

Annual Report

2018

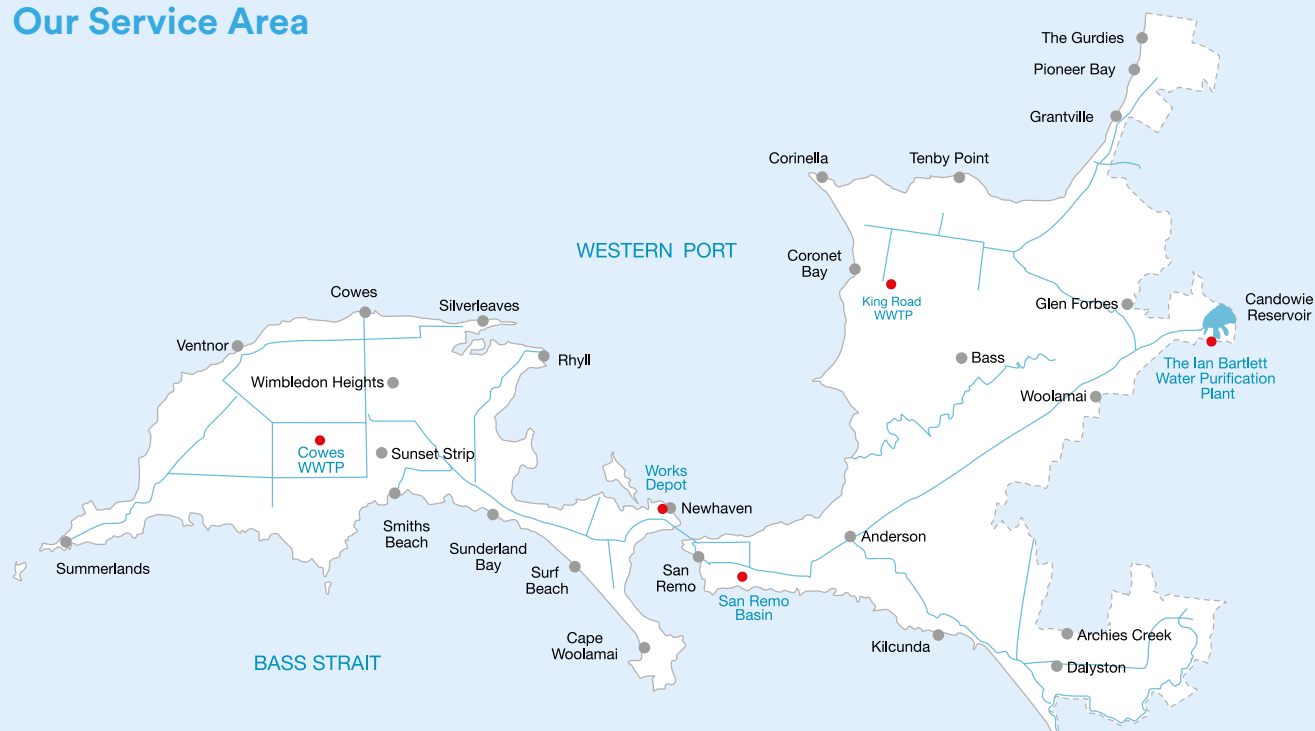


WESTERNPORT
WATER™

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Our Service Area



Vision

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



Values

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

Year in review

About us

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

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

Westernport Water is responsible for water and wastewater performance, servicing more than 20,150 customers across an area covering 300 square kilometres, encompassing Millowl (Phillip Island) and mainland communities from The Gurdies to Archies Creek.

Westernport Water satisfies customer water demand from Tennent Creek, the Corporation's main water supply source, and supplements this with water from the Bass River or the Metropolitan Pool. During periods of low rainfall the use of groundwater from Corinella Aquifer may also be accessed.

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

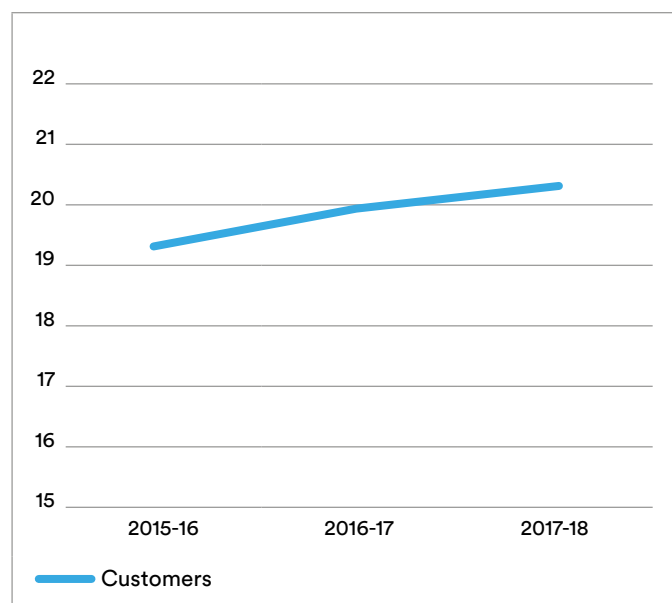
Westernport Water operates two wastewater treatment plants and supplies wastewater services to approximately 90 per cent of properties that receive drinking water. Effluent collected from the townships of Kilcunda and Dalyston is treated under an agreement with South Gippsland Water at its Wonthaggi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

Source	Volume available (ML)	Type
Tennent Creek	2,911	Surface Water
Bass River	3,000	Surface Water
Corinella Aquifer	490	Ground Water
Metropolitan Pool	1,000	Melbourne Water Supply System
Total	7,401	



Diversity and Inclusion providing opportunities for women in non-traditional roles.

Number of Victorians serviced by the Corporation ('000)



Notes

1. Customer numbers have increased from 19.3k in 2015-16 to 20.15k in 2017-18.

Westernport Water provides the following services:

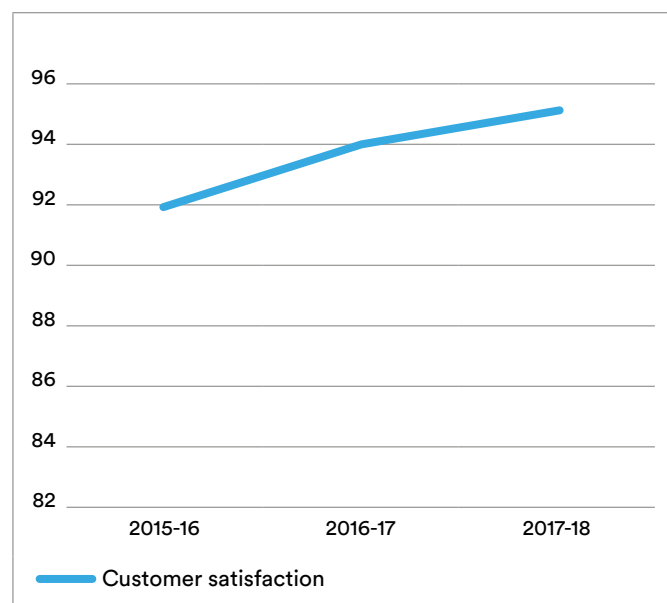
- sale of Class-A recycled water for residential, recreational, commercial and agricultural purposes in specific areas of Phillip Island
- removal of commercial trade waste
- a liquid waste disposal facility
- supply of reticulated gas in specific areas of San Remo
- specialist advice on infrastructure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

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.

Overall customer satisfaction level (%) for the services provided



Notes

1. Customer satisfaction has increased from 92% in 2015-16 to 95% in 2017-18.

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* (as amended). The responsible Victorian Minister for the reporting period from 1 July 2017 to 30 June 2018 was the Hon. Lisa Neville MP, Minister for Water.

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

Letter of Expectations (LoE) was issued by the Victorian Minister for Water on 14 March 2018 in accordance with section 247 of the *Water Act 1989* (as amended). The LoE outlines the Victorian Government's key priorities for the water sector and water corporations. Westernport Water is required to report on its progress towards meeting its obligations set out in its Corporate Plan and identified key priority policy areas.

A Message from the Chair and Managing Director

We are pleased to present Westernport Water's Annual Report in accordance with the *Financial Management Act 1994* for the year ending 30 June 2018.



Westernport Water continues to focus on driving increased value through collaboration and innovation, while delivering outcomes for our people, customers and community.

The Visitor Economy

Westernport Water plays a significant and unique role within the Victorian water sector, servicing one of Australia's premier tourist destinations. Over 1.85 million visitors enjoy our service area each year for attractions that include international motor sporting events, the Penguin Parade and the National Surfing Reserve on Phillip Island. The delivery of high quality water and wastewater services is essential to sustaining the visitor economy within the region and highlights the important role we play.

A Proud Workforce and a Passionate Community

We believe it is essential that our people go home safe and well, are confident to lead and coach, are diverse and capable, and are setup to succeed. This year, Westernport Water launched its Organisational Development Strategy to ensure that these commitments are supported and consistently realised.

Westernport Water remains committed to a culture of zero tolerance of violence against women and will continue to advocate for respectful relationships and gender equality within the workplace and the broader community. This year, we progressed towards White Ribbon Workplace Accreditation by equipping our people with the knowledge, skills and resources to address the issue.

We continue to invest in a range of initiatives to ensure that we better represent the community we serve. This focus delivered a number of highlights throughout the year, including: our highest employee engagement score since annual surveys commenced (25% increase since 2014); endorsement of our first Reconciliation Action Plan from Reconciliation Australia following 18 months of engagement; achievement of our gender equity targets in all leadership roles; and delivery of our Corporate Social Responsibility Strategy.

Our Price Submission 2018-23 was finalised this year and sets out clear priorities and targets that reflect those of our customers. Westernport Water's community engagement program identified that our customers are seeking greater affordability, better tasting water, investment in the environment and a commitment to sustained performance through a focus on renewal activity. It was pleasing to receive an early price determination from the Essential Services Commission based on the clarity and strength of our Price Submission that was determined in partnership with our community. We remain committed to affordable pricing for our customers, supported by an efficiency improvement rate of 2.7% per annum – the second highest in the Victorian water sector.

Strong Financial Performance

Westernport Water maintained a continued focus on governance throughout the year, developing and rolling out a new 'Governance Matters' training program to staff following the revision of approximately 60% of our organisational charters and policies. We continue to report positive financial performance results, maintaining our AA credit rating and posting a profit before tax of \$1.18m.

On behalf of the Board and the Executive Team, we would like to thank our people for their commitment and professionalism throughout the year. We would also like to thank our customers for their willingness to engage with us to shape our future priorities during the next regulatory period. We would also like to acknowledge the previous Board and extend our appreciation for their efforts.

The Board looks forward to another successful year delivering value for our customers and community.



Phil Clark
Chair

7 September 2018



Peter Quigley
Managing Director

7 September 2018

Operational performance highlights and key achievements

The following summarises Westernport Water's key initiatives outlined in the Minister's Letter of Expectations (LOE) and aligned with Water for Victoria's priority policy areas.

Climate change

- Developed business cases to meet Emissions Reduction Pledge
- Finalised the Climate Change Mitigation and Adaptation Strategy
- Developed a Recycled Water Strategy.

Customers and our community

- Developed and adopted a three-year Customer Service Strategy
- Implemented year two of the Water Quality Continuous Improvement Plan
- Installed ultraviolet disinfectant at Ian Bartlett Water Purification Plant
- Completed a number of small scale capital projects in relation to improved service outcomes
- Developed and implemented the Corporate Social Responsibility (CSR) Strategy
- Implemented the Community Rebate Program, assisting vulnerable and hardship customers.



Westernport Water provided new portable water refill stations to support community events.

Aboriginal cultural, spiritual and economic values

- Commenced implementation of the Reconciliation Action Plan and achieved endorsement from Reconciliation Australia
- Throughout the year bi-monthly engagements were held with Westernport Water's RAP working group which is attended by the BLCAC and Aboriginal and Torres Strait Islander community members
- Adopted and implemented the Diversity and Inclusion Plan
- Supported the appointment of a water sector and water projects facilitator with the Bunurong Land Council Aboriginal Corporation (BLCAC)
- Supported the development of a Caring for Country Team Business Plan for the BLCAC pilot program
- Two meetings were held with the BLCAC Aboriginal Water Officer and three meetings attended to support the BLCAC Caring for Country Team
- Established and built strong regional reconciliation partnerships with key local stakeholders
- Created a unique Environment and Sustainability Traineeship opportunity for one Aboriginal or Torres Strait Islander
- All staff completed Aboriginal Cultural Awareness training.



Westernport Water partnered with PINP and BCSC to acknowledge and celebrate NAIDOC week.

Resilient and liveable cities and towns

- Finalised, lodged and received early approval for the 2018 Price Submission
- Participated in the development of the Western Port Integrated Water Management (IWM) Direction Statement
- Completed the Cowes wastewater futures upgrades, improving sewer services to the township
- Supported the community with \$61k of direct and in-kind sponsorship.
- Annual household bills will remain affordable to customers following Westernport Water's commitment to a 2.7% annual efficiency improvement from 2018-19
- Average residential household bills in 2017-18 were \$1,123 based on 83KL of consumption (including government water rebate).



Hardship customers were supported with our Community Rebate Program to improve water efficiency.

Leadership and culture

- Improved safety culture through a program of activities focusing on values, attitudes and reporting
- Implemented actions and initiatives outlined in the Diversity and Inclusion Plan
- Progressed the Corporation's Diversity and Inclusion Facility Improvement Program
- Implemented phase three of the Organisational Improvement Plan
- Implemented a Governance Matters Program to assist employees to meet their regulatory responsibilities
- Delivered the White Ribbon Workplace Accreditation Program and related campaign activities
- Developed a Farm and Land Management Plan
- Employed one Aboriginal and Torres Strait Island Trainee.



Celebrating diversity and women in non traditional roles.

Recreational values

- Scoped and delivered an options paper to maximise recreational benefits from our land and assets
- Supported stakeholder and community partnerships to install community refill stations
- Supported the ongoing operation of the Phillip Island Community Orchard (PICO).

Financial sustainability

- Delivered year three of the Asset Management System Improvement Plan to meet the requirements of the Asset Management Accountability Framework
- Engaged with customers and our community to deliver sustainable prices through the 2018 Price Submission
- Signed a new partnership agreement for the Gippsland Regional Water Alliance (GRWA) which is focused on delivering efficiencies and improved value for customers
- Conducted in-depth modelling to keep prices affordable for our customers and ensuring our own financial sustainability.

Key initiatives and projects

Since 1 July 2017, Westernport Water has initiated a number of programs and initiatives in line with its Corporate Plan, to deliver efficient and effective products and services.

Our Customers

Develop three year Customer Service Strategy

Since 1 July 2017, the Corporation has been working to develop a three year Customer Service Strategy (CSS) that considers and responds to a range of customer insights that were collected through a variety of engagements. The Customer Service Strategy was approved by the Board in May 2018 and sets out the Corporation's long term plan to deliver customer service excellence in every interaction, while driving improved accountability and efficiency.

Up to 30 June 2018, the Corporation has invested approximately \$18,500 on gathering customer insights and models to ensure the Corporation provides accessible, consistent and reliable products and services that meet the needs and expectations of customers.

Over the three years 2018-21, the Corporation will continue to understand and learn from customers and has a range of commitments and measures outlined in the strategy to deliver customer service excellence.



Engaging customers on future prices.

Implement year two of the Water Quality Continuous Improvement Plan

Year two actions from the Water Quality Continuous Improvement Plan focused on improvements in water quality produced from the Ian Bartlett Water Purification Plant. Key changes included the installation of a filter to waste system enabling our operators to maintain high drinking water standards at all times. The second key component was the construction and commissioning of an ultraviolet disinfection facility to provide an additional

barrier for the removal of harmful pathogens and ensure ongoing regulatory compliance in the delivery of safe drinking water. Additionally, improvements were made to the San Remo Basin Chloramination Disinfection System.

During 2017-18, the Corporation invested \$683,253 in water quality improvements and is expected to deliver a further \$850,000 in water quality improvements by 2022.

Finalise and lodge the 2018 Price Submission

The 2018 Price Submission was lodged with the Essential Services Commission (ESC) in September 2017. The ESC released its final decision and price determination for Westernport Water in May 2018.

Community engagement feedback was compiled from approximately 1,000 customers over a period of 12 months. The quality of the engagement process and final submission was acknowledged when Westernport Water received early approval of its Price Submission. In accordance with the views of customers, Westernport Water will maintain affordable prices for customers through a 2.7 per cent annual efficiency target while maintaining strong performance standards with a focus on infrastructure renewal over the five year period 2018-23.

Price Submission development, modelling, assurance and engagement spend for the year was \$72,088.

Our People

Develop and commence implementation of the Organisational Development (OD) Strategy 2018-21

Dedicated to creating an innovative organisation with a reputation that is valued by current and prospective employees, the Corporation is committed to its next phase of organisational change aimed at strengthening leadership capability and building a culture of excellence.

The OD Strategy is a key Corporate Plan initiative that provides a roadmap to position the organisation for long term sustainability and success. The three year strategy focuses on four key commitments as we strive to be a great place to work: Our people go home safe and well; Our people are confident to lead and coach; Our people are set up to succeed; and Our people are diverse and capable.

During the 2017-18 reporting period, the Corporation spent \$20,000 on engaging, developing and commencing delivery of the OD Strategy which was adopted by the Board in March 2018.



Employees supporting International Women's Day.

Deliver year two of the Building Asset Management Plan

This project was continued from the stage one Building Asset Management Plan which was initiated in 2016-17. The project objectives were to renew and maintain the Corporation's existing buildings, maximise available work space and deliver the Corporation's future customer service objectives with a fit for purpose facility.

The building upgrades also cater for diversity and inclusion. This means providing for employees and visitors that may have a form of disability and thus acknowledging differences among employees and members of our community.

During 2017-18, the Corporation invested approximately \$186,800 in the Building Asset Management Project.

Enterprise Agreement (EA)

Westernport Water's EA expired on 18 December 2016. Since 1 July 2017, the Corporation has taken significant steps to promote a collaborative partnership approach to bargaining, to reach agreement and prevent delays. The Westernport Water EA 2017-19 was lodged with the Fair Work Commission on 14 December 2017 and subsequently approved with undertakings on Thursday 28 June 2018.

Our Assets

Deliver year three of the Asset Management System Improvement Plan

Since 1 July 2017, the Asset Management System Improvement Plan focused on the Corporation meeting its asset management obligations as set out under the *Financial Management Act 1994*, Managing Assets – Asset Management Accountability Framework (AMAF).

In response to the AMAF requirements, Westernport Water revised its asset management systems starting with the Asset Management Policy which was adopted by the Board in April 2018.

Aligning with the new policy, the Corporation has developed a new Strategic Asset Management Framework and a five year Strategic Asset Management Plan. The actions and initiatives out of the Asset Management Improvement Plan carried out through to 30 June 2018 have enabled the Corporation to fully comply with the mandatory requirements of the AMAF.

Progress options for the 648mm water main across Phillip Island

Westernport Water has assessed redundancy options for the Corporation's water supply across Phillip Island. The options study included various technical options to construct a storage tank in the Cowes water supply zone providing greater water supply reliability and operational flexibility. This project has been included in the Corporation's pricing submission and year one of the Phillip Island Water Supply Security Project which will include the design of the new storage tank and associated pipelines. Over the next three-year period, the Corporation will invest \$2.9m for the Phillip Island Water Supply Security Project.

Develop Integrated Water Management Plan

By working together with our stakeholders, Westernport Water will contribute to the regional urban landscape by assisting the achievement of greener environments and healthier waterways. Through the Western Port Region Integrated Water Management Forum, key priority projects have been identified to achieve integrated solutions for water management in the region.

A key priority project to be delivered by Westernport Water and the Bass Coast Shire Council is the development of a Bass Coast Region Integrated Water Management Plan.

Our Community

Scope and deliver initiatives to maximise recreational benefits from our land and assets

The Corporation invested \$10,290 in an investigation into its infrastructure and facilities at water storage locations seeking to identify recreation opportunities that would support community wellbeing and provide benefits for communities.

The options paper identified a number of existing initiatives that provide benefit for community recreation, as well as a number of opportunities that will require further consideration and consultation. In 2018-19, Westernport Water will develop specific projects relevant to these findings and seek funding avenues to support the delivery of projects.

Reconciliation Action Plan

Westernport Water's Reflect Reconciliation Action Plan (RAP) was released to the community during National Reconciliation Week in May 2018, following endorsement from Reconciliation Australia after 18 months of extensive engagement. The RAP sets out the Corporation's commitment to strengthen relationships, build respect and create opportunities for Aboriginal and Torres Strait Islander People and formalises its commitment to reconciliation with specific actions and initiatives to be delivered by May 2019.

Up to 30 June 2018, Westernport Water has delivered all RAP actions and initiatives in accordance with the specified delivery timelines. Operational funding during the reporting period to support partnerships and events, as well as foster reconciliation across our service area was \$14,850. Westernport Water will continue to monitor and deliver on its commitments and undertake the RAP impact measurement survey in September 2018.

It is anticipated that over the next 12 months, an additional \$50,000 will be invested to deliver on RAP commitments and prepare the Corporation to engage and produce longer term goals.



Aboriginal cultural awareness training.

Implement the Corporate Social Responsibility (CSR) Strategy

The CSR strategy was adopted by the Board in May 2017. It represents the Corporation's commitment to our customers, our planet and our community. It goes beyond a 'business as usual' approach – it's about adding value and setting a clear direction. Implementation of the actions outlined in each section of the strategy have progressed as planned, driving performance over the reporting period.

During the reporting period, Westernport Water worked to deliver on its year one CSR commitments and provided \$867,347 of value through community service obligations including grants, rebates and customer assistance programs, of which \$61,000 of value in real terms went directly to benefit the community through forms of sponsorship or donation. An interim progress report is scheduled to be submitted to the Board in September 2018.

Our Environment

Develop business case to meet the Emissions Reduction Pledge

The Corporation adopted an Emissions Reduction Pledge during March 2017 in response to the Department of Environment, Land, Water and Planning (DELWP) direction and in line with the guiding principles developed by the water sector to address emissions reduction.

Westernport Water has established measures to achieve net zero emissions by 2050, in accordance with the Victorian Government's Water Plan and the Take2 Pledge.

Compared to the baseline, Westernport Water pledges to reduce its carbon emissions by eight per cent by 2025. To ensure the Corporation achieves the objectives and supports the government policy, it will be implementing the Climate Change Mitigation and Adaptation Strategy. The strategy will incorporate the Emissions Reduction Pledge by 2025 and outline the steps to achieve net zero by 2050.

Westernport Water has included projects in the business case to deliver four behind the meter solar installations to reduce emissions by two per cent by 2020 at Newhaven Head Office, King Road Wastewater Treatment Plant and two large sewerage pump stations.

Finalise the Climate Change Mitigation and Adaptation Strategy

The Climate Change Mitigation and Adaptation Strategy was finalised and adopted in June 2017. The strategy considered the current operating environment, highlighting unique issues and sets out a plan for action to mitigate Westernport Water's emissions and adapt current activities to respond to potential impacts from climate change.

In 2017-18 the strategy delivered the following projects;

- a climate change adaptation vulnerability assessment workshop which identified priority risk areas
- a feasibility study of the emissions reduction pledge and proposed projects to inform the emissions reduction business case
- commitment to the Victorian water sector's Intelligent Water Networks
- support for a state-wide large scale renewable project
- collaborated with Phillip Island Nature Parks and Bass Coast Shire Council to identify opportunities for renewable energy production on Phillip Island.

During 2017-18, the Corporation commenced researching and investigating the potential carbon offset and carbon sequestration potential of native revegetation sites, catchment revegetation, agricultural forestry sites and soil carbon potential to address scope one emissions and contribute to emissions reduction as required by the Emissions Reduction Pledge.

Develop a Recycled Water Strategy

The Recycled Water Strategy was adopted by the Board in April 2018. The strategy aims to increase reuse of wastewater and deliver better outcomes for the community, commercial customers and the environment.

The strategy sets out an agreed approach to the management and development of recycled water supplies. Different options to continue to grow reuse practices to meet the targets were presented to the community during Price Submission engagements and will inform detailed action plans.

Up to 30 June 2018, Westernport Water has achieved 21 per cent recycled water supply, calculated as a percentage of the total wastewater received. Additionally, a new customer will trial the use of Class B recycled water from the Cowes Waste Water Treatment Plant.

Our Business

Commence phase two of the ICT Systems and Services Plan

Delivery of phase two of the ICT Systems and Services Plan was a focus during 2017-18. The IT Managed Services (ITMS) contract was awarded by the Board in March 2018 and implementation began in May 2018.

Since awarding the contract, the focus has been on managing the transition to a new ITMS agreement, which will deliver enhancements to information security, improved IT performance and optimised services for employees and customers.

The procurement process is underway to replace existing corporate systems and is expected to be determined in 2018-19.

The ICT Systems and Services Plan has spent \$154,000 to 30 June 2018, and is expected to spend \$1,654,075 next year.



Recycled water in our community.

Identify opportunities for collaboration and innovation through the Gippsland Water Alliance

Westernport Water has been a long term member of the Gippsland Regional Water Alliance (GRWA), which was established to deliver shared-efficiencies through collaboration, while maintaining and respecting each corporation's autonomy to make local decisions. Until recently, the Alliance operated under a Memorandum of Understanding (MOU) between Gippsland, Westernport, South Gippsland, Southern Rural and East Gippsland Water.

In 2017-18, a new partnership agreement was developed to introduce an annual planning process for the GRWA to identify key initiatives, embed transparent and consistent reporting and empower staff to make timely decisions on strategic priorities. The new GRWA Partnership Agreement was approved and signed by all GRWA Managing Directors and Chairs on 14 September 2017. A joint-planning day was facilitated in March 2018 identifying the priority areas for the 2018-19 Alliance Plan, including: shared procurement, diversity and inclusion, workforce capability and information security.

5 Year Financial Summary

Profit and loss – summary	2017-18 \$ 000	2016-17 \$ 000	2015-16 \$ 000	2014-15 \$ 000	2013-14 \$ 000
Core revenue	20,420	20,086	19,454	18,856	18,402
Government contributions	–	–	–	45	61
Developer contributions and gifted assets	1,574	1,261	1,151	1,902	1,267
Other revenue	811	806	593	384	663
Total revenue	22,805	22,153	21,198	21,187	20,393
Operating expenditure	9,063	8,383	8,484	7,319	7,074
Depreciation ¹	6,089	6,518	6,118	5,780	5,476
Finance costs	347	350	431	453	501
Other	6,128	5,957	6,370	5,386	5,864
Total expenditure	21,627	21,208	21,403	18,938	18,915
Net profit before tax	1,178	945	(205)	2,249	1,478

Notes

1. Depreciation includes impairment and amortisation. Reduction from prior year reflects impairment of intangible assets in 2016-17.

Net profit

Net profit /(loss) after tax for the year was \$0.8m which was ahead of budget expectation. The key drivers of the improved result were above budget developer income and consistent and strong cost control over the financial year.

Revenue

Total revenue for the year was \$22.8m, an increase of \$0.65m on the prior year. This revenue increase is inclusive of the full remittance to customers of the Government Fairer Water Bills initiative. The anticipated decrease in water usage eventuated hence revenue was on budget however, was lower than prior year results.

The underlying tariffs were increased in line with Essential Services Commission (ESC) approved guidelines of 2.13 per cent. Capital revenue representing new developments were above budget expectation and previous year amounts.

Expenditure

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

Financial Position – Balance Sheet

The balance sheet remains in a healthy and strong position. Debt levels remain low, consistent with the approach to funds management undertaken in prior years. The Corporation has good quality fixed assets designed to meet peak customer demand. The annual revaluation process completed in the 2015-16 year confirmed the asset quality and expected useful life. Accounts receivable levels are in line with prior year levels, inclusive of conservative provisioning for doubtful debts.

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

Balance Sheet – summary	2017-18 \$ 000	2016-17 \$ 000	2015-16 \$ 000	2014-15 \$ 000	2013-14 \$ 000
Current assets	9,075	6,681	4,907	4,121	4,253
Non-current assets ¹	206,413	207,331	207,811	178,851	177,583
Total assets	215,488	214,012	212,718	182,972	181,836
Current liabilities	7,695	6,941	6,754	4,770	5,235
Non-current liabilities	40,307	40,410	40,237	34,437	35,106
Total liabilities	48,002	47,351	46,991	39,207	40,341
Net assets	167,486	166,661	165,727	143,765	141,495

Notes

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

Cash flows

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

Significant changes or factors affecting performance

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

Capital projects/asset investment programs

The capital expenditure program for the year was \$5.6m, in line with the Water Plan Three capital initiatives. Key projects for the year are described in more detail in later pages of the report.

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

There were no capital projects completed during the 2017-18 financial year that had a total capital value (TEI) in excess of \$10m.

Prior year adjustments

No prior year adjustments have been required for the 2017-18 accounts.

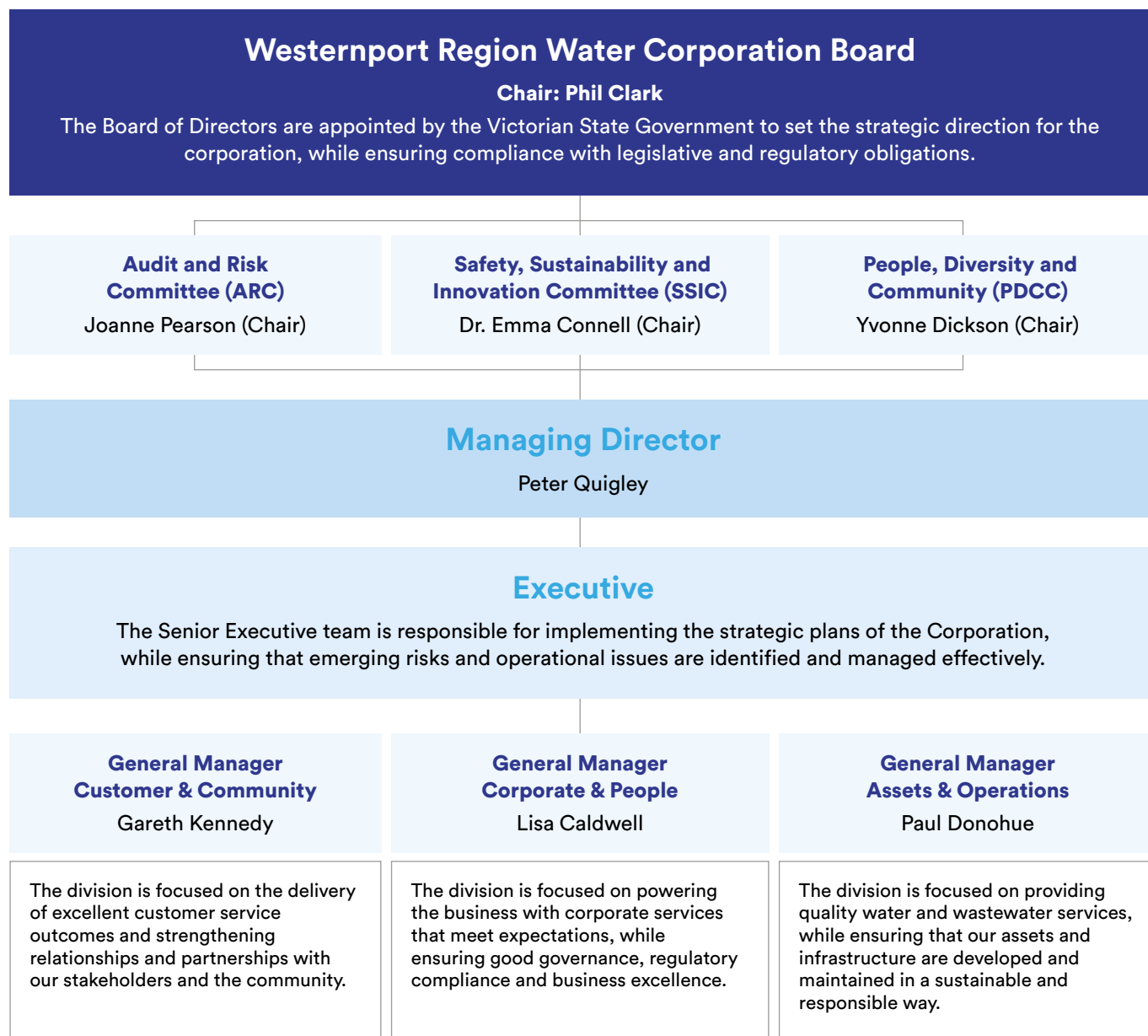
Disclosure of grants and transfer of payments

Nil grants were received or paid during the 2017-18 financial year.

Subsequent events

There were no events occurring after the balance date that would significantly affect Westernport Water's reported financial position for 2017-18 financial year.

Governance and Organisational Structure



Organisational structure and corporate governance arrangements

The Minister for Water

The Hon. Lisa Neville MP was the Minister for Water from 1 July 2017 to 30 June 2018.

The Minister for Water is responsible for delivering Victoria's strategic plan for the management of our water resources.

Corporate governance

The Corporation operates on a three divisional structure. The divisions are Corporate and People, Customer and Community and Assets and Operations.

Executive team

The executive team is responsible for implementing the Corporation's strategic direction, while leading change, managing risk and responding to emerging operational issues. The Corporation's Executive Team members are listed on previous page.

Structural changes

There were no structural changes during the reporting period.

Governing Board

As at 30 June, the Board of Directors consisted 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 2018-23
- ensuring compliance with legislative and regulatory obligations
- setting service standards and monitoring achievements
- establishing measurable goals and objectives
- establishing Board and Committee charters
- evaluating Board and Executive performance to ensure integrity of corporate governance practice and ethical conduct.

In October 2017, the Hon. Lisa Neville MP, Minister for Water, appointed new directors to the Westernport Water Board as others completed their tenure. The following is the complete list of Board members that represented Westernport Water for the 2017-18 reporting period.

From 1 July 2017 – 30 September 2017

Roland Lindell (Chair), Hon. Jennifer Acton (Deputy Chair), Dr. Emma Connell, Rueben Berg and John Duscher.

From 1 October 2017 – 30 June 2018

Phil Clark (Chair), Dr. Emma Connell (Deputy Chair), Rueben Berg, Joanne Pearson, Yvonne Dickson, Christopher Edwards, Christopher Newton, and Jennifer Acton (resigned Dec 2017) .

Phil Clark (Chair) was appointed Chair of Westernport Water from 1 October 2017 until 30 September 2021. He was formally a director at City West Water and African Energy Resources Limited and is a current director at ATEC Australia-International Limited, a social enterprise providing bio-digesters in rural Cambodia and Inverloch and District Financial Enterprises Limited (Inverloch Bendigo Bank). He is Deputy Chair of the Australasian Institute of Mining & Metallurgy, Melbourne Branch. Phil was Chair of Engineers Without Borders Australia from 2011 to 2016. His earlier mining, engineering and executive management career with BHP, spans almost four decades, including extensive international experience. He holds a Bachelor of Engineering, a Master of Business Administration and is a Graduate of the Australian Institute of Company Directors.

Peter Quigley (Managing Director) has significant leadership and management experience in public and private sector organisations, across complex environments such as government, utilities and health. Peter has held senior positions with several organisations, including Gippsland Primary Health Network, Latrobe City Council, Gippsland Water and the Department of Human Services. His qualifications and professional associations include a Master of Business Administration, a Graduate Diploma in Business Administration, a Graduate of the Australian Institute of Company Directors, Associate Fellow of the Australian Institute of Management and Graduate of the Gippsland Community Leadership Program. He is also participant of the 2018 Williamson Community Leadership Program.

Dr. Emma Connell (Deputy Chair) was reappointed to the Board from 1 October 2017 until 30 September 2019. Emma is employed at Aurecon where she provides technical and strategic advice to the Victorian Government on large State significant projects. Emma has over 20 years' experience in the field of environmental management in the public and private sectors and a proven track record in strategic planning and delivering environmental approvals for major infrastructure projects. She has a PhD in Marine Biology and is a Graduate of the Australian Institute of Company Directors.

Rueben Berg was reappointed to the Board from 1 October 2017 until 30 September 2019. Rueben is the Founder and Managing Director of RJHB Consulting Pty Ltd. He is also a Commissioner for the Victorian Environmental Water Holder, a founder of Indigenous Architecture and Design Victoria and a member on various boards including National Trust of Australia (Victoria) Indigenous Advisory Board, Melbourne Sustainable Society Institute Advisory Board and Monash University Indigenous Advisory Council. He is the Founder and Director at Indigenous Ultimate Association and the Chair at the Ultimate Rules Committee of the World Flying Disc Federation. He has a Bachelor of Architecture.



Aboriginal and Torres Strait Island flags are proudly displayed year round to demonstrate pride and respect for Australia's First Peoples.

Christopher Edwards was appointed to the Board on 1 October 2017 until 30 September 2019. Christopher was previously an independent member of Westernport Water's Audit and Risk Committee until October 2017. Christopher holds current directorships of Arch Mortgage Insurance (Hong Kong), The Stroke Foundation and Manulife International (Hong Kong and China). He has held numerous senior accounting roles and audit committee appointments in Australia, the United Kingdom and the Asia Pacific region. Christopher holds a Bachelor of Science (Economics) and is a Certified Practising Accountant, a Certified Information Systems Auditor and a Graduate of the Australian Institute of Company Directors.

Yvonne Dickson was appointed to the Board on 1 October 2017 until 30 September 2021. She is the Managing Director for Australia and Papua New Guinea of Société Générale de Surveillance (SGS), a global testing, inspection and certification company. Yvonne has a Bachelor of Science in Chemistry (Hons) and is also a graduate of the Australian Institute of Company Directors. She has a Certificate IV in Frontline Management and was part of the Executive Women's Leadership Program, where she remains a member of the Women on Boards organisation. She is a mentor for the Aspire Foundation, which looks to inspire and empower women working in not for profits, charities and social enterprises to make the world a better place.

Joanne Pearson was appointed to the Board of Westernport Water on 1 October 2017 until 30 September 2021, and is the Chair of Westernport Water's Audit & Risk Committee. Joanne was the Chief Financial Officer of Jemena, a large energy infrastructure company, until August 2017. She is an independent member of the ActewAGL Safety, Audit and Risk Committee and also a member of the Audit Committee for the Uniting Church of Australia, Synod of Victoria and Tasmania. Joanne has held senior finance roles in major energy utility companies over the past 15 years. She has a Master of Business Administration and a Bachelor of Business in Accounting. She is a Fellow of CPA Australia and a Graduate of the Australian Institute of Company Directors.

Christopher Newton was appointed to the Board of Westernport Water on 1 October 2017 until 30 September 2021. He is the Executive Director in the responsible investment area of IFM Investors. In his role he oversees the design and execution of Environmental, Social and Governance Strategy at over 30 unlisted global businesses. Chris has also been a Director of Reclink, an organisation devoted to building a more inclusive society through sports and arts. He was also a member of the Good Shepherd Strategy and Governance Committee. He has worked for several years at senior levels in public, private and government organisations. Chris has a Bachelor of Commerce with a major in Marketing and Management and minor in Asian Studies. He has a Graduate Diploma in Applied Finance, a Master of Business Administration as well as a Graduate Certificate in International Development.

Board committees

Westernport Water currently operates three board committees:

- Audit and Risk
- Safety, Sustainability and Innovation
- People, Diversity and Community.

Details for each of these committees are provided in the following section.

Audit and Risk Committee (ARC)

The ARC's responsibilities are set out in Standing Direction 3.2.1.1. Key responsibilities are to:

- review and report independently to the Board on the annual report and all other financial information published by Westernport Water
- assist the Board in reviewing the effectiveness of Westernport Water's internal control environment covering: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations
- determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors
- maintain effective communication with external auditors, consider recommendations made by internal and external auditors and review the implementation of actions to resolve matters raised
- oversee the effective operation of the Risk Management Framework.

Members are appointed by the Board, usually for a three-year term and are subject to the Committee's terms of reference.

Meetings are held quarterly and at any other time on request of a committee member or the internal or external auditor. In 2017-18, the committee met seven times. Attendance of committee members is detailed in the following section. The current ARC membership is as follows:

- Joanne Pearson (Chair)
- Dr. Emma Connell
- Phil Clark
- Christopher Edwards
- Christopher Newton.

Safety, Sustainability and Innovation Committee (SSIC)

The SSIC formed in November 2017. The purpose of the SSIC is to assist the Board to oversee its responsibilities and to meet its governance requirements in regards to workplace health and safety, sustainability, innovation and environmental management.

The SSIC meets approximately three times per annum and at least three members must be in attendance for a meeting to be held. The current membership of the SSIC is as follows:

- Dr. Emma Connell (Chair)
- Rueben Berg
- Yvonne Dickson
- Christopher Edwards
- Christopher Newton.

People, Diversity and Community Committee (PDCC)

The PDCC was formed in November 2017. The purpose of the PDCC is to assist the Board to oversee its responsibilities and duties in regards to human resources, remuneration, organisational development, diversity and inclusion and community engagement functions.

The PDCC meets approximately three times per annum and at least three members must be in attendance for a meeting to be held. The current membership of the PDCC is as follows:

- Yvonne Dickson (Chair)
- Rueben Berg
- Joanne Pearson
- Phil Clark.

Board / Committee attendance

The following tables indicate Board and Committee meetings held and Director attendance for the periods both before and after the change in Board members and Committees.

Board and Committee attendance and meetings held from 1 July 2017 – 30 September 2017¹

Board Members	Board	Audit & Risk Committee	People, Remuneration & Governance Committee ¹	Information & Communication Technology Committee ²
Roland Lindell (Chairperson)	4/4	3/3	3/3	–
Hon Jennifer Acton (Deputy Chair)	4/4	–	3/3	1/1
Peter Quigley Managing Director	4/4	–	–	–
Dr. Emma Connell Director	3/4	2/3	–	–
Rueben Berg Director	4/4	3/3	3/3	1/1
John Duscher Director	3/4	–	3/3	1/1
Christopher Edwards (independent ARC member)	–	3/3	–	–

Notes

1. The PRG Committee was disbanded with the change of Board 30 from September 2017.
2. The ICT Committee was disbanded with the change of Board 30 from September 2017.

Board and Committee attendance and meetings held from 1 October 2017 – 30 June 2018

Board Members	Board	Audit & Risk Committee	Safety, Sustainability and Innovation Committee	People, Diversity and Community Committee
Phil Clark Chairperson	8/8	3/4	–	2/2
Hon Jennifer Acton ¹ Director	2/2	–	–	–
Peter Quigley Managing Director	8/8	–	–	–
Dr. Emma Connell Director	8/8	4/4	1/1	–
Rueben Berg Director	7/8	–	1/1	2/2
Christopher Edwards Director	8/8	4/4	1/1	–
Yvonne Dickson Director	7/8	–	1/1	2/2
Joanne Pearson Director	8/8	4/4	–	2/2
Chris Newton Director	6/8	4/4	1/1	–

Notes

1. Hon. Jennifer Acton resigned in December 2017.

Workforce Data Disclosures

Our People

Determined to build a culture of excellence, the Corporation entered the first stages of the Organisational Development (OD) Strategy in 2017-18. Continuous improvement in human resource management practices and organisational development has supported the Corporation's key strategic goals and a workplace culture our people are proud of.

Organisational development

Westernport Water recognises the need to support its people to thrive, lead and achieve. During the reporting period the Corporation launched the OD Strategy 2017-20, delivering on the following commitments, our people:

- go home safe and well
- are confident to lead and coach
- are set up to succeed
- are diverse and capable.

The strategy will see a cultural shift in our approach to safety; introduce new employee support mechanisms and a strong suite of health and wellbeing initiatives; build capability by cultivating and encouraging leaders across all levels; provide fit-for purpose systems and processes in an open and trusting environment; and embed diversity in all that we do.

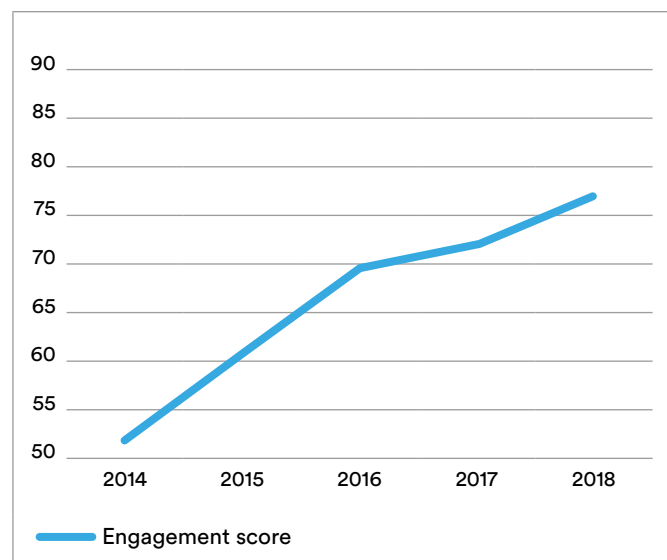
Diversity

At Westernport Water, we recognise the benefits of a diverse, inclusive and healthy workforce. The Diversity and Inclusion Plan 2016-20 commits to a number of actions designed to realise our vision to be an innovative employer of choice with an actively diverse workforce that enhances our business and the lives of our people and stakeholders. Achievements against set diversity targets this year have put the Corporation on the right track to achieve all targets by the agreed timeframe of 2020.

Great place to work

We are committed to ensuring that Westernport Water is and will continue to be, a great place to work. We are on a continued journey of cultural and organisational improvement and have come a long way in the past five years after a significant investment in our people by building a culture we can all be proud of. This improvement is reflected in our engagement scores from the annual People Matter Survey. We are pleased to report consistent employee engagement improvements from 52 per cent in 2014 to 77 per cent in 2018.

People Matter Survey engagement scores 2014 to 2018 (%)



Our target is to meet or exceed the industry benchmark for employee engagement annually and strive to continuously improve on our results year on year.

Celebration of employee's abilities, qualities, achievements and years of service regularly takes place at Westernport Water. In 2017-18, Westernport Water congratulated seven staff members who reached an outstanding 10-25 years of valuable service to the Corporation.

Public sector values and conduct

The *Public Administration Act 2004* established the Victorian Public Sector Commission (VPSC). The VPSC's role is to strengthen public sector efficiency, effectiveness and capability and advocate for public sector professionalism and integrity. Westernport Water's employment policies and practices are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. Westernport Water advises its employees on how to avoid conflicts of interest, how to respond to offers of gifts and how it deals with misconduct, via its all staff 'Governance Matters' training and regular communications.

Employment and conduct principles

Employment merit and equity principles are proud commitments of Westernport Water upheld throughout the employment lifecycle. Our selection processes ensure applicants are assessed, evaluated and selected fairly and equitably, and are based on key selection criteria as well as other accountabilities without discrimination. During the year, activities to improve diversity and inclusion saw enhancements made to employment processes, particularly to promote equal opportunity and where possible, mitigate bias in the decision making process.

Industrial relations

Historically, Westernport Water has enjoyed a good bargaining relationship with staff and unions and reached mutually agreeable outcomes avoiding any form of industrial action. No lost time from industrial action occurred this year.

Employee development

A robust program of learning and development continued to be a focus for Westernport Water in 2017-18. The Corporation conducted a broad range of training programs, with a strong theme of diversity and leadership.

During the year:

- 13 employees completed higher education funded by Westernport Water

- employees attended annual 'Governance Matters' training as a commitment to uphold the improved compliance culture
- all field employees were provided mandatory training for workplace health and safety
- a range of diversity training was conducted including Cultural Awareness, Family Violence, Unconscious Bias and Diversity, as well as MATE Bystander training
- five of our senior leadership team members attended leadership programs with four of them being women.

Workforce data collections

Westernport Water has experienced a steady increase in full time equivalent (FTE) employees as a result of significant organisational improvements and an organisational realignment, which addressed past constraints and improved service functions to effectively deliver the Corporate Plan.

During 2017-18, a large recruitment exercise was undertaken which saw 21 new employees join the Corporation to fill existing and new vacancies that were a result of the change to a three division organisation structure. This included developmental short term roles such as traineeships and graduate positions.

Employees have been classified in workforce data collections. The workforce breakdown as at 30 June 2018 is as follows:

2018	2017	2016	2015	2014
79.7 ¹	71.44	74.77	63.94	68.79

Notes

1. Increase in 2018 reflects implementation of Organisational Improvement Plan to appropriately resource priority areas, including risk, governance, people and culture. 2017 Workforce Data included vacant positions at the time of reporting.

Classification	2017-18 ¹		2016-17	
	Number (headcount)	FTE	Number (headcount)	FTE
Executive ²	4	4.0	4	4.0
Senior managers ³	13	12.6	8	8.0
Administration staff ⁴	40	36.1	41	36
Field staff ⁵	27	27	24	23.4
Total	84	79.7	77	71.4
Male	50	48.6	48	46.2
Female	34	31.1	29	25.2
Total	84	79.7	77	71.4

Notes

1. All figures reflect employment levels during the last full pay period in June of each year, excluding employees on long term leave without pay, external contractors/consultants and temporary staff employed by employment agencies.
2. Executive – Government Sector Executive Remuneration Panel (GSERP) contracted employee.
3. Senior managers – Senior Executive Officers full time or under contract.
4. Administration staff – Employees with administration tasks as primary responsibility of position.
5. Field staff – Employees with field tasks as primary responsibility of position.

Gender categories – June 2018

Gender	All employees		Ongoing			Fixed term and casual ¹	
	Number (headcount)	FTE	Full-time (headcount)	Part-time (Headcount)	FTE	Number (headcount)	FTE
Women	34	31.1	21	7	25.5	6	5.6
Men	50	48.6	40	2	41.3	8	7.3
Self-described ²	–	–	–	–	–	–	–

Notes

1. Fixed term figures include employees engaged on temporary contract and those under a GSERP contract.
2. Data for 'self-described' gender category not captured this year but planned for next year.

Details of employment in June 2017 and 2018

	June 2018			June 2017		
	Ongoing		Fixed term and casual employees	Ongoing		Fixed term and casual employees
	Employees (headcount)	FTE	FTE	Employees (headcount)	FTE	FTE
Gender						
Male	42	41.3	7.3	39	38.63	7.68
Female	28	25.5	5.6	17	15.35	10
Age						
Under 25	1	1	3.3	2	2	2.05
25-34	9	8	0	4	2.82	5
35-44	22	21.3	3	16	15.84	7
45-54	18	17.1	2.6	12	11.63	2
55-64	18	17.8	4	20	19.68	1.63
Over 64	2	1.6	0	2	2	–
Classification¹						
Broadband 2	13	12.8	1	13	12.68	2.05
Broadband 3	11	10.5	1.7	12	10.89	5
Broadband 4	13	11.8	2.3	12	11.8	3.63
Broadband 5	14	13.6	2	6	5.6	2
Broadband 6	6	5.4	0	5	5	1
SEO ²	13	12.6	0	8	8	–
Executive ³	–	–	4	–	–	4
Other ⁴	–	–	2	–	–	–

Notes

1. Employees are classified as a band (Band 1 to 6) under the Westernport Water EA.
2. SEO – Senior Executive Officers full time or under contract.
3. Executive – GSERP contracted employee.
4. Other – Traineeship.

Gender equity

Westernport Water is working towards creating a balanced working environment which provides equal opportunity and advancement for women in the workplace. By actively promoting women in water and integrating gender equity into recruitment practices, we have exceeded our June 2018 gender balance target with a senior leadership team made up of 47 per cent female employees. Together with this, we have achieved nine placements of female employees in non-traditional roles. As part of the Diversity and Inclusion Plan, Westernport Water has a target of increasing the percentage of women in senior leadership roles to 50 per cent by 2021.

The following table outlines Westernport Water's actual progress against this target in 2017-18 and 2016-17.

Workforce inclusion policy initiative	Target	Progress in 2017-18	Progress in 2016-17
Gender equity	By June 2020, 50% of senior leadership positions ^{1,2} will be held by women	47% of senior leadership positions held by women ³	47% of senior leadership positions held by women

Notes

1. There is currently an odd number of senior leadership positions available at Westernport Water, therefore we are unable to achieve 50/50 senior leadership gender balance.
2. Senior leadership positions include those holding an Executive or Manager title.
3. Based on Organisation Chart 30 June 2018.

Executive officer data

The following tables disclose the EOs of Westernport Water for 30 June 2018:

- Table 1 – discloses the total numbers of EOs with remuneration over \$100,000
- Table 2 – provides a reconciliation of executive numbers per division
- Table 3 – provides the annualised total salary range for non-executive.

Table 1: Reconciliation of executive numbers

		2018	2017	2016
	Executives with total remuneration over \$100,000	4	4	1
<i>Add</i>	Vacancies	0	0	3
	Executives employed with total remuneration below \$100,000	0	0	0
	Accountable Officer (Secretary)	0	0	0
<i>Less</i>	Separations	0	0	(2)
	Total executive numbers at 30 June	4	4	1

Table 2: Executive officers by division and gender

Divisional breakdown	Total		Women		Men		Self-described ¹	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
Corporate & People	1	(0)	1	(0)	0	(0)	0	(0)
Customer & Community	1	(0)	0	(0)	1	(0)	0	(0)
Assets & Operations	1	(0)	0	(0)	1	(0)	0	(0)
Executive Office	1	(0)	0	(0)	1	(0)	0	(0)
Total	4	(0)	1	(0)	3	(0)	0	(0)

Notes

1. Data for 'self-described' gender category not captured this year but planned for next year.

Table 3: Annualised total salary for executives and other senior non-executive staff

Income band (salary)	Executives	SEO
<\$160,000	2	13
\$160,000 – \$179,000	1	
\$180,000 – \$199,000		
\$200,000 – \$219,000		
\$220,000 – \$239,000	1	
\$240,000 – \$259,000		
\$260,000 – \$279,000		
Total	4	13

Occupational health and safety

During the 2017-18 reporting period a range of targeted safety improvement initiatives were developed in consultation with all levels of staff and management. Significant investment in safety culture has seen the engagement of an independent third party to undertake a Workplace Health & Safety (WHS) Improvement Project. The project has included a review and refresh of safety documentation, risk registers and training needs, development of a WHS Management System and development of an ongoing WHS Improvement Plan.

The overarching focus of the project has been to generate improved safety outcomes and an adjustment in safety attitudes and behaviours.

The health and wellbeing of our people continues to be key focus areas for the Corporation, with the development of a 12 month wellbeing initiative designed to promote

healthy lifestyle choices, stress management strategies and mindfulness programs with a view to creating a resilient, healthy and productive workforce.

The Corporation has also participated in an industry based benchmarking program that enables the measurement of safety performance against the other participating water corporations. This benchmarking process has helped to target risk reduction strategies and understand how the Corporation's safety performance compared with the wider water sector.

Incident management

The total number of incidents reported across all disciplines increased by 5.4 per cent in the 2017-18 period. In whole numbers this equates to an increase from 35 incidents to 37 incidents.

The total number of WHS related incidents increased by 30.3 per cent. In 2017-18 there were 33 WHS incidents reported, which is ten more than the previous year. However, while the number of reports have increased, standard claims have declined. This spike in WHS incidents can be attributed to reducing barriers to incident reporting through the implementation of an online hazard and incident reporting tool which enables real time data collection, corrective action workflows and hierarchical escalations. This spike is evidence that the online reporting tool reduced barriers to incident reporting and strengthened the safety culture across the Corporation.

Of the four incidents reported in 2017-18 that did not fall into the WHS related discipline, two were attributed to environmental incidents and two attributed to water mains bursts that created localised inundation.

Figure 1: Total number of incidents and rate per 100 FTE¹

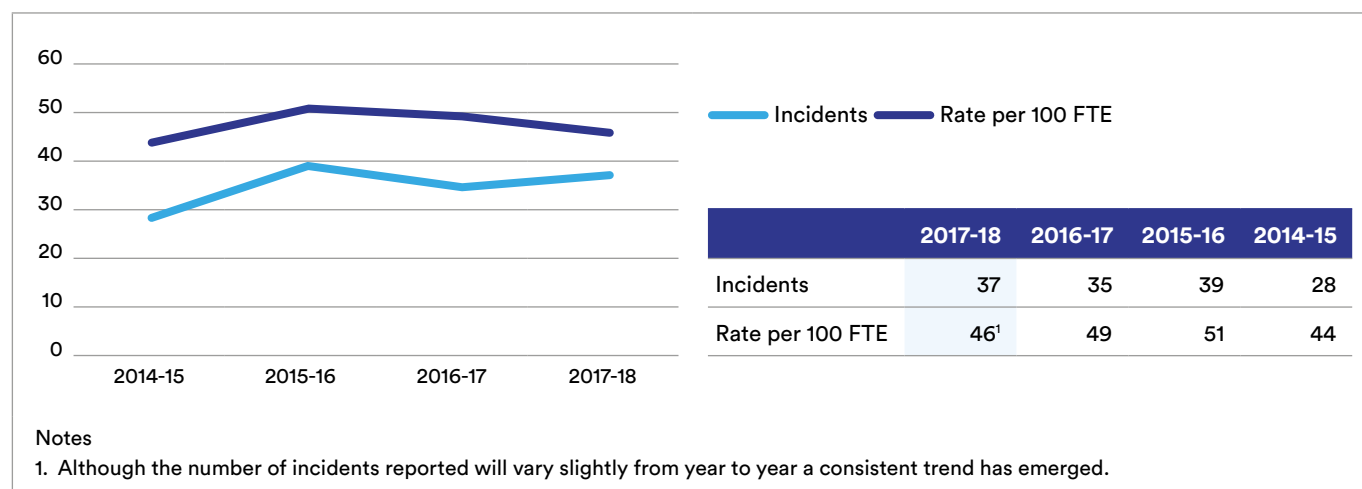
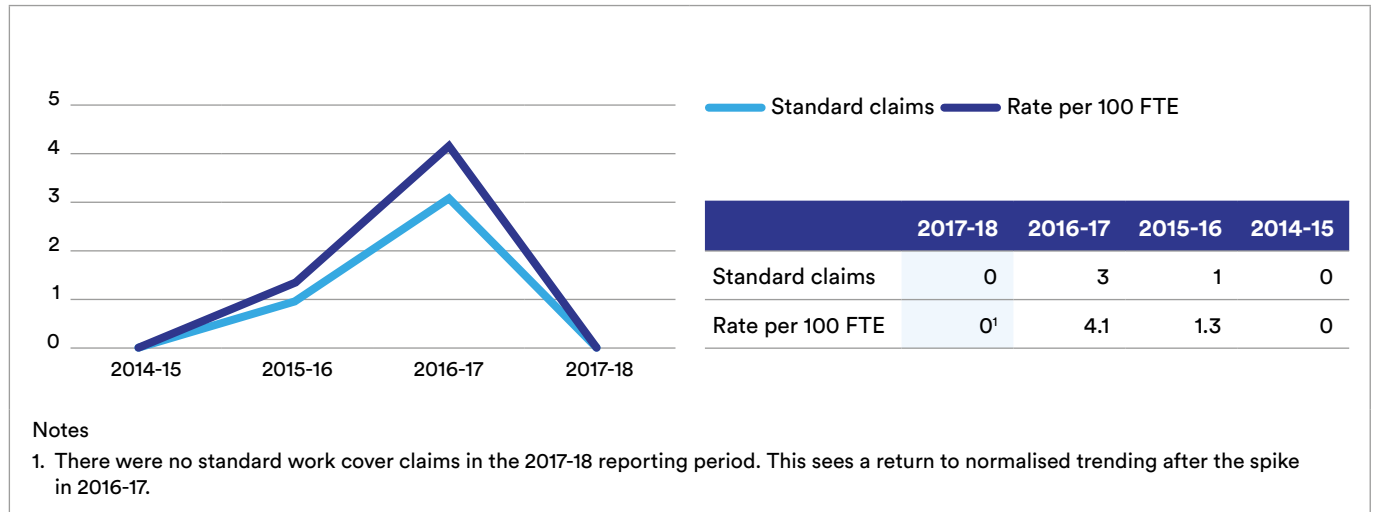


Figure 2: No. of standard claims and rate per 100 FTE



WorkCover

In the 2017-18 period there were two minor claims but neither breached the thresholds that escalate them to a standard claim.

Figure 3: Lost time claims and rate per 100 FTE

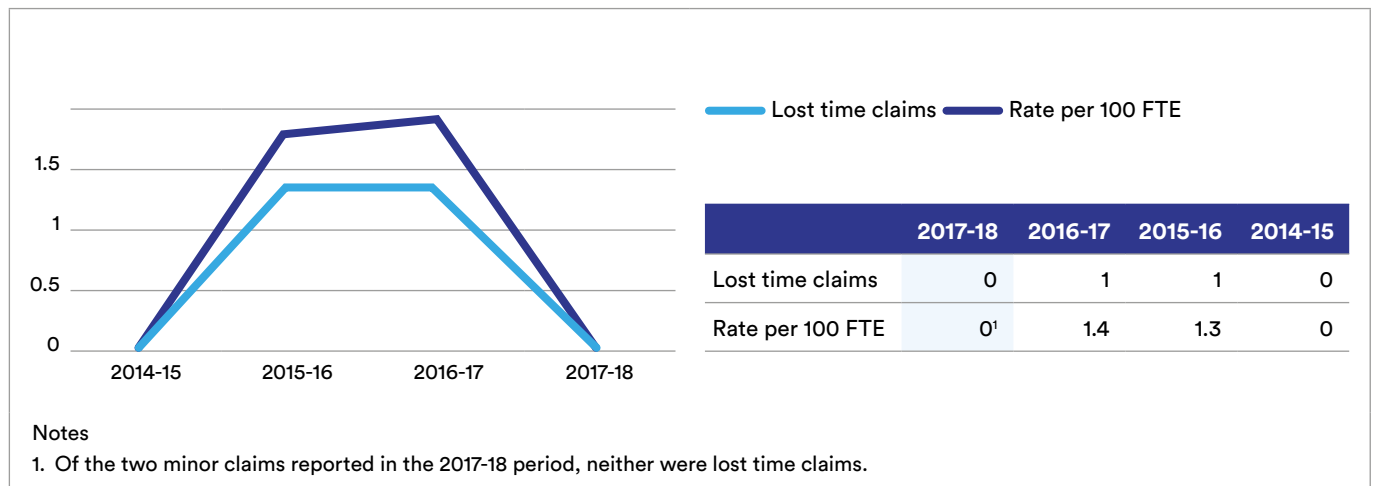
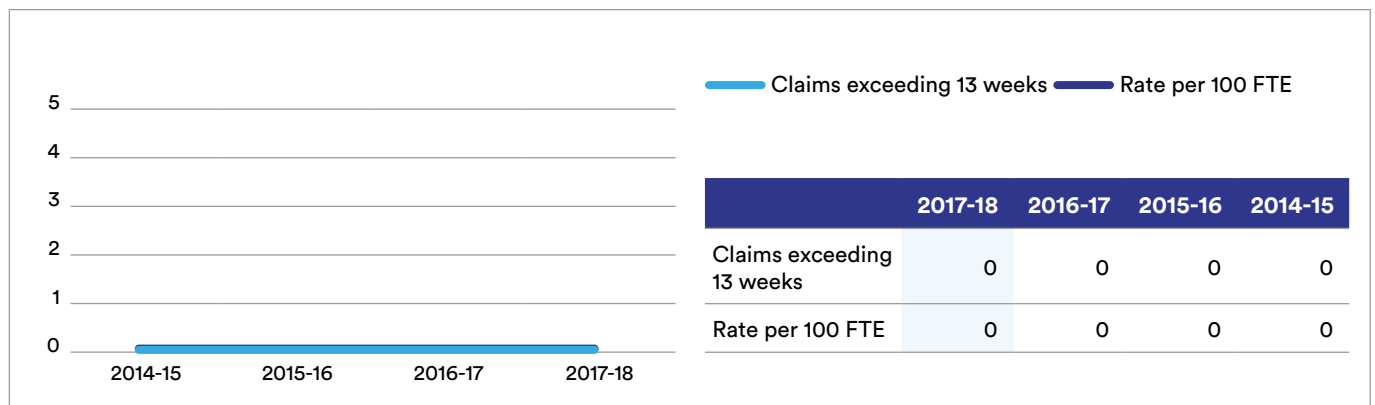


Figure 4: Claims exceeding 13 weeks and rate per 100 FTE



Westernport Water's performance against OH&S management measures

Measure	KPI	2017-18	2016-17	2015-16	2014-15
Incidents	No. of Incidents	33 ¹	23	20	6
	Rate per 100 FTE	41.4	32.1	26.7	9.3
Claims	No. of standard claims	0 ²	3	1	0
	Rate per 100 FTE	0	4.1	1.3	0
	No. of lost time claims	0	1	1	0
	Rate per 100 FTE	0	1.4	1.3	0
	No. of claims exceeding 13 weeks	0	0	0	0
	Rate per 100 FTE	0	0	0	0
	Fatality claims	0	0	0	0
Claim costs	Average cost per standard claim	0 ³	\$5,822	\$408	0
Return to work (RTW)	Percentage of claims with RTW plan <30 days	0 ⁴	100%	100%	0
Management commitment	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS and OHS plans (signed by Managing Director or equivalent)	completed	completed	completed	completed
	Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel)	completed	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	completed
	Compliance with agreed structure on DWGs, HSRs and IRPs	completed	completed	completed	completed
Risk Management	Percentage of internal audits/inspections conducted as planned	100%	100%	100%	100%
	Percentage of issues identified arising from:				
	– internal audits	100%	100%	100%	100%
	– HSR provisional improvement notices (PINs)	–	–	–	–
	– WorkSafe notices	–	–	–	–
Training	Percentage of managers and employees that have received OHS training:				
	– induction	100%	100%	100%	100%
	– management training	–	–	–	–
	– contractors, temps, visitors	–	–	–	–
	Percentage of HSR's trained:				
	– acceptance of role	86% ⁵	100%	100%	100%
	– re-training (refresher)	– ⁶	50%	100%	100%
	– reporting of incidents and injuries	100%	100%	100%	100%

Notes

1. The number of OHS related incidents has increased by 30 per cent. This is attributed to reduced barriers to incident reporting through the implementation of the real time online hazard and incident reporting tool.
2. The number of standard claims has decreased by 100 per cent as a result of no standard claims being reported in this period.
3. The average cost per standard claim is zero because there were no claims reported in the period.
4. The percentage of claims with RTWP < 30 days is zero because there were no standard claims.
5. The percentage of HSR's trained in the period is 86 per cent because one new HSR had not yet completed the five day training course as of 30 June 2018.
6. Re-appointed HSR's are all fully trained in the responsibilities of being a HSR and retraining was not required during the reporting period.

Water consumption and drought response

Water Consumption										
District Name	Residential Customers					Non-residential customers				Total number of customers (9)
	Number (1)	Recycled Water Customer No. (2)	Potable water volume (ML) (3)	Recycled waste water volume (ML) (4)	Recycled stormwater volume (ML) (5)	Number (6)	Potable water volume (ML) (7)	Recycled waste water volume (ML) (8)	Recycled stormwater volume (ML) (9)	
WPW district 2017-18	15,485	495	1,257	14 ⁴	-1	1,044	656	74	- ¹	17,024
WPW district 2016-17	15,228	377	1,168	11	-1	1,092	683	64	- ¹	16,320

Water Consumption									
District Name						Non-revenue water			Total water (all sources) (12)+(16)
	Total potable water (2)+(6) (10)	Total recycled waste water volume (3)+(4)+(7)+(8) (11)	Total consumption (10)+(11) (12)	Ave annual consumption (13)	Leakage (14)	Firefighting (15)	Other (16)	Total non-revenue water (13)+(14)+(15) (16)	
WPW district 2017-18	1,913	89	2,002	1,888 ²	306 ³	-	6	231	2,233
WPW district 2016-17	1,851	75	1,926	2,015 ²	91	-	0.4	91	2,017

Notes

1. Westernport Water does not manage recycled stormwater.
2. Average annual consumption calculated using 5 years.
3. Variance from previous year is currently under investigation. The Zone Metering and Pressure Management Program will commence in 2018-19 and is expected to assist the investigation into the amount of unaccounted for water.
4. Metered recycled water use to customers, total recycled water produced was 97 ML.

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

Water quality is determined by undertaking a sampling and analysis program against a set of targets. These targets are derived from the Safe Drinking Water Regulations 2015 and administered under the Safe

Drinking Water Act 2003. Targets have been met for the last five consecutive years. The monitoring program to address compliance with the regulations included analysis from Candowie Reservoir, all storage basins, 77 customer taps in nine separate localities and numerous strategic test points in the distribution system. Water quality indicators were fully compliant with targets quoted in the following table.

Household drinking water consumption (KL) – Residential

Quarter 1	266,494
Quarter 2	400,458
Quarter 3	347,419
Quarter 4 ¹	73,933
Total annual residential consumption	1,088,304

Notes

1. Meters are read monthly across three areas and billed on a quarterly basis, water consumption for quarter four is incomplete as meter reads for this period extended beyond June 2018.

Per capita drinking water consumption in 2017-18 was 177 litres per day. While this appears to be high in comparison to other service areas, approximately 50 per cent of Westernport Water customers are non-permanent residents that are not represented in this calculation. Additionally, the area experiences large short term visitor numbers which are not represented in this daily consumption figure. Typically, household water consumption for Westernport Water customers is less than half of the Victorian average.

Average residential household bills in 2017-18 were \$1,123 based on 83KL of consumption (including government water rebate). In comparison, larger water users paid \$1,357 based on 200KL of consumption (including government water rebate). A range of grants, concessions and rebates are available to customers to ensure bills remain affordable.

Water quality performance against target 2017-18

Water quality indicator	2017-18 Actual %	2017-18 Target %	Target met Yes/No	2016-17 %	2015-16 %	2014-15 %	2013-14 %
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	100
Trihalomethanes (ug/L)	100	100 ³	Yes	100	100	100	100

Notes

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

Drought response report

During 2017-18, Westernport Water did not trigger any of the drought response plan actions within the Drought Preparedness Plan, continuing to operate in a mode one scenario (normal operation). During the year we continued to implement pre-drought management actions to consult with our community, customers and the Bass Coast Shire Council to understand the demand in the region and respond to supply change requirements. Permanent Water Saving Rules (PWSR) are continually reinforced with programs to reduce demand.

The Drought Preparedness Plan is a component of Westernport Water's Urban Water Strategy approved in 2016-17 and sets out management actions for the various

water sources available to Westernport Water and demand management to maintain the balance between the demand for water and the availability of water.

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

Corporate water consumption

During 2017-18, water consumption at the Newhaven office and the operations depot has increased by 19.8 per cent from the previous year. Water use onsite can be attributed to increased headcount, construction works, building and facility upgrades and water use relating to a new parking area and associated garden works.

Indicator	2017-18	2016-17	2015-16
W1. Total water consumption (kilolitres)	559	500	1,247
W2. Units of office water used per FTE (kilolitres/FTE)	7	7	18.14
W3. Units of office water used per office area (kilolitres/m ²)	0.6	0.5	1.29

Bulk water entitlements

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

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

Candowie Reservoir reached full capacity on 13 September 2017 and spilled for 19 days. 762 ML were spilled during this period. In accordance with the environmental flow conditions of the BE, 409 ML were released during the reporting period. This was 225 ML less than the previous year. This can be attributed to uneven rainfall patterns over spring with high intensity short periods of rainfall experienced. The environmental flow enhances the downstream creek environment, assisting the flora and fauna to remain healthy.

Bass River Bulk Entitlement was used in 2017 for a period of 22 days. The decision was made to take water during July and August 2017. The level in Candowie Reservoir triggered the decision to run the Bass pumps to ensure no further reduction in source water supply. The pumps were installed and recalibrated for the river flows at the gauging station at Glen Forbes South and used, topping up the reservoir by 272 ML. The outlook for the next period predicted above average rainfall so this source of water was not required any further for this year.

Greater Yarra System – Thomson River Pool Bulk Entitlement was not used during 2017-18 and Westernport Water complied with all conditions and requirements for this BE. Westernport Water receives a water allocation on a monthly basis from the water resource manager, Melbourne Water, who also provides an update on any carryover water and spills from the Melbourne system storages.



The latest information from the resource manager is that Westernport Water has a water allocation of 594 ML, a carryover of 2,358 ML and a balance of available water of 2,292 ML. Westernport Water contributes to the formulation of the system management rules and the operating arrangements to manage the BE. Westernport Water has been negotiating a Bulk Water Supply Agreement with Melbourne Water for this water supply and the agreement is to be signed when the operating parameters are finalised.

In 2018, the Melbourne Retailers' Bulk Entitlement (Desalinated Water) Orders 2014 were amended to support Westernport Water's access to water allocated under its Bulk Entitlement through its delivery point whilst the Desalinated Water Supply System is delivering water. An assignment of water allocation to Westernport Water from a Melbourne Retailer will be required under s46 of the *Water Act 1989* (as amended) to allow Westernport Water to access water when the Desalinated Water Supply System is delivering water.

A water extraction bore licence enables Westernport Water to take and use 490 ML of ground water from the Corinella Aquifer for urban water supply. The groundwater licence is granted until 30 June 2031. Under the revised Urban Water Strategy, the long term strategy for this ground water source has been revised and this source will only be used during low rainfall events after other sources have been fully utilised.

Bulk entitlements, transfer of waste entitlements, allocations, licences and irrigation water usage

BE (Westernport Conversion Order 1997) as at September 2015 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	14.2	5.0, winter 0.1, summer 7.5 fresh	2,518	2,007	409 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	Nil	Nil	No	Nil

BE (Westernport – Bass River) Order 2009 ⁴			11.1(a)	11.1(b)	11.1(c)	11.1(d)	11.1(e)	11.1(f)
		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	12	Yes	Nil	272	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) Order 2014 ⁴			13.1(a)	13.1(b)	13.1(c)	13.1(d)	13.1(e)	13.1(f)
		Bulk entitlement ML/year	Amount taken ML/y	Water allocation and carryover ML	Entitlement volume compliance	Entitlement transfer	Metering program	Entitlement amendment
Greater Yarra System – Thomson River Pool		1,000	Nil	2,292	Yes	Nil	Yes	Nil
			13.1(g)	13.1(h)	13.1(i)	Comment		
			New entitlement	Failure to comply	Difficulties and remedial actions			
			Nil	No	No			

Notes

1. Water storage level at 30 June 2018.
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 BEs service the entire region.
5. Environmental flow released through the environmental flow pipeline.

Environment and Social Sustainability



Prep Water Bottle Campaign, helping students to Choose Tap

Community engagement was a focus for the Corporation during the reporting period as it looked to review its prices and service offering for the next five years for Price Submission One.

Focused on providing better value to customers, the Corporation compiled feedback from approximately 1,000 customers and developed a range of models and pricing approaches to deliver the best possible service outcomes for customers.

Customers were engaged through a variety of forums including, telephone surveys, community events, workshops as well as online. These engagements were then followed by four, three hour customer engagement workshops that were coordinated, facilitated and undertaken exclusively by Westernport Water staff, with subject matter experts presenting to participants in each priority area.

Since 2014, the Corporation has engaged Insync to design, run, analyse and report on an annual telephone based Customer Satisfaction Survey. This collaboration with other Gippsland water corporations has realised savings, provided for the benchmarking of results and identified opportunities for improved practices.

Additional to the above, the Corporation engaged with its Customer Advisory Group (CAG) who provided valuable feedback and helped to construct and test engagement methods and review collateral prior to engaging with the wider community.

The 2018 Price Submission was lodged with the Essential Services Commission in September 2017 and a final decision and price determination was provided in May 2018.

The CAG represents the interests of water users and provides a source for feedback on a wide range of operational matters, offering insight into customer needs and expectations in relation to water and wastewater services.

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

- assessment of support systems and programs for vulnerable customers
- consultation on products and services as well as customer and community campaigns
- reconciliation activities and Westernport Water's Reconciliation Action Plan
- Price Submission engagement activities.

During the reporting period, the following people actively participated in the advisory group: Neil Beddoe (Chairperson), Linda Cuttriss (Vice Chair), Phil Dixon, Viviane Verwey, Gene Isaacs and Malcolm Percy.

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

The program is designed to provide useful information to regional Victorians and encourages them to save and use water wisely. TYWU is an overarching program for all regional Victorians to access water efficiency information, products and services. Residential programs and initiatives common across Victorian in 2017-18 were:

- community water refill station program
- standardised website messaging
- school education
- comparative consumption data – on bills and website
- hardship program
- Choose Tap campaign
- PWSR
- National Water Week.

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

Integrated Water Management

Together with other water corporations, local government agencies, waterway managers and community representatives, Westernport Water participated in Integrated Water Management (IWM) Forums for the Western Port catchment over the past year. The IWM Forums facilitated by DELWP aim to bring together key managers of the urban water cycle to break down barriers, enabling communities to realise liveability benefits such as healthier urban waterways and landscapes, effective and affordable wastewater sources and retention and harvesting options of stormwater. The IWM forums have produced a Strategic Direction Statement for the Western Port catchment that identifies key priority projects to meet agreed objectives and outcomes. Westernport Water will be working with the Bass Coast Shire Council to progress a drainage strategy, aiming to deliver improved drainage and environmental outcomes for the Surf Beach and Sunderland Bay communities. Westernport Water will also be a project partner for the identified IWM opportunities listed below:

- a catchment scale IWM strategy
- nature links across Western Port Catchment Landscapes
- Bass Coast IWM Plan
- Bass Coast and Cardinia Bio Links.

The Western Port Integrated Water Management Forum Strategic Directions Statement is due for release in the coming months.

Schools Water Efficiency Program (SWEP) offers data loggers and an online portal to schools, providing students, teachers and maintenance staff access to real-time data, helping them to identify unexpected leaks and faulty appliances. The SWEP program also provides a tailored curriculum program, allowing students to use the school's water data within various subjects. Westernport Water is proud to report seven out of eight school campuses in its service area are benefiting from the program. During 2017-18, four of these schools were notified of major leaks via the SWEP program, with estimated savings of 3.58 ML, which is a total estimated saving of 12.3 ML since 2012.

Permanent Water Saving Rules (PWSR) are a common set of state-wide easy to remember, ongoing rules that remain in place across Westernport Water's entire service area. The PWSR guide the efficient use of drinking water and were in effect for the entire 2017-18 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.

Recognising recreational value

During the reporting period the Corporation supported the delivery of a number of social and recreational activities in partnership with other key local organisations and government agencies, including the Bass Coast Shire Council and Phillip Island Nature Parks. Some of the activities and initiatives provided through the strategic partnerships included:

- reconciliation activities and initiatives
- community events
- installation of community water refill stations
- community workshops
- White Ribbon events
- support for the Phillip Island Community Orchard to deliver on their objectives, which include demonstrating the benefits of Class-A recycled water.

Sustainable and resilient water sensitive systems

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

The Recycled Water Grant Program was made available to help businesses and not-for-profit organisations invest in connecting to the recycled water network on Phillip Island. The program sought expressions of interest from businesses and not for profit organisations to deliver water savings, support economic growth and help customers and the community prepare for climate variability. During the reporting period no applicant was reimbursed in line with the program.

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

Since 1 July 2017, 97 ML of water was transferred through the Class-A recycled water network to residential properties, commercial customers, and for irrigation of community sport and recreation reserves. Of this water, 23 per cent was topped up with drinking water from the back up tank at Wimbledon Heights during periods when the recycled water treatment plant was offline.



Class A recycled water Phillip Island.

Class-B recycled water offers a lower class of recycled water suitable for pasture irrigation and livestock care on farms. Westernport Water plans to trial the use of Class B recycled water over a two year period on neighbouring farmland to assess crop yield benefits in line with the recently developed Recycled Water Strategy.

Overall, across Westernport Water's two effluent treatment facilities, 329 ML of treated effluent was reused. This equates to 21 per cent reuse of treated effluent in 2017-18, an increase from 20 per cent achieved in 2016-17.

Hardship

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 including how many hardship grants are provided, utility relief grants, water rebates and exchange programs.

During the year 59 hardship grants were awarded totalling \$3,825.

Community Rebate Program was available for eligible customers during the reporting period to receive a free water efficiency audit and financial support to assist in reducing their water use by upgrading or replacing inefficient water use devices.

During the reporting period, 31 customers were provided assistance through the program for agreed products or services to the value of \$18,063.

Utility Relief grants are available to low-income customers or customers experiencing unexpected hardship. The grant provides help to pay a mains electricity, gas or water bill that is overdue due to a temporary financial crisis.

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.

International water partnership

At the invitation of the Australian Water Association, Westernport Water has joined four other Australian water utilities to each partner with a Vietnamese water utility. Westernport Water is partnered with a company called BIWASE, the water utility servicing Binh Duong province just to the north of Ho Chi Minh City. The arrangement is for the two partnered water utilities to share experience and knowledge with each other for mutual benefit. This will involve reciprocal visits of delegations from each water utility as well as electronic exchange of information. The program will conclude with OzWater in May 2019.

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.

Value of community service obligation provided

KPI	Notes	2017-18 (\$)	2016-17 (\$)	2015-16 (\$)	2014-15 (\$)	2013-14 (\$)
Concessions to pensioners		743,114	751,328	707,344	667,510	646,701
Rebates for not-for-profit organisations under the water and sewerage rebate scheme		28,660	28,695	28,748	29,297	26,585
Utility relief grant scheme payments		16,280	16,743	18,720	12,428	15,824
Water concession for life-support machines		0	0	0	0	0
Victorian Government Rebate Program – Small Business (ended 30 June 2015) ¹		– ¹	–	10,900	17,403	28,448
Victoria Government Rebate Program – Residential (ended 30 June 2015) ¹		–	–	9,330	7,380	9,370
Community Rebate Program		18,063 ²	0	3,400	–	–
Industry and community sponsorship and donations, including exchange programs and in-kind support – real value to the community		61,230 ³	63,247	39,167	52,075	49,092
Total community service obligation provided		867,347	860,013	817,609	791,093	791,020

Notes

1. Program ended June 2015.
2. The program was re-activated in 2017-18 and dedicated resources assigned to work with our most vulnerable customers.
3. This contribution excludes in-kind labour costs equivalent to 145 hours.

Sponsorship and community support was provided to 67 community events and activities during 2017-18, 40 were community engagements and 27 were educational engagements.

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

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

- installation of two water refill stations in partnership with Phillip Island Nature Park, taking the total to twelve fountains installed under this program
- Bass Coast and Phillip Island Landcare sustainability initiatives
- Bass Coast Business Awards
- Australian Junior Surfing Titles
- sponsorship of Plastic Free Phillip Island and San Remo's community campaign against single use plastic
- continued support of the Phillip Island Community Orchard educational events and agricultural workshops on recycled water and sustainable gardening.

Education programs and campaigns in 2017-18 built on previous years by continuing to improve community awareness of Westernport Water's products and services.

Education programs were delivered in line with the Corporation's Education Plan, focusing on strengthening stakeholder partnerships and driving positive behavioural change.

Of the 27 educational engagements, three initiatives were the continuation of the "Choose Tap" and "Stop it. Don't block it" campaigns, as well as our National Water Week activities. In addition to these ongoing programs, Westernport Water was involved in the following education activities:

- continued support of the South Coast Water Alliance's education program
- continuation of the Choose Tap – Grade Prep water bottle initiative in all local schools
- working with South Gippsland Water at the local Sustainable Schools Expo for local Primary Schools
- Incursions, excursions and tours with local and visiting schools, kindergartens, community groups and stakeholders.

Learning opportunities for the community were made available in both administrative and operational areas. A local secondary student took part in work experience in Communications and Human Resources. One Undergraduate Engineer experienced 12 weeks paid vacation employment. One local student was awarded with a two year Traineeship in Operations and Maintenance and another local conservation and land management student was awarded a two year Traineeship in Environment and Sustainability.

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 2017-18, 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
- facilitated revegetation works through the partnership, including the delivery of three km of fencing, over 12 hectares of weed control and planting of 40,500 trees in the Candowie catchment
- undertook pest plant and animal programs on land managed by the Corporation
- identified and developed a new program of works downstream of the spillway on Tennent Creek, to protect a significant stand of remnant vegetation and infill revegetation to provide protection to fauna moving along the creek edge
- identified future program works within the region and land managed by the Corporation to ensure it is contributing to the priorities within the strategy.

Westernport Water works with regional partners and Melbourne Water on projects and programs that enhance and protect waterway values, including protection and improvement of riparian vegetation which is crucial to the environmental and social values of waterways. During 2017-18, Westernport Water participated in the development of the Phillip Island Nature Parks five year Conservation Plan and Threatened Species Plan.

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*.



King Road Wastewater Treatment Plant wetland ecosystem.

During 2017-18, Westernport Water continued to work with Bass Coast Landcare Network to monitor biodiversity on the Corporation's managed lands. The assessment measures the impacts of activities on the natural environment and any successes the programs are having on the upkeep and improvement of biodiversity assets.

Activities during 2017-18 to support biodiversity management included:

- continued pest plant and animal programs to address key target species and revegetation opportunities to improve biodiversity outcomes
- management and maintenance of the major revegetation works surrounding the Candowie Reservoir
- continued implementation of five year land management plans focusing on pest and plant management and biodiversity improvement through protection and improvement works
- provision of support to key catchment partners, Bass Coast Landcare Network and Melbourne Water, to identify and promote works in high risk riparian sites on private land
- participation in the development of a Phillip Island Nature Parks five year Conservation Plan and Threatened Species Plan.

Through its partnership with the Bass Coast Landcare Network, Westernport Water is working on an eradication program for pest animals and noxious weeds. This covers threats such as rabbits, foxes, bridal creeper, asparagus fern, hawthorn, pittosporum, mirror bush, gorse, kikuyu, thistles, boxthorn, blackberry, inkweed and control of willow regrowth. The 2017-18 program continued to address pest animal concerns by engaging a specialist contractor to target species and complement the existing baiting programs at each of the Corporation's sites.

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

All of the actions in the CRSWS pertaining to alternative supplies for Westernport Water have been enacted. Other actions are ongoing: permanent water saving rules; use and expansion of Class-A recycled water to residential developments; and the expansion of water recycling for irrigation. During 2017-18, the Corporation continued to monitor the 2017 approved Urban Water Strategy to determine future water supply demand and incorporated demand for alternative supplies, such as Class A residential water supply.

Additionally, Westernport Water participated in the review of the Central Regional Water Strategy being undertaken by DELWP, highlighting the achievements of the strategy, the reduction in demand for water, ensuring the security of the region's water supplies and helping to protect our waterways and aquifers.

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

The Port Phillip and Western Port Regional River Health Strategy 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 addresses increases in environmental flow regimes across the region, which includes the Tennent Creek Bulk Entitlement. The strategy identifies land management activities as a key way to minimise impacts to water quality and reduce direct impacts to the local rivers and creek environments.

In 2017-18, Westernport Water continued to invest in works on Tennent Creek downstream of the Candowie Reservoir as part of the annual Landcare Land Management Plan. Additionally, Westernport Water works closely with catchment partners Bass Coast Landcare Network and Melbourne Water to educate landholders on the impacts of land activities on the health of waterways and water quality.

A Saltwater Creek rehabilitation program has been a focus on Phillip Island, but wallaby grazing on new native vegetation plantations continues to impact the program. In 2017-18, Westernport Water commenced additional wallaby proof fencing and revegetation to protect new plantings and water quality protection measures along Saltwater Creek within the Phillip Island Wildlife Corridor.

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

During 2017-18, Westernport Water participated in the DELWP engagement sessions for the SEPP(WoV), providing commentary and attending workshops on particular clauses impacting Westernport Water's operations and compliance.

Environmental Protection and Biodiversity Conservation Act 1999

There were no referrals made during this reporting year.

Aboriginal Heritage Act 2006

Cultural Heritage Management Plans are prepared by Westernport Water as a way of protecting and managing Aboriginal cultural heritage. During the reporting period, Westernport Water made one application to Bunurong Land Council Aboriginal Corporation, who is the Registered Aboriginal Party in Westernport Water's service area, in relation to construction of the overflow car park at Newhaven Office. During the investigation, no Aboriginal cultural artefacts were discovered.

Environmental incidents are unplanned incidents that have the potential to impact on the environment or community. During 2017-18, one sewer spill and two licence breaches were reported to EPA Victoria. Details of the incidents are provided below:

- a sewer spill to the environment occurred in Coronet Bay in December 2017, as a result of a failed repair clamp. Approximately 10,000 ML of sewer effluent was spilt during the event to roadside stormwater drains. Contaminated material was removed from the downstream stormwater receiving wetlands, with sample analysis two days after the event showing the wetlands had returned to the background water quality condition.
- Westernport Water breached EPA licence 74366, licence condition LW_DW1 *You must ensure that surface water discharges from the premises is not contaminated with waste* and L1_G2 *You must immediately notify EPA of non-compliance with any condition of this licence*. The breaches occurred due to operational changes to the management of stormwater resulting in contaminated sediment from biosolids stockpiles entering the onsite stormwater system. The environmental impact of this breach was assessed by Westernport Water as low, with no evidence from the sampling and monitoring program detecting contamination in the nearby Saltwater Creek. The second breach was identified by EPA due to the length of time taken by Westernport Water to investigate and confirm contamination, prior to notifying EPA. No enforcement or compliance actions were initiated by EPA as a result of the notification or follow up report.

An improvement plan is underway to deliver corrective actions, monitor progress and prevent the reoccurrence of similar incidents. In 2018-19, the Environmental Management System will also be reviewed and updated to reduce environmental impacts and improve operational efficiency.

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 line with ISO 14001:2015. The objectives of the system are:

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

The Corporation's office and business activities consider:

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

Office based environmental reporting

Westernport Water maintains one main office inclusive of a maintenance depot, supporting 70 full time employees. Environmental data on the office is presented within the Corporation's consumption report and the greenhouse and energy information below. Data relating to paper usage and energy consumption from transportation by vehicle type has not been included consistent with FRD 24D.

In 2017-18, waste generated at the office is now segregated further to include a new disposal option for organic waste, reducing the total volume of waste disposed to landfill. Organic waste roadside collection allows all types of food waste, paper, tissues, paper towel and any organic waste generated on site to be sent to an organic recycling facility, where the waste is turned into a soil improvement product when blended with green waste.

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

- annual performance monitoring against EPA Victoria's corporate licence, guidelines and regulatory requirements
- checking compliance with ESC service standards for sewer system performance
- internal auditing of the EMS
- 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.

In 2017-18, Westernport Water's Biosolids Program did not involve any land application. Site assessments are underway which will inform plans for biosolids to be utilised within Westernport Water's own site or on neighbouring farmland in 2018-19.

Greenhouse Gas and Energy

Climate Change adaptation

Under the *Climate Change Act 2017* the water sector has been chosen to pilot climate change adaptation plans. DELWP are completing a pilot sector-wide plan but each utility is also expected to have their own adaptation plan. Water for Victoria Chapter 2 and the Water Minister's Letter of Expectations (LoE) to the industry for 2017-18 highlight the need for water corporations to take the lead on climate adaptation.

Climate change adaptation is a priority area within the LoE, requiring water corporations to integrate climate change adaptation into decision-making across all aspects of water and wastewater management, including; source water and demand, built assets, natural environment, people and workplace, interdependencies and customer and product delivery.

These developments have directly influenced the Corporation's Corporate Plan 2017-22, in which it has committed to "finalise Westernport Water's Climate Change Mitigation and Adaptation Strategy and develop project options" in response to Water for Victoria's Priority Policy Areas. For 2017-18 this involved undertaking a Climate Change Adaptation Workshop, high level climate vulnerability assessment of operations to identify priority risk areas, and stage one of the development of the Climate Change Adaptation Plan.

The next stage of development of the Climate Change Adaptation Plan is to develop an overarching climate risk assessment and identify adaptation actions and pathways, which will integrate into the Corporation's business plans and processes. This work will be undertaken in 2018-19 using the WSAA Climate Change Guidelines.

Greenhouse Gas Emissions (GGE) and net energy consumption are generated from a number of different activities and sources: wastewater treatment plants and remote pumping stations 70.6 per cent, water treatment plant 22 per cent, office facilities and other activity such as waste disposal four per cent.

Greenhouse gas emissions during 2017-18 increased by two per cent from 2016-17 emissions through increases in emissions from wastewater and water treatment. Overall, this can be attributed to an increase by 5.5 per cent in wastewater treated through CWWTP and an increase by four per cent of water treated and supplied to customers in 2017-18. Additionally, the water treatment plant increased electricity consumption with the construction and commissioning of an ultraviolet disinfection facility to provide an additional barrier for the removal of harmful pathogens and ensure ongoing regulatory compliance in the delivery of safe drinking water.



Cowes Wastewater Treatment Plant and plantation.

Performance Indicator	Tonnes CO ₂ -e			Variance (%)
	Baseline	2017-18 Target	2017-18 Result	
Water Treatment and Supply ¹	na	na	1,467	na
Sewerage Treatment and Management ¹	na	na	4,681	na
Transport ¹	na	na	226	na
Other ¹	na	na	261	na
Offsets	0	0	0	0
Total	6,062	6,000	6,634 ²	9.5

Notes

1. No targets set for individual business activities.
2. Increase in emissions as a result of greater water demand and wastewater treatment in 2017-18.

Climate Change Strategy and Emissions Reduction

Pledge commits the Corporation to an eight per cent reduction in greenhouse gas emissions by 2025, compared with our baseline emissions (2011–16). The Climate Change Strategy adopted in 2017 incorporates the Emission Reduction Pledge, with an approach to climate change that is underpinned by four key principles:

- a business wide approach
- maintaining a customer focus
- acknowledge that mitigation and adaptation go hand in hand
- establish the foundation through building knowledge and capability.

In 2017-18, the Corporation delivered the following actions outlined in the strategy:

- developed a business case for delivery of stage one of the Emissions Reduction Pledge, solar photovoltaic renewable energy technology
- undertook a climate change vulnerability assessment

- entered into a sustainability working group with strategic partners, Bass Coast Shire Council and Phillip Island Nature Parks, with a shared vision for increased renewable energy production on Phillip Island
- commenced research into carbon sequestration and offsetting opportunities on Corporation land.

In 2018-19, the Corporation will be commencing solar installations, undertaking feasibility studies into potential offset opportunities through irrigated cropping of trees, soil carbon farming or accounting for carbon value of native vegetation establishment.

Energy consumption and renewable energy production

Overall during 2017-18, the Corporation generated 0.2 per cent of its total energy from renewable energy. For the period of 2017-18 there were no large scale generation certificates generated by Westernport Water, or any sold or surrendered.

Performance Indicator	(a) Total energy use (MWh)	Renewable energy use (MWh)	(h) Renewable energy use (%)
		(h) Total	
Water Treatment and Supply	1,358	0	0
Sewerage Treatment and Management	2,129	0	0
Other (office, workshops, depots)	145	7.2	5
Total ^{1,2}	3,633	7.2	0.2

Notes

1. Westernport Water did not export any renewable energy in 2017-18.
2. Westernport Water has not set a renewable energy target in 2017-18.

Procurement

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

- clauses in quotes and tender documents requiring tenderers to disclose environmental breaches and practices where required
- 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:

- collection and disposal greasy waste – public tender
- diversity and inclusion – facilities improvement construction – public tender.

Tender documents go to market inclusive of environment sustainability clauses and specifications. Tenderers are then weighted accordingly depending on the project and the need presented.

Procurement targets have been set for 2018-19:

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

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

Westernport Water continues to comply with the requirements of the Competitive Neutrality Policy.

Details of consultancies under \$10,000

In 2017-18, there were six consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. Total expenditure incurred during 2017-18 in relation to these consultancies is \$26,921 (excl. GST).

Details of consultancies over \$10,000

In 2017-18, there were 11 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2017-18 in relation to these consultancies is \$289,997 (excl. GST). Details of individual consultancies are outlined below:

Consultant	Purpose	Start Date	Finish Date	Total Approved Project Fee \$ (ex GST)	Expenditure (\$) 2017-18 (ex GST)	Future Expenditure (\$)
Benbow Consulting	IT governance advice	Sep 2017	Jun 2018	10,080	10,080	0
CDM Smith Australia Pty Ltd	Assessment of exposure risks in biosolids	Aug 2017	Sep 2017	18,182	18,720	0
Charlie Mac and Associates	BTP advisory services	Jul 2017	Oct 2017	60,000	46,200	0
Figure & Ground Advisory Pty Ltd	Emissions Reduction Pledge and options analysis	Jan 2018	Apr 2018	21,640	21,640	0
IPM Consulting Services	WHS Improvement Project	Mar 2018	Jul 2018	93,000	93,000	0
Josh Byrne and Associates	Water for recreation review	Mar 2018	May 2018	10,290	10,290	0
KPMG Enterprise	Independent review of draft pricing submission V02	Oct 2017	Dec 2017	11,408	11,408	0
RM Consulting Group Pty Ltd	Pricing submission and ESC review	Jul 2017	Jan 2018	27,818	27,818	10,000
SED Advisory Pty Ltd	Board review	Jan 2018	Mar 2018	13,475	13,475	0
Soda Consulting Group Pty Ltd	Redevelopment of Organisational Values	Jun 2018	Jun 2018	20,000	18,900	0
Struck & Spink	Corporate style and branding review	Feb 2018	Jun 2018	18,422	18,467	0

Government advertising expenditure

In 2017-18, there were no advertising campaigns with total media spend of \$100,000 or greater (exclusive of GST).

Disclosure of major contracts

Westernport Water did not award any major contracts greater than \$10m during 2017-18.

Contracts awarded over \$1m in 2017-18

Westernport Water awarded a five year contract for ICT Managed Services in 2017-18. The contract will total \$2.24m over the five year period and will commence in 2018-19.

Other Disclosures

Local Jobs First — Victorian Industry Participation Policy

During 2017-18, the Corporation awarded one contract applicable to the Local Jobs First – Victorian Industry Participation Policy Act 2003, valued at \$2.24m over five years. This project represents 100 per cent local content.

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

- an overall level of local content of 100 per cent of the total value of the contract

- two full time equivalent jobs created
- sixty five full time equivalent jobs retained
- two apprentice positions created
- two trainee positions created.

Information and Communication Technology expenditure

For 2017 18, the Corporation had a total ICT expenditure of \$1.632m, with the details shown below excluding direct employee costs.

All operational ICT expenditure Business As Usual	ICT expenditure related to projects to create or enhance ICT capabilities		
	Non Business As Usual (non BAU ^{1,2}) ICT expenditure	Operational expenditure (OPEX) ²	Capital expenditure CAPEX
(Total)	(Total = Operational expenditure and Capital Expenditure)		
1,381	251	97	154

Notes

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.

Compliance with Building Act 1993

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

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

Westernport Water conducted one major project at the Newhaven Head Office building in 2017-18, under a building permit. This project was inspected by a Registered Building Surveyor who then issued a Certificate of Final Inspection.

Westernport Water was issued with zero emergency orders in relation to buildings in 2017-18.

Westernport Water conducts mandatory testing of emergency and exit lighting in accordance with relevant standards. Monthly, quarterly and bi-annual inspection and preventative maintenance routine of mechanical services and monthly annual fire service audits are conducted. These inspections then inform the works program which is delivered annually through existing maintenance contracts.

Freedom of Information (FOI)

The *Freedom of Information Act 1982* allows the public a right of access to documents held by Westernport Water. This comprises documents both created by Westernport Water and supplied to Westernport Water by an external organisation or individual.

The Act allows Westernport Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to Westernport Water in confidence.

From 1 September 2017, the FOI Act has been amended to reduce the processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by Westernport Water, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

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 \$28.90 from 1 July 2018; the application fee may be waived or reduced if payment would cause hardship, however the application will not be considered as valid until either a fee is received or a decision made regarding hardship. For further information on making a request or for details on Freedom of Information and what information is available please see Westernport Water's website.

During 2017-18, Westernport Water received zero requests for information under the *Freedom of Information Act 1982*.

Additional departmental information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by Westernport Water and are available on request, subject to the provisions of the *Freedom of Information Act 1982*.

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Department;

The information is available on request from:

Westernport Water
Strategy Performance and Governance Team
Phone: 1300 720 711

Email: westport@westernportwater.com.au

Carers Recognition Act

The *Carers Recognition Act 2012* came into effect on 1 July 2012 and provides support to customers or employees in a care relationship. The Act defines a carer as someone who provides care to another person in a 'care relationship', including carers aged less than 18 years. 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
- providing flexible working arrangements and leave provisions to ensure that the Corporation complies with the statement of principles in the Act.

Energy and Water Ombudsman Victoria

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, the Energy and Water Ombudsman Victoria (EWOV) received 24 complaints (2.4 complaints per 1,000 customers) about Westernport Water from customers who were disputing their water bill due to various issues including billing and collection activities. Westernport Water has observed an increase in complaints in 2017-18, mainly attributable to case complexity, with no systemic issues identified.

EWOV

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

Compliance with the *Protected Disclosures Act 2012*

The *Protected Disclosure Act 2012* (PD Act) enables people to make disclosures about improper conduct by public officers and public bodies. The PD Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

What is a protected disclosure?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. Westernport Water is a public body for the purposes of the PD Act.

What is improper or corrupt conduct?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources
- risk to public health or safety
- risk to the environment; and
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a Protected Disclosure?

You can make a protected disclosure about Westernport Water or its board members, officers or employees by contacting the Independent Broad-Based Anti-Corruption Commission (IBAC) on the contact details provided below.

Please note that Westernport Water is not able to receive protected disclosures.

How can I access Westernport Water's procedures for the protection of persons from detrimental action?

Westernport Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Westernport Water or its employees. You can access Westernport Water's procedures on its website at www.westernportwater.com.au.

IBAC Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3000.

Mail: IBAC

GPO Box 24234

Melbourne Victoria 3001

Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

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

Disability Act 2006

In accordance with the *Disability Act 2006* Westernport Water has developed a Disability Action Plan which sits within the Diversity and Inclusion Plan and seeks to address the inequity that people with disability experience in the workplace and the community by:

- providing reasonable adjustments for all people throughout the recruitment phase and the employee lifecycle
- updating our building and facilities to remove any possible barriers that may affect our employees or customers with a disability or special need
- becoming an inclusive workplace where people feel valued and respected, have access to opportunities and participate fully regardless of their individual differences
- acknowledging our customer needs and incorporating them into the delivery of our services.

Compliance with DataVic Access Policy

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

Information Privacy

Westernport Water collects information in accordance with the *Privacy and Data Protection Act 2014*. Any information collected that discloses a related party transaction will be collated to form part of Westernport Water's financial statements, which will be tabled in Parliament. This means that personal information will be disclosed by Westernport Water when required.

Performance report

for the Year End 30 June 2018

Financial Performance Indicators

Notes	Ministerial Reporting Direction 01 – Performance indicators	2016-17 Result	2017-18 Result	2017-18 Target	Variance to prior year %	Variance to target %	Notes
F1	Interest Cover (Cash) Cash Flow from Operations before Net Interest and Tax / Net Interest Payments	23.0	41.4	16.4	80.0%	152.4%	1
F2	Gearing Ratio (%) Total Debt (Including Finance leases) / Total Assets x 100	3.9%	3.7%	3.8%	-5.1%	-2.6%	–
F3	Internal Financial Ratio (%) (Net Operating Cash Flow – Dividends) / Capital Expenditure x 100	154%	168%	96%	9.1%	75.0%	2
F4	Current Ratio Current assets/current liabilities (excluding long term employee provisions and revenue in advance)	1.2	1.9	1.1	58.3%	72.7%	3
F5	Return on Assets Earnings before net interest and tax / average assets x 100	0.6%	0.7%	0.4%	16.7%	75.0%	4
F6	Return on Equity Net profit after tax / average total equity x 100	0.6%	0.5%	0.4%	-16.7%	25.0%	5
F7	EBITDA Margin Earnings before Interest Tax Depreciation and Amortisation / Total Revenue x 100	35%	33%	32%	-5.7%	3.1%	–

Notes

- Cash interest cover is favourable to target due to improved cash flow through improved collections processes. Reduced borrowings resulted in lower interest paid for the year.
- The 2017-18 target assumed full utilisation of borrowings to fund capital spend which was not required. Additional cash flow during the year provided full funds for financing the capital investment program resulting in a favourable variance to target and to prior year.
- An increase in current receivables, reduced borrowings and a temporary short term investment of funds has contributed to a favourable variance.
- ROA favourable to target and prior year is largely attributed to the increased revenue from Developer activity during 2017-18 compared to 2016-17 and target.
- ROE decreased from prior year due to lower net profit compared to 2016-17 however, was above target for the year largely attributed to an increase in Developer income received in 2017-18.

Water and Sewerage Service Performance Indicators

KPI No.	Key Performance Indicator	2016-17 Result	2017-18 Result	2017-18 Target	Variance to prior year %	Notes	Variance to target %	Notes
WS1	Unplanned Water Supply Interruptions No. of customers receiving more than 1 unplanned interruption in the year / total number of water (domestic and non-domestic) customers * 100	7.3%	3.9%	9.3%	-46.6	6a	-58.1	6b
WS2	Interruption Time Average duration of unplanned water supply interruptions (minutes)	109.3	108.5	120	-0.7	–	-9.6	7a
WS3	Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100	99.0%	100%	100%	1.0	–	0.0	–
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%	100%	100%	0.0	–	0.0	–
SS2	Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within five hours	100%	100%	100%	0.0	–	0.0	–

Notes

6a A favourable variance to prior year can be largely attributed to recent reinforcement of the single source of supply to the township of Bass, which previously was experiencing more interruptions.

6b A favourable variance to target can be largely attributed to recent reinforcement of the single source of supply to the township of Bass, which previously was experiencing more interruptions.

7a A favourable variance was due to a change of the 2016-17 to 2017-18 target, from 90 to 120 minutes to be more in line with our capacity.

Customer Responsiveness Performance Indicators

KPI No.	Key Performance Indicator	2016-17 Result	2017-18 Result	2017-18 Target	Variance to prior year %	Notes	Variance to target %	Notes
CR1	Water quality complaints No. of complaints per 1000 customers	1.2	1.94	2.5	61.7	8a	-22.4	8b
CR2	Sewerage service quality complaints No. of complaints per 1000 customers	0	0	0	0	–	0.0	–
CR3	Sewage odour complaints No. of complaints per 1000 customers	0.75	0.40	0	-46.7	9a	100	9b
CR4	Billing complaints No. of complaints per 1000 customers	0.31	1.79	1	477.4	10a	79	10b

Notes

- 8a The unfavourable variance to the previous year is due to an increase in complaints related to the air scouring process and reactive maintenance in the distribution system.
- 8b The favourable variance to the target is due to the ongoing preventative maintenance program and improvements to water treatment plant operations.
- 9a A favourable variance to prior year can be largely attributed to not undertaking any sewer pump station bypass works, as was seen in 2016-17.
- 9b The unfavourable result compared to the target is due to two isolated odour issues close to sewer pump stations that were promptly rectified.
- 10a The unfavourable variance to the previous year and target was due to a direct debit error that occurred in December 2017. The Corporation has implemented a validation step to mitigate this error occurring in the future.
- 10b The unfavourable variance to the target was due to a direct debit error that occurred in December 2017. The Corporation has implemented a validation step to mitigate this error occurring in the future.

Environmental Performance Indicators

KPI No.	Key Performance Indicator	2016-17 Result	2017-18 Result	2017-18 Target	Variance to prior year %	Notes	Variance to target %	Notes
E1	Effluent reuse volume Percentage recycled for each category	20	21	24	5.0	11a	-12.5	11b
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	6,457	6,636	6,000	2.8	–	10.6	12a

Notes

- 11a The favourable variance to prior year for effluent reuse volume is due to the drier conditions through November to December 2018, allowing for an additional 30 ML of recycled water use.
- 11b The unfavourable variance in effluent volume to target was due to a reduction in projected commercial customer reuse, however the implementation of projects from the approved Recycled Water Strategy, will assist the Corporation to meet its future targets.
- 12a The unfavourable variance to the target for net CO₂ emissions compared is due to a 5.5 per cent increase in wastewater treated and a four per cent increase in potable water treated and supplied to customers. During 2018-19, further analysis of the greenhouse gas emissions will be undertaken to ensure the accurate forecast of emissions in response to increasing demand along with year one implementation of Emissions Reduction Pledge initiatives.

Certification of Performance Report

We certify the accompanying Performance Report for Westernport Region Water Corporation in respect of the 2017-18 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 2017-18 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.



Phil Clark
Chair
Westernport Water



Peter Quigley
Managing Director
Westernport Water



Kathy Hawke
Chief Finance Officer
Westernport Water

Dated this 7th day of September 2018

Independent Auditor's Report



Independent Auditor's Report

To the Board of the Westernport Region Water Corporation

Opinion	<p>I have audited the accompanying performance report of the Westernport Region Water Corporation (the corporation) for the year ended 30 June 2018 which comprises the:</p> <ul style="list-style-type: none">• financial performance indicators• water and sewage service performance indicators• customer responsiveness performance indicators• environmental performance indicators• certification of performance report. <p>In my opinion, the performance report of the corporation for the year ended 30 June 2018 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i> and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>
Auditor's responsibilities for the audit of the performance report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.</p>

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

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

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

MELBOURNE
11 September 2018



Paul Martin
as delegate for the Auditor-General of Victoria

Financial Statements for the year ended 30 June 2018

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Comprehensive Operating Statement

for the financial year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue			
Service charges	2.1	16,700	16,067
Water usage charges	2.1	3,720	4,019
Interest income		89	54
Developer contributions	2.2	1,574	1,261
Net gain/(loss) on disposal of non-financial assets	4.1.5	77	133
Other income	2.3	645	619
Total Revenue		22,805	22,153
Expenses			
Depreciation and impairment	4.1.4	5,959	6,132
Amortisation	4.1.4	130	386
Employee benefits	3.1.1	7,652	6,871
Repairs and maintenance expense	3.2	617	718
Environmental Contributions	8.2	794	794
Interest	6.1.2	347	350
Other operating expenses	3.3	6,128	5,957
Total expenses		21,627	21,208
Net result before tax		1,178	945
Income tax expense/(revenue)	8.1.1	353	11
Net result for the period		825	934
Other comprehensive income		–	–
Comprehensive result		825	934

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

Balance Sheet

for the financial year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.2	6,443	3,825
Receivables	5.1	2,161	2,247
Inventories		325	346
Prepayments		35	173
Biological Assets – Cattle held for sale		111	90
Total current assets		9,075	6,681
Non-current assets			
Receivables	5.1	70	58
Infrastructure, property, plant and equipment	4.1.1	205,662	206,460
Intangible assets	4.2	681	813
Total non-current assets		206,413	207,331
TOTAL ASSETS		215,488	214,012
LIABILITIES			
Current liabilities			
Payables	5.2	4,799	4,280
Interest bearing liabilities	6.1	1,250	1,250
Employee benefits	3.1.2	1,646	1,411
Total current liabilities		7,695	6,941
Non-current liabilities			
Interest bearing liabilities	6.1	6,690	7,190
Employee benefits	3.1.2	211	167
Deferred tax liabilities	8.1.1	33,406	33,053
Total non-current liabilities		40,307	40,410
TOTAL LIABILITIES		48,002	47,351
NET ASSETS		167,486	166,661
EQUITY			
Contributed capital	9.1.1	51,323	51,323
Asset revaluation surplus	9.1.2	53,406	53,406
Accumulated surplus	9.1.3	62,757	61,932
TOTAL EQUITY		167,486	166,661

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 2018

	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Accumulated surplus/ (deficit) \$'000	Total \$'000
Balance at 1 July 2016	51,323	53,406	60,998	165,727
Total comprehensive income for the year				
Net results for the period	–	–	934	934
Total comprehensive income for the year	51,323	53,406	61,932	166,661
Balance at 30 June 2017	51,323	53,406	61,932	166,661
Total comprehensive income for the year				
Net results for the period	–	–	825	825
Balance at 30 June 2018	51,323	53,406	62,757	167,486

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 2018

	Notes	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities			
<i>Receipts</i>			
Service charges (Combined with Usage)		22,700	22,020
Interest received		62	29
Goods and Services Tax received from the ATO		1,088	960
Other receipts		847	928
<i>Payments</i>			
Payments to suppliers and employees		(16,190)	(15,921)
Interest and other costs of finance paid		(253)	(333)
Environmental contribution levy paid		(529)	(1,059)
Net cash (outflow)/inflow from Operating Activities	6.2.1	7,725	6,624
Cash Flows from Investing Activities			
Payments for new infrastructure, property, plant and equipment		(4,801)	(4,303)
Proceeds from sale of infrastructure, property, plant & equipment		193	78
Net cash (outflow)/inflow from Investing Activities		(4,608)	(4,225)
Cash Flows from Financing Activities			
Proceeds from borrowings ¹		1,251	2,000
Repayment of borrowings ²		(1,750)	(2,750)
Net cash outflow from Financing Activities		(499)	(750)
Net increase in cash and cash equivalents		2,618	1,649
Cash and cash equivalents at the beginning of the financial year		3,825	2,176
Cash and cash equivalents at the end of the financial year³	6.2	6,443	3,825

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

Note:

1. Proceeds from borrowings includes only approved refinanced debt, no new borrowings for 2017-18.
2. Repayment of borrowings includes repayment of \$0.5M fixed loan and \$1.25M of fixed loans which were refinanced.
3. Due to increased operating cash flow at year end, \$4M was invested in the short term investment account.

Financial Statements

for the financial year ended 30 June 2018

1. ABOUT THIS REPORT

Basis of accounting

The financial report includes separate financial statements for Westernport Region 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, Statement of Changes in Equity, Cash Flow Statement, directors declaration and notes accompanying these statements for the period ending 30 June 2018.

The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. The Corporation is a not for-profit entity for the purpose of preparing the financial statements. Where appropriate, those AASs paragraphs applicable to not for profit entities have been applied.

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 7 September 2018.

The principal address is:
Westernport Region Water Corporation
2 Boys Home Road
Newhaven VIC 3925

Accounting policies

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

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

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

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment

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

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Corporation's operational cycle.

Rounding

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

Historical cost convention

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

Accounting estimates

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

- Accrued water usage charges
- Fair value of land, buildings, infrastructure, plant and equipment (Note 4)
- Estimation of useful life (Note 4)
- Impairment of assets (Note 4)
- Employee benefit provisions (Note 3)
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to (Note 3)).

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

This section provides information about how the corporation is funded and the accounting policies relevant for an understanding of the items recognised in the financial statements.

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

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

Structure

- 2.1 Service and usage charges
- 2.2 Developer contributions
- 2.3 Other income

Income from transactions

2.1 Service and usage charges

	2018 \$'000	2017 \$'000
Service charges		
– Water service charges	6,976	6,318
– Sewage charges	9,636	9,662
– Trade waste charges	88	87
Water usage charges	3,720	4,019
Total Service and usage charges	20,420	20,086

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.

Water and sewerage charges are recognised when services have been provided or service charges have been made. Water and sewage service charges recognised evenly throughout the financial year to reflect the pattern of revenue being earned. Service charges are based on a fixed fee and represent charges for access to water and sewage.

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

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

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

The variance when comparing to prior years reporting is the exclusion of the Government Rebate from the Water Services Charges. 2018 Water Services Charges are represented net of all Government Rebates. (2018: \$542K, 2017: \$486K)

The payment in advance by customers of accounts which at reporting date were unbilled is classified as unearned income.

2.2 Developer contributions

	2018 \$'000	2017 \$'000
Developer Contributions		
– Fees paid by developers	878	1,018
– Assets or services received from developers	696	243
Total Developer Contributions	1,574	1,261

Developer cash contributions are recognised as revenue when the contribution is received.

Developer contributed assets arise where developers pay for the cost of construction of new assets and subsequently gift these assets to the Corporation, which maintains them in perpetuity. In accordance with the requirements of AASB Interpretation 18 – Transfers of Assets from Customers, AASB 1004 Contributions and

AASB 118 Revenue, recognition of income occurs when the risks and rewards of ownership have been transferred to the Corporation. This non-cash revenue is recorded as developer contributed assets. Contributions of assets received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

2.3 Other income

	2018 \$'000	2017 \$'000
Other Income	645	619
Total other income	645	619

Other income includes revenue received from new customer contributions, information certificates, developer planning applications and rental income. Westernport Water holds two properties that are currently

rented. Both properties are not held for investment purposes with the intent to derive income or capital appreciation however, help to meet service delivery objectives of the Corporation.

3. THE COST OF DELIVERING SERVICES

Introduction

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

Structure

- 3.1 Our people
 - 3.1.1 Employee benefits – comprehensive operating statement
 - 3.1.2 Employee benefits – balance sheet
 - 3.1.3 Superannuation
- 3.2 Repairs and maintenance
- 3.3 Other operating expenses

3.1 Our people

3.1.1 Employee benefits – comprehensive operating statement

	2018 \$'000	2017 \$'000
Employee Benefits		
– salaries and wages	5,523	5,009
– annual leave	496	434
– long service leave	188	(9)
– employer superannuation contributions	574	535
– employer superannuation contributions – defined benefits	38	46
– other	833	856
Total employee benefit costs	7,652	6,871

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Westernport Region

Water Corporation to the relevant superannuation plans in respect to the services of Westernport Region 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 Region Water Corporation is required to comply with.

3.1.2 Employee benefits – balance sheet

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

	2018 \$'000	2017 \$'000
Current provisions:		
<i>Annual leave and RDO's</i>		
Unconditional and expected to settle within 12 months	574	460
Unconditional and expected to settle after 12 months	117	73
<i>Employee benefits</i>		
Unconditional and expected to settle within 12 months	108	75
Unconditional and expected to settle after 12 months	609	586
<i>Provisions for on costs</i>		
Unconditional and expected to settle within 12 months	125	124
Unconditional and expected to settle after 12 months	113	93
Total current provisions for employee benefits	1,646	1,411
Non current provisions:		
Employee benefits	182	144
On costs	29	23
Total non-current provisions for employee benefits	211	167
Total provisions for employee benefits	1,857	1,577

	2018 \$'000
Reconciliation of movement in on-cost provision	
Opening balance	240
Additional provisions recognised	90
Effect of changes in the discount rate	(63)
Closing balance	267
Current	238
Non current	29

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave, accumulating sick leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the corporation does not have an unconditional right to defer settlements of these liabilities.

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

- undiscounted value; if they will be wholly settled within 12 months; or
- present value; if not expected to be wholly settled within 12 months.

Sick leave payments are made in accordance with relevant awards, determinations and Corporation policy. No provision is made in the Financial Statements for unused sick leave entitlements as these are non-vesting benefits.

On-costs

On costs, such as payroll tax and workers' compensation insurance, are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Long service leave

Long Service Leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL (representing seven or more years of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months. The Corporation does 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 – the component the Corporation expects to wholly settle within 12 months; or
- Present value – the component the Corporation does not expect to wholly settle within 12 months.

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

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

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.

3.1.3 Superannuation

Superannuation contributions

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

Contributions by Westernport Region Water Corporation (excluding any unfunded liability payments) to the superannuation plans for the financial year ended 30 June 2018 are detailed below:

Scheme	Type of Scheme	Rate	2018 \$'000	2017 \$'000
Vision Super	Defined benefits	9.5%	39	82
Vision Super	Accumulation	9.5%	220	215
Other	Accumulation	9.5%	342	397

In addition to the above contributions, Westernport Region Water Corporation has not paid any unfunded liability payments to Vision Super during the 2017/18 year (2017: \$0). Superannuation was reported on a cash basis.

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2018. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 is \$45k (2018:\$39k).

Accumulation

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

Defined Benefit

Westernport Region Water Corporation does not use defined benefit accounting because sufficient information is not available. 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 Region Water Corporation in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

On the basis of the results of the 2017 triennial/full actuarial investigation conducted by the Fund Actuary, Westernport Region Water Corporation makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. In addition, Westernport Region Water Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

The 2017 full actuarial investigation surplus amounts

As at 30 June 2017, a full actuarial investigation was held. The vested benefit index (VBI) was 103.1%. Because the VBI was above 100%, the 2017 full actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 6.50% pa
- Salary information 3.5% pa
- Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 30 June 2018 was 106%.

The Fund's full actuarial investigation as at 30 June 2017 identified the following:

- A VBI surplus of \$69.8 million;
- A total service liability surplus of \$193 million; and
- A discounted accrued benefits surplus of \$228.8 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 2017.

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. The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2017.

The 2018 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2018 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed in October 2018.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. While an actuarial investigation is underway, the shortfall limit is 100%.

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.

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.

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

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

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

3.2 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.

	2018 \$'000	2017 \$'000
Repairs and maintenance		
– Material & supplies	313	405
– Chemicals	304	313
Total repairs and maintenance	617	718

3.3 Other operating expenses

	2018 \$'000	2017 \$'000
Other expenses		
– Purchase of inventory	95	197
– Contractors	2,104	2,128
– Consultants	247	252
– Testing & sampling	170	166
– Computer Expense	1,138	990
– Electricity	560	511
– Training & Education	189	180
– Licence Fees, Permits & Registration	170	196
– Insurance	105	109
– Vehicle Maintenance & Repairs	191	163
– Postage	106	115
– Conference costs (excl Travel & Accommodation)	61	92
– Debt Collection Fees	87	77
– Mobile Phone Costs	48	74
– Subscriptions & Memberships	89	73
– Bad debt expense	57	–
– Other Supplies	684	611
Total supplies and services	6,101	5,932
Operating lease rental expenses		
– Lease payments	27	25
Total operating lease rental expenses	27	25
Total other operating expenses	6,128	5,957

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and are deemed relevant for the understanding of this financial report. They are expensed in the period in which they are incurred. The following specific accounting policies apply:

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

Contractors are engaged to provide works or services on selected projects or programs of work to meet specific skills gaps however, where possible internal labour is preferred.

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

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

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4. KEY ASSETS AVAILABLE TO SUPPORT DELIVERY OF OUR SERVICES

Introduction

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

Structure

4.1 Infrastructure, property, plant and equipment:
Carrying amount

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

4.1.2 Fair value determination: Non-financial physical assets

4.1.3 Description of significant unobservable inputs to Level 3 valuations

4.1.4 Depreciation and impairment

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

4.2 Intangible assets

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

\$'000	Land	Buildings	Plant and equipment	Water distribution at fair value	Infrastructure – Water Harvesting & Major Transfer	Infrastructure – Water Quality	Infrastructure – Sewer Collection	Infrastructure – Sewer Treatment & Disposal	Capital Works in Progress	Total
At 1 July 2016										
Cost of fair value	9,980	4,005	9,892	118,022	47,407	1,521	110,475	23,527	2,095	326,924
Accumulated depreciation	–	(1,350)	(6,101)	(58,399)	(9,731)	(590)	(34,519)	(9,959)	–	(120,649)
Carrying amount	9,980	2,655	3,792	59,624	37,676	931	75,956	13,568	2,095	206,275
Year ended 30 June 2017										
Opening net book amount	9,980	2,655	3,792	59,624	37,676	931	75,956	13,568	2,095	206,275
Additions	–	–	–	–	–	–	–	–	5,813	5,813
Disposal	–	–	(1)	–	–	(3)	–	–	(19)	(23)
Transfer between Asset Classes	–	–	465	174	–	–	270	–	(909)	–
Assets received free of charge	–	–	–	64	–	–	179	–	–	243
Revaluation	–	–	–	(1)	–	1	–	–	–	–
Depreciation	–	(85)	(685)	(2,030)	(600)	(45)	(1,949)	(456)	–	(5,850)
Closing carrying amount	9,980	2,570	3,571	57,831	37,076	882	74,456	13,112	6,981	206,460
At 30 June 2017										
Cost of fair value	9,980	4,005	10,227	118,260	47,407	1,506	110,924	23,527	6,981	332,817
Accumulated depreciation	–	(1,435)	(6,656)	(60,429)	(10,331)	(624)	(36,468)	(10,415)	–	(126,357)
Net book amount	9,980	2,570	3,571	57,831	37,076	882	74,456	13,112	6,981	206,460

4.1.1 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment (continued)

\$'000	Land	Buildings	Plant and equipment	Water distribution at fair value	Infrastructure – Water Harvesting & Major Transfer	Infrastructure – Water Quality	Infrastructure – Sewer Collection	Infrastructure – Sewer Treatment & Disposal	Capital Works in Progress	Total
Year ended 30 June 2018										
Opening net book amount	9,980	2,570	3,571	57,831	37,076	882	74,456	13,112	6,981	206,460
Additions	–	–	–	–	–	–	–	–	4,610	4,610
Disposal	–	–	(130)	(1)	–	–	(12)	–	–	(143)
Transfer between Asset Classes	–	156	853	1,188	139	1,434	2,138	112	(6,020)	–
Assets received free of charge	–	–	–	260	–	–	435	–	–	695
Depreciation	–	(86)	(732)	(2,047)	(600)	(69)	(1,967)	(458)	–	(5,959)
Closing net book amount	9,980	2,640	3,562	57,231	36,615	2,247	75,050	12,766	5,571	205,662
At 30 June 2018										
Cost of fair value	9,980	4,161	10,273	119,702	47,546	2,942	113,472	23,639	5,571	337,286
Accumulated depreciation	–	(1,521)	(6,711)	(62,471)	(10,930)	(693)	(38,422)	(10,873)	–	(131,624)
Net Book Amount	9,980	2,640	3,562	57,231	36,615	2,247	75,050	12,766	5,571	205,662

Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, heritage assets, plant and equipment, used by the Corporation in its operations. Items with a cost or value in excess of \$5,000 (2017:\$5,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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

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

Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated

depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 4.1.1 for fair value disclosures.

Revaluation of infrastructure, property, plant and equipment

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

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

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

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

Revaluation reserves are not transferred to accumulated surplus/(deficit) on derecognition of the relevant asset.

4.1.2 Fair value determination non-physical assets **Significant judgement: Fair value measurements of assets and liabilities**

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

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

Consistent with AASB 13 Fair Value Measurement, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, biological assets, 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.

Fair value hierarchy

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

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

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

Non-financial physical assets

2018	Carrying amount as at 30 June 2018	(\$ thousand) Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
Land at fair value				
Non specialised land	600	–	600	–
Specialised land	9,380	–	–	9,380
Total of land at fair value	9,980	–	600	9,380
Buildings at fair value				
Non specialised buildings	2,640	–	2,640	–
Specialised buildings	–	–	–	–
Total of buildings at fair value	2,640	–	2,640	–
Plant and equipment at fair value				
Plant and equipment	3,562	–	–	3,562
Total of plant and equipment at fair value	3,562	–	–	3,562
Infrastructure at fair value				
Infrastructure – water distribution	57,231	–	–	57,231
Infrastructure – water harvesting and major transfers	36,615	–	–	36,615
Infrastructure – water quality	2,247	–	–	2,247
Infrastructure – sewer collection	75,050	–	–	75,050
Infrastructure – sewer treatment and major disposal	12,766	–	–	12,766
Total of infrastructure at fair value	183,909	–	–	183,909

Notes:

(i) Classified in accordance with the fair value hierarchy, see Note 4.1

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

Notes:

(i) Classified in accordance with the fair value hierarchy, see Note 4.1

There have been no transfers between levels during the 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 monitors changes in the fair value of property, plant and equipment and infrastructure through relevant data sources to determine whether revaluation is required.

Non-specialised land and non-specialised buildings

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

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

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

Specialised land and specialised buildings

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

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

For the majority of the Corporation's specialised buildings, the current 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.

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

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 current replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2018

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

Water and sewer infrastructure

Water and sewer infrastructure and Heritage assets are valued using the current replacement cost method less all forms of obsolescence and depreciation. 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 current replacement cost calculation. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

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

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

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

The Corporation conducted an assessment at 30 June 2018 with no material movement identified since the 2016 valuation.

Reconciliation of Level 3 fair value movements

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

\$000's 2018	Specialised land	Water distribution	Water harvesting	Water quality	Sewer Collection	Sewer Treatment	Plant and equipment
Opening balance	9,380	57,831	37,076	882	74,456	13,112	3,571
Purchases (sales)	–	1,447	139	1,434	2,561	112	723
Depreciation	–	(2,047)	(600)	(69)	(1,967)	(458)	(732)
Closing balance	9,380	57,231	36,615	2,247	75,050	12,766	3,562
Unrealised gains/(losses) on non financial assets	–	–	–	–	–	–	–

\$000's 2017	Specialised land	Water distribution	Water harvesting	Water quality	Sewer Collection	Sewer Treatment	Plant and equipment
Opening balance	9,380	59,624	37,676	931	75,956	13,568	3,792
Purchases (sales)	–	238	–	(3)	449	–	465
Disposal	–	–	–	–	–	–	(1)
Depreciation	–	(2,030)	(600)	(46)	(1,949)	(456)	(685)
Closing balance	9,380	57,831	37,076	882	74,456	13,112	3,571
Unrealised gains/(losses) on non financial assets	–	–	–	–	–	–	–

4.1.3 Description of significant unobservable inputs to Level 3 valuations

2018 and 2017	\$000's	Valuation technique	Significant unobservable inputs
Specialised land and Buildings	9,380	Market approach	Community Service Obligations (CSO)
Infrastructure – Water Distribution	57,231	Depreciated replacement cost approach	Average cost per kilometer (425km) Useful life of the infrastructure
Infrastructure – Water Harvesting	36,615	Depreciated replacement cost approach	Cost per unit (Quantity 1 Reservoir) Useful life of the infrastructure
Infrastructure – Water Quality	2,247	Depreciated replacement cost approach	Cost per unit (Quantity 1 Reservoir) Useful life of the infrastructure
Infrastructure – Sewer Collection	75,050	Depreciated replacement cost approach	Average cost per kilometer (337km) Useful life of the infrastructure
Infrastructure – Sewer Treatment/ Disposal	12,766	Depreciated replacement cost approach	Cost per unit (Quantity 2 Treatment Plants) Useful life of the infrastructure
Plant and equipment	3,562	Depreciated replacement cost approach	Useful life of the asset

4.1.4 Depreciation, amortisation and impairment

Charge for the period

	2018 \$'000	2017 \$'000
Buildings	86	85
Plant and equipment	732	685
Water Distribution	2,047	2,030
Water Harvesting & major transfer	600	600
Water Quality	69	46
Sewer Collection	1,967	1,949
Sewer Treatment and Disposal	458	456
Impairment	–	281
Subtotal	5,959	6,132
Intangible assets & amortisation	130	386
Total depreciation, amortisation and impairment	6,089	6,518

All infrastructure assets, buildings, plant and equipment and other non financial physical assets that have finite useful lives, are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life, commencing from the time the asset is held ready for use.

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

Asset	Useful life: years 2018 and 2017
Buildings	30-50 years
Water Distribution	20-100 years
Water Harvesting & major transfer	10-200 years
Water Quality	25-70 years
Sewer Collection	25-70 years
Sewer Treatment and disposals	25-70 years
Plant, equipment and machinery	1-30 years
Motor Vehicles	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. An independent valuation of the Corporation's water and sewer infrastructure was carried out by Odysseus – imc on behalf of the Valuer General Victoria on 30 June 2016 and although it is impracticable to predict future years, adjustments will be made where necessary for future impacts including allowances for additions and disposals.

Indefinite life assets

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

Impairment

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

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

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

The recoverable amount for most assets is measured at the higher of current replacement cost and fair value less costs to sell. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

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

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

	2018 \$'000	2017 \$'000
Sales proceeds	255	78
Costs of the assets	(874)	(143)
Accumulated depreciation	696	140
Net gain/loss on disposal		
Property, plant and equipment (including livestock)	77	75

4.2 Intangible assets

	Water entitlements	Software Costs	Patents and Licences	Other	Total
At 1 July 2016					
Cost or fair value	370	3,319	352	32	4,073
Accumulated amortisation	(15)	(2,466)	(98)	(15)	(2,594)
Carrying amount	355	853	254	17	1,479
Year ended 30 June 2017					
Opening net book amount	355	853	254	17	1,479
Impairment of assets	–	(266)	(15)	–	(281)
Amortisation	(4)	(338)	(37)	(7)	(386)
Closing carrying amount	351	249	202	10	812
At 30 June 2017					
Cost of fair value	370	2,522	279	32	3,204
Accumulated amortisation	(19)	(2,273)	(77)	(22)	(2,391)
Carrying amount	351	249	202	10	812
Year ended 30 June 2018					
Opening net book amount	351	249	202	10	812
Disposal	–	(1)	–	–	(1)
Amortisation	(4)	(101)	(20)	(5)	(130)
Carrying amount	347	147	182	5	681
At 30 June 2018					
Cost or fair value	370	2,522	279	32	3,203
Accumulated amortisation	(23)	(2,375)	(97)	(27)	(2,522)
Carrying amount	347	147	182	5	681

Recognition

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

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. [AASB 138.74-75; FRD 109A]

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development. [AASB 138.57]

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

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

Amortisation

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.

Impairment of intangible assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified. The policy in connection with testing for impairment is outlined in section 4.1.4.

5. OTHER ASSETS AND LIABILITIES

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

Structure

5.1 Receivables

5.1.1 Ageing analysis of contractual receivables

5.2 Payables

5.2.1 Ageing analysis of contractual payables

5.3 Fair value determination of financial assets and liabilities

5.1 Receivables

	2018 \$'000	2017 \$'000
Current		
Contractual		
Trade receivables	1,419	1,191
Provisions for doubtful debt	(125)	(125)
Other receivables	128	18
Accrued revenue	588	828
Statutory		
Amount owing from Victorian government	–	137
GST Input tax credit receivables	140	187
FBT receivable	11	11
Total current receivables	2,161	2,247
Non-current		
Contractual		
Provisions for doubtful debt	(57)	(57)
Trade receivables	127	115
Total non-current receivables	70	58
Total receivables	2,231	2,305

Receivables consist of:

- Contractual receivables, classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 14 days for other debtors.
- Statutory receivables, do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

As at 30 June 2018, there were no current receivables of the Corporation impaired.

5.1.1 Ageing analysis of contractual receivables

The ageing of these receivables is as follows:

	Carrying amount \$'000	Not past	Past due but not impaired			
		due and not impaired \$'000	Less than 1 month \$'000	1 – 3 months \$'000	3 months – 1 year \$'000	1 – 5 years \$'000
2018						
Sale of goods and services	1,952	289	38	657	896	72
Other receivables	128	–	16	102	10	–
Total	2,080	289	54	759	906	72
2017						
Sale of goods and services	1,952	204	18	628	1,043	59
Other receivables	18	–	–	18	–	–
Total	1,970	204	18	646	1,043	59

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

Past due but not impaired trade receivables relate to a number of independent customers for whom there is

no recent history of default. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

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

5.2 Payables

	2018 \$'000	2017 \$'000
Current		
Contractual		
Trade creditors	1,119	1,267
Sundry creditors	580	483
Accrued expenses	1,307	1,231
Prepaid Income	1,793	1,300
Total current payables	4,799	4,280
Total non-current payables	–	–
Total payables	4,799	4,280

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.[AASB 7.21, AASB 139.43 and 139.47]

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

5.2.1 Ageing analysis of contractual payables

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates				
			Less than 1 month \$'000	1 – 3 months \$'000	3 months – 1 year \$'000	1 – 5 years \$'000	5+ years \$'000
2018							
Supplies and services	4,219	4,219	2,427	1,792	–	–	–
Other payables	580	–	237	–	343	–	–
Total	4,799	4,219	2,664	1,792	343	–	–
2017							
Supplies and services	3,790	3,790	2,490	1,300	–	–	–
Other payables	490	–	200	–	294	–	–
Total	4,280	3,790	2,690	1,300	294	–	–

5.3 Fair value determination of financial assets and liabilities

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

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

The Corporation currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable

approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2017-18 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Trade Creditors:
Receivables:	– For supplies and services
– Trade receivables	– Other payables
– Sale of goods and services	Interest bearing liabilities
– Other receivables	

Due to the short-term nature of the financial assets and liabilities held by the Corporation, their carrying value is assumed to approximate their fair value.

6. HOW WE FINANCED OUR OPERATIONS

Introduction

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

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

Structure

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

6.1 Interest bearing liabilities

	2018 \$'000	2017 \$'000
Current interest bearing liabilities		
Secured Borrowings from TCV	1,250	1,250
Total current interest bearing liabilities	1,250	1,250
Non-current interest bearing liabilities		
Secured Borrowings from TCV	6,690	7,190
Total non current interest bearing liabilities	6,690	7,190
Total interest bearing liabilities	7,940	8,440

Interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the interest bearing liabilities, using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Corporation has an unconditional

right to defer settlement of the liability for at least 12 months after the balance sheet date.

Westernport Region 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.

6.1.1 Maturity analysis of interest bearing liabilities

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates				
			Less than 1 month \$'000	1 – 3 months \$'000	3 months – 1 year \$'000	1 – 5 years \$'000	5+ years \$'000
2018							
Secured Borrowings from TCV	7,940	7,940	–	500	750	4,940	1,750
Total	7,940	7,940	–	500	750	4,940	1,750
2017							
Secured Borrowings from TCV	8,440	8,440	–	500	750	5,440	1,750
Total	8,440	8,440	–	500	750	5,440	1,750

6.1.2 Interest expense

	2018 \$'000	2017 \$'000
Interest on secured TCV Loans	257	263
Financial accommodation levy	90	87
Total interest expense	347	350

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

6.2 Cash flow information

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, 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 which are readily convertible to known

amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

	2018 \$'000	2017 \$'000
Cash at bank	2,443	3,825
Deposits at call	4,000	–
Balance as per cash flow statement	6,443	3,825

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

	2018 \$'000	2017 \$'000
Net result for the period	825	934
Non cash movements:		
(Gain)/loss on sale or disposal of non current assets	(77)	(133)
Depreciation and amortisation of non current assets	6,089	6,237
Impairment of non current assets	–	246
Resources provided free of charge or for nominal consideration	(695)	(268)
Bad debt write off	66	56
Other non cash movements – Capital Labour transfer to work in progress	(597)	(598)
Movements in assets and liabilities:		
Increase/decrease in receivables	75	(109)
Increase/decrease in inventories and livestock	1	31
Increase/decrease in other non financial assets (prepayments)	139	(43)
Increase/decrease in payables	201	(76)
Increase/decrease in provisions	279	(43)
Increase/decrease in prepaid income	493	193
Increase/decrease in deferred tax liabilities	353	11
Increase/decrease in other liabilities	573	186
Net cash flows from/(used in) operating activities	7,725	6,624

6.2.2 Financing facilities

	2018 \$'000	2017 \$'000
Unsecured bank overdraft facility, reviewed annually and payable at call		
Amount used	–	–
Amount unused	2,000	2,000
Total	2,000	2,000
Unsecured loan facilities with various maturity dates through to 2018-19 and which may be extended by mutual agreement		
Amount used	7,940	8,440
Amount unused	2,500	4,960
Total	10,440	13,400

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts.

Commitments included in this section are as follows:

6.3.1 Total commitments payable

6.3.2 Operating lease commitments

6.3.3 Capital commitments

These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

Please refer to Note 8.2.1 for details on environmental commitments.

6.3.1 Total commitments payable

Nominal Amounts: 2018	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Capital commitments	577	–	–	577
Operating lease commitments payable	40	20	–	60
Total commitments (inclusive of GST)	617	20	–	637
Less GST recoverable	56	2	–	58
Total commitments (exclusive of GST)	561	18	–	579

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

6.3.2 Operating lease commitments

The operating leases relate to equipment with lease terms of five years. The Corporation has options to purchase the equipment at the conclusion of the lease agreements.

2018	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Operating and lease commitments payable	40	19	–	59
Less GST recoverable	3	1	–	4
Total commitments (exclusive of GST)	37	18	–	55

2017	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Operating and lease commitments payable	27	30	–	57
Less GST recoverable	2	3	–	5
Total commitments (exclusive of GST)	25	27	–	52

6.3.3 Capital commitments

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

2018	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Capital commitments	577	–	–	577
Less GST recoverable	52	–	–	52
Total commitments (exclusive of GST)	525	–	–	525

2017	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Capital commitments	2,170	–	–	2,170
Less GST recoverable	197	–	–	197
Total commitments (exclusive of GST)	1,973	–	–	1,973

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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

Structure

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Financial instruments: Categorisation
 - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities

7.1 Financial instruments specific disclosures

Introduction

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

Categories of financial instruments

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

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. [AASB 139.58 70 AASB 7.B5(f)] In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*. Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the comprehensive operating statement on equity instruments classified as available for sale are not reversed through comprehensive operating statement.

7.1.1 Financial instruments: Categorisation

2018	Contractual financial assets – loans and receivables and cash \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
Contractual financial assets			
Cash and deposits	6,443	–	6,443
Receivables			
Sale of goods and services	1,364	–	1,364
Other receivables	716	–	716
Total contractual financial assets	8,523	–	8,523
Contractual financial liabilities			
Payables			
Supplies and services	–	1,119	1,119
Accrued Expenses	–	1,307	1,307
Other payables	–	2,373	2,373
Borrowings			
TCV Loans	–	7,940	7,940
Total contractual financial liabilities	–	12,739	12,739

2017	Contractual financial assets – loans and receivables and cash \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
Contractual financial assets			
Cash and deposits	3,825	–	3,825
Receivables			
Sale of goods and services	1,124	–	1,124
Other receivables	846	–	846
Total contractual financial assets	5,795	–	5,795
Contractual financial liabilities			
Payables			
Supplies and services	–	1,267	1,267
Accrued Expenses	–	1,231	1,231
Other payables	–	1,783	1,783
Borrowings			
TCV Loans	–	8,440	8,440
Total contractual financial liabilities	–	12,721	12,721

7.1.2 Financial risk management objectives and policies

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

Risk management is carried out by Audit and Risk Committee under policies approved by the Board of Directors. Audit and Risk Committee identifies, evaluates

and hedges financial risks in close co-operation with the Corporation's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

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

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

Liquidity risk

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

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

Market risk

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

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

a. Interest Rate Risk

The Corporation minimises its exposure to interest rate changes on its long term borrowings by holding a mix of fixed and floating rate debt. Debt is sourced from Treasury Corporation Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly and managed in accordance with the Treasury Management Guidelines. The Corporation has not engaged hedging as part of its financial risk management strategy.

b. Foreign Exchange Risk

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

c. Other Price Risk

The Corporation has no significant exposure to Other Price Risk.

Interest rate exposure of financial instruments

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Corporation does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

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

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

2018	Carrying amount \$'000	Interest rate exposure				Interest rate risk sensitivity			
		Weighted average interest rate %	Fixed interest rate \$'000	Variable interest rate \$'000	Non interest bearing \$'000	100 basis points		+100 basis points	
						Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
Contractual financial assets									
Cash and deposits	6,443	0.40%	–	6,443	–	(64)	(64)	64	64
Contractual financial assets	2,080	–	1,737	–	343	(20)	(20)	20	20
Total financial assets	8,523	–	1,737	6,443	343	(84)	(84)	84	84
Contractual financial liabilities									
Borrowings	7,940	3.15%	7,940	–	–	(79)	(79)	79	79
Total financial liabilities	7,940	–	7,940	–	–	(79)	(79)	79	79

7.2 Contingent assets and contingent liabilities

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

Contingent assets

The Corporation was not aware of any contingent assets at the time of finalisation of the financial report (2017:\$0).

Contingent liabilities

Contingent liabilities are:

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

	2018 \$'000	2017 \$'000
<i>Contingent liabilities</i>		
Legal proceedings and disputes	–	15

8. STATUTORY OBLIGATIONS

Introduction

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

Structure

8.1 Tax

8.1.1 Income tax

8.1.2 Deferred tax assets and liabilities

8.2 Environmental contribution

8.2.1 Environmental commitments

8.1 Tax

8.1.1 Income tax

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

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

	2018 \$'000	2017 \$'000
Income statement		
Current income tax expense (paid or payable)	–	1,096
Adjustments to prior years	–	(272)
Deferred income tax expense	–	(813)
Temporary differences	(353)	(11)
Income tax reported in the Income Statement	353	11
Tax reconciliation		
Net result before income tax expense	1,178	945
Tax at the Australian tax rate of 30% (2017: 30%)	353	283
Adjustment in respect of income tax of previous year	–	(272)
Income tax on profit before tax	353	11

8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised

in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets

	2018 \$'000	2017 \$'000
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	54	55
Employee benefits	557	473
Unearned Revenue	538	390
Project related costs	502	515
Business related costs	–	14
Tax losses	473	1,585
Total deferred tax assets	2,124	3,032
Movements		
Opening balance at 1 July	3,032	3,836
Credited/(debited) to the Comprehensive Operating Statement	205	20
Increase in DTA to recognise additional tax losses from 30 June 2016	–	272
Decrease in DTA for utilisation of tax losses	(1,113)	(1,096)
Closing balance at 30 June	2,124	3,032
Deferred tax asset to be recovered after more than 12 months	817	813
Deferred tax asset to be recovered within 12 months	834	633
Tax losses	473	1,585
Ending balance at 30 June	2,124	3,032

Deferred tax liabilities

	2018 \$'000	2017 \$'000
Amounts recognised in Comprehensive Operating Statement		
Depreciation	35,528	36,082
Other deferred tax liabilities – FBT	3	3
Total deferred tax liabilities	35,531	36,085
Movements		
Opening balance at 1 July	36,085	36,878
Credited/(debited) to the net result	(554)	(796)
Closing balance at 30 June	35,531	36,085
Deferred tax liabilities to be recovered after more than 12 months	35,528	36,082
Deferred tax liabilities to be recovered within 12 months	3	3
Total at 30 June	35,531	36,085
Ending balance at 30 June	33,406	33,053

8.2 Environmental contribution

	2018 \$'000	2017 \$'000
Environmental contribution levy	794	794

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 authorities. The Act establishes an obligation for authorities to pay into a 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 until 30 June 2020.

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

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

8.2.1 Environmental commitments

At 30 June 2018, the Corporation had outstanding environmental contribution commitments, to be paid is as follows:

2018	Less than 1 year	Between 1 and 5 years	Over 5 years	(\$ thousand) Total
Environmental contribution levy commitments	916	916	–	1,832
Total commitments (inclusive of GST)	916	916	–	1,832
Less GST recoverable	–	–	–	–
Total commitments (exclusive of GST)	916	916	–	1,832

2017	Less than 1 year	Between 1 and 5 years	Over 5 years	(\$ thousand) Total
Environmental contribution levy commitments	794	1,588	–	2,382
Total commitments (inclusive of GST)	794	1,588	–	2,382
Less GST recoverable	–	–	–	–
Total commitments (exclusive of GST)	794	1,588	–	2,382

9. OTHER DISCLOSURES

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

Structure

9.1 Equity

9.1.1 Contributed capital

9.1.2 Asset revaluation surplus

9.1.3 Accumulated surplus/ (deficit)

9.2 Events occurring after the balance date

9.3 Responsible persons

9.4 Remuneration of executives

9.5 Related parties

9.6 Remuneration of auditors

9.7 Ex-gratia expense

9.8 Australian Accounting Standards issued that are not yet effective

9.1 Equity

9.1.1 Contributed capital

	2018 \$'000	2017 \$'000
<i>Contributed capital</i>		
Balance 1 July	51,323	51,323
Capital contributions	–	–
Balance 30 June	51,323	51,323

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

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

9.1.2 Asset revaluation surplus

	2018 \$'000	2017 \$'000
Land	1,128	1,128
Buildings	843	843
Infrastructure	51,435	51,435
Balance 30 June	53,406	53,406

Movements during the reporting period	Land	Buildings	Infrastructure	(\$ thousand) Total
Opening balance	1,128	843	51,435	53,406
Revaluation increment/(decrement)	–	–	–	–
Closing balance	1,128	843	51,435	53,406

9.1.3 Accumulated surplus/(deficit)

	2018 \$'000	2017 \$'000
Accumulated surplus		
Accumulated surplus at beginning of financial year	61,932	60,998
Net profit for the year	825	934
Accumulated surplus/ (deficit) at end of financial year	62,757	61,932

9.2 Events occurring after the balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the

results of those operations, or the state of affairs of the Corporation in future financial years.

9.3 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period. The responsible Minister during the 2017–18 reporting period was the Hon Lisa Neville MP, Minister

for Water. Remuneration paid to the respective Minister is shown in the financial statements of the Department of Parliamentary Services. The names of persons who were directors of Westernport Region Water Corporation at any time during the financial year are as follows:

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2017 – 30 June 2018
Mr Phil Clark	Board Chair	24 October 2017 – 30 June 2018
Ms Joanne Pearson	Audit Risk Committee Chair, Director	24 October 2017 – 30 June 2018
Mr Peter Quigley	Managing Director	1 July 2017 – 30 June 2018
Dr Emma Connell	Director	1 July 2017 – 30 June 2018
Mr Rueben Berg	Director	1 July 2017 – 30 June 2018
Mr Christopher Newton	Director	1 October 2017 – 30 June 2018
Mr Christopher Edwards	Director	24 October 2017 – 30 June 2018
Ms Yvonne Dickson	Director	24 October 2017 – 30 June 2018
Departures		
Mr Roland Lindell	Board & Risk Governance Committee Chair	1 July 2017 – 30 September 2017
Mr John Duscher JP	Director	1 July 2017 – 30 September 2017
Hon. Jennifer Acton	Deputy Chair	1 July 2017 – 14 December 2017

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Corporation during the reporting period was in the range \$220k– \$239k (\$220k – \$239k in 2016-17).

Annualised total salary by \$10,000 bands for executives and other senior non-executive staff	2018	2017
\$0-\$9,999	1	2
\$10,000-\$19,999	6	–
\$20,000-\$29,999	2	5
\$30,000-\$39,999	1	1
\$40,000-\$49,999	–	1
\$220,000-\$239,999	1	1
TOTAL	11	9
TOTAL (\$'000)	406	389

9.4 Remuneration of executives

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

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

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are

usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

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

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

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

Remuneration	Total remuneration	
	2018	2017
Short-term employee benefits	464	411
Post-employment benefits	48	43
Total remuneration^(a)	512	454
Total number of executives	3	3
Total annualised employee equivalents^(b)	3	2.9

(a) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (Note 9.5).

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

9.5 Related parties

The Group is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Corporation include:

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

- and controlled business interests
- All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

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

Government related entity	Nature of Transaction	2018 \$(000)	2017 \$(000)
Amounts recognised as revenue in the Statement of Comprehensive Income:			
Treasury Corporation Victoria	Interest received from investing	48	14
Department of Health and Human Services	Customer Rebates received	746	872
Less cash paid during the year:			
Department of Environment, Land and Water Planning	Environmental Contribution Levy	794	794
Treasury Corporation Victoria	Interest from borrowings	257	263
Department of Treasury and Finance	Financial Accommodation Levy	90	87
Treasury Corporation Victoria	Secured borrowings	7,940	8,440
State Revenue Office	Payroll Tax	254	315
Department of Health and Human Services	Customer Rebates paid	797	921

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly, this comprises independent Directors and the Managing Director. Key management personnel (as defined in AASB 124 *Related Party Disclosures*) includes the Portfolio Minister and all Directors listed under responsible persons in note 9.4 who have the authority

and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year.

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' financial report.

Compensation of KMPs	2018 \$(000)	2017 \$(000)
Short-term employee benefits ^(a)	831	771
Post-employment benefits	87	73
Total	918	843

Notes:

(a) Total remuneration paid to KMPs employed as a contractor during the reporting period through an external service provider has been reported under short-term employee benefits.

Transactions with key management personnel and other related parties

Given the breadth and depth of Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key

management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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

9.6 Remuneration of auditors

	2018 \$'000	2017 \$'000
Victorian Auditor General's Office		
Audit or review of the financial statements	45	30
Other non-audit services		
Other non audit services ⁽ⁱ⁾	135	105
Total remuneration of auditors	180	135

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

9.7 Ex gratia expense

The Corporation is not aware of any ex gratia expenses at the time of finalising the annual report (2017:\$0).

9.8 Australian Accounting Standards issued that are not yet effective

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

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2018 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		These amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. There will also be a change to the way financial instruments are disclosed.
AASB 15 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 Amendments to Australian Accounting Standards – Effective Date of AASB 15 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 2019		This change to revenue recognition may result in changes to the timing and amount of revenue recorded in the financial statements. Additional disclosures on service revenue and contract modifications will be required
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	As most operating leases will appear on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors
AASB 1058 Income of Not-for-Profit Entities	This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019	1 July 2019	Revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations will now be deferred and recognised as performance obligations are satisfied. This will result in recognition of revenue timing changes.

The following accounting pronouncements are also issued but not effective for the 2017/18 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

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

Notes:

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

Financial Management Compliance Attestation Statement

I, Phil Clark, on behalf of the Responsible Body, certify that the Westernport Water Region Corporation, has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.

A handwritten signature in black ink, appearing to read 'Phil Clark', written in a cursive style.

Phil Clark
Chair
Westernport Water

7 September 2018

Westernport Region Water Corporation Statutory Certification

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

The attached financial statements for the Westernport Region Water Corporation have been prepared in accordance with Standing Directions 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of the Corporation at 30 June 2018.

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

We authorise the attached financial statements for issue on 7 September 2018.



Phil Clark
Chair
Westernport Water



Peter Quigley
Managing Director
Westernport Water



Kathy Hawke
Chief Finance Officer
Westernport Water

7 September 2018

Auditor General's Report



Independent Auditor's Report

To the Board of the Westernport Region Water Corporation

Opinion	<p>I have audited the financial report of the Westernport Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2018• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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

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

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

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

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

MELBOURNE
11 September 2018



Paul Martin
as delegate for the Auditor-General of Victoria

Glossary

Terms	Meaning
AAS	Australian Accounting Standards
AMAF	Asset Management Accountability Framework
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
BLCAC	Bunurong Land Council Aboriginal Corporation
CAG	Customer Consultative Panel
CCS	Climate Change Strategy
CFAO	Chief Finance and Accountable Officer
CHMP	Cultural Heritage Management Plan
CRSWS	Central Region Sustainable Water Strategy
CSR	Corporate Social Responsibility
CUP	Candowie Reservoir Upgrade Project
CWWTP	Cowes Waste Water Treatment Plant
DoH	Department of Health
DELWP	Department of Environment, Land, Water and Planning
DIP	Diversity and Inclusion Plan
DPCD	Department of Planning and Community Development
DTF	Department of Treasury and Finance
EA	Enterprise Agreement
EIP	Environmental Improvement Plan
EMLO	Emergency Management Liaison Officer
EMS	Emergency Management System
EO	Executive Officer
EOFY	End of Financial Year
EMP	Environmental Management Plan
EPA	Environment Protection Authority
ESC	Essential Services Commission
EWOV	Energy and Water Ombudsman Victoria
FOI	Freedom of Information
FRD	Financial Reporting Direction
GGE	Greenhouse Gas Emissions
GIS	Geospatial Information System
GRWA	Gippsland Regional Water Alliance
GSERP	Government Sector Executive Remuneration Panel
HSR's	Health and Safety Representatives
IBAC	Independent Broad-Based Anti-Corruption Commission
ICT	Information Communications Technology

Terms	Meaning
IBWPP	Ian Bartlett Water Purification Plant
ISSN	International Standard Serial Number
IWM	Integrated Water Management
KRWWTP	King Road Waste Water Treatment Plant
LoE	Letter of Expectations
MOU	Memorandum of Understanding
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
PDCC	People, Diversity and Community Committee
PICO	Phillip Island Community Orchard
PMT	Project Management Team
PRGC	People Remuneration and Governance Committee
PSC	Project Steering Committee
PWSR	Permanent Water Saving Rules
RAP	Reconciliation Action Plan
SCADA	Supervisory Control and Data Acquisition
SD	Standing Direction
SEPP	State Environment Protection Policy
SoO	Statement of Obligations
SPS	Sewer Pump Station
SSIC	Safety, Sustainability and Innovation Committee
TYWU	Target Your Water Use
SWEP	School Water Efficiency Program
UV	Ultra Violet
UWS	Urban Water Strategy
VWES	Victorian Water Efficiency Strategy
WaterMAP	Water Management Action Plan
WHS	Work Health and Safety
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.

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