatial Information System
GSERP	Government Sector Executive Remuneration Panel
HACAG	Hazard and Critical Control Point

Terms	Meaning
ICT	Information Communications Technology
IBWPP	Ian Bartlett Water Purification Plant
ISSN	International Standard Serial Number
KRWWTP	King Road Waste Water Treatment Plant
MRD	Ministerial Reporting Direction
MSDS	Material Safety Data Sheet
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
PSC	Project Steering Committee
RGC	Remuneration and Governance Committee
SCADA	Supervisory Control and Data Acquisition
SD	Standing Direction
SEPP	State Environment Protection Policy
SoO	Statement of Obligations
SPS	Sewer Pump Station
SWEP	Schools Water Efficiency Program
WaterMAP	Water Management Action Plan
WSAA	Water Services Association of Australia
WSDS	Water Supply Demand Strategy
WoV	Waters of Victoria

Units	Meaning
CO ₂ -e	carbon dioxide equivalent
KL	kilolitre = one thousand litres
mg	milligram = one thousand grams
ML	megalitre = one million litres
t	metric tonne
µg	micrograms = one thousand milligrams

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.

Legislation	Requirement	Page reference
Ministerial directions		
FRDs affecting the Report of Operations		
FRD 10A	Disclosure index	84
FRD 12A	Disclosure of major contracts	26
FRD 15B	Executive officer disclosures	12
FRD 21B	Disclosure of Responsible Persons, Executive Officers and Other Personnel	75
FRD 22G	Standard disclosures in Report of Operations (April 15)	-
	Manner of establishment and the relevant Ministers	1
	Objectives, functions, powers and duties	1
	Nature and range of services provided	1
	Organisational structure	8
	Operational and budgetary objectives and performance against objectives	6
	Summary of the financial results for the year	3
	Significant changes in financial position during the year	4
	Employment and conduct principles	11
	Occupational health and safety policy	13
	Major changes or factors affecting performance	4
	Subsequent events	4
	Application and operation of <i>Freedom of Information Act 1982</i>	28
	Application and operation of <i>Protected Disclosure 2012</i>	29
	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	28
	Statement on National Competition Policy	28
	Application and operation of the <i>Carers Recognition Act 1982</i>	28
	Statement of availability of other information	28
	Details of consultancies over \$10,000	26
	Details of consultancies under \$10,000	26
FRD 24C	Office-based Environmental Data Impacts	24
FRD 25B	Victorian Industry Participation Policy	4
FRD 27C	Presentation and Reporting of Performance Information	30
FRD 29A	Workforce Data Disclosures	11
FRD 30C	Design and Printing Requirements for the publication of Annual Reports	85
MRDs		
MRD 01	Performance reporting	30
MRD 02	Reporting on water consumption and drought response	15
MRD 03	Environment and social sustainability reporting	19
MRD 04	Disclosure of information on bulk entitlements	18
MRD 05	Annual reporting of major non-residential major water users	17
FRDs in the notes to the Financial Statements		
FRD 3A	Accounting for Dividends	47
FRD 7A	Early adoption of Authoritative Accounting Pronouncements	47
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities by Activity	-
FRD 11A	Disclosure of Ex-gratia Expenses	-
FRD 17A	Long Service Leave Wage Inflation and Discount Rates	46
FRD 19	Private Provision of Public Infrastructure	-
FRD 20A	Accounting for State Motor Vehicle Lease arrangements	-
FRD 21B	Responsible Person and Executive Officer Disclosures in the Financial Report	75
FRD 26A	Accounting for Vic fleet Motor Vehicle Lease Arrangements	-

Disclosure Index (continued)

Legislation	Requirement	Page reference
FRD 100	Financial Reporting Directions – Framework	40
FRD 101	First-time Adoption	40
FRD 102	Inventories	43
FRD 103E	Non-current Physical Assets	43-44, 56-61
FRD 104	Foreign Currency	68
FRD 105A	Borrowing Costs	41
FRD 106	Impairment of Assets	44
FRD 107A	Investment Properties	43
FRD 109	Intangible Assets	44
FRD 110	Cash Flow Statements	39
FRD 112E	Defined Benefits Superannuation Obligations	72
FRD 113	Investments in Subsidiaries, Jointly Controlled Entities and Associates	40
FRD 114A	Financial Instruments	66
FRD 115	Non-current Physical Assets	56
FRD 116	Financial Instruments-PFCs	–
FRD 117	Contributions of Existing Non-Financial Assets to Third Parties	–
FRD 119A	Transfers through Contributed Capital	–
FRD 120H	Accounting and Reporting pronouncements	47
FRD 121	Infrastructure assets	56

Standing Directions

SD 2.2 (f) & (g)	Standing Directions of the Minister for Finance under the <i>Financial Management Act 1994</i> (updated May 2012)	40
SD 4.2(a)	Statement of Changes in Equity	39
SD 4.2(b)	Operating Statement	37
SD 4.2(b)	Balance Sheet	38
SD 4.5.5	Risk management compliance Attestation	29
SD 4.5.5.1	Insurance Attestation	29
SD 4.2(g)	Specific information requirements	40
SD 4.2(j)	Sign-off requirements	33, 80
SD 4.2(c)	Accountable officer's declaration	34
SD 4.2(d)	Rounding amounts	40
SD 4.2(f)	Compliance with model Financial Report	36

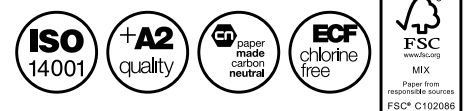
Legislation

<i>Aboriginal Heritage Act 2006</i>	23
<i>Building Act 1993</i>	28
<i>Carers Recognition Act 2012</i>	28
<i>Environment Protection and Biodiversity Conservation Act 1999</i>	23
<i>Equal Opportunity Act 2010</i>	11
<i>Financial Management Act 1994</i>	37
<i>Freedom of Information Act 1982</i>	28
<i>Information Privacy Act 2000</i>	28
<i>Multicultural Victoria Act 2004</i>	28
<i>Protected Disclosure Act 2012</i>	29
<i>Public Administration Act 2004</i>	1
<i>Safe Drinking Water Act 2003</i>	16
<i>Victorian Charter of Human Rights and Responsibilities Act 2006</i>	1
<i>Victorian Industry Participation Policy Act 2003</i>	4
<i>Water Act 1989</i>	1
<i>Water Industry (Governance) Act 2006</i>	1
<i>Water Industry Act 1994</i>	1
<i>Workplace injury Rehabilitation and Compensation Act 2013</i>	13

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