

# Annual Report

## 2019



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# Vision

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



*Community engagement on the Cowes foreshore*

**Westernport Water seeks to realise its vision through the following strategic focus areas:**

## **Our customers**

Provide products and services that meet our customers' expectations for quality, accessibility and affordability.

## **Our people**

Be an innovative organisation with a reputation that is valued by current and prospective employees.

## **Our assets**

Enable the sustainable delivery of products and services to our customers.

## **Our community**

Be a valued member of the community we serve.

## **Our environment**

Be an environmentally sustainable organisation.

## **Our business**

Maintain the integrity and value of our business through sound governance and financial management.

# 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.

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

Westernport Water is responsible for water and wastewater performance, servicing 20,953 customers from 27 townships, across an area covering 300 square kilometres, encompassing Millowl (Phillip Island) and mainland communities from The Gurdies to Archies Creek.

The region has one of the highest ratios of visitors to residents of any destination in Australia. During peak

periods, especially December to January, there can be approximately 120 visitors to every resident.

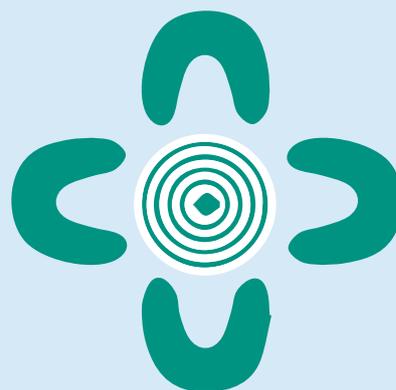
Westernport Water sources water from Tennent Creek, the Corporation's main water supply source, and supplements this with water from the Bass River or the Melbourne Supply System. During periods of low rainfall, groundwater from Corinella Aquifer may also be accessed.

Drinking water is produced at Ian Bartlett Water Purification Plant (IBWPP) at Candowie Reservoir in Almurta, then pumped to waterline communities and the San Remo Basin for distribution to customers.

Westernport Water operates two wastewater treatment plants and 99 pump stations to supply wastewater services for 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                   | Groundwater                   |
| Melbourne Supply System | 1,000                 | Melbourne Water Supply System |
| <b>Total</b>            | <b>7,401</b>          |                               |

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



Westernport Water provides the following value add services:

- delivery 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 and published in the Victorian Government Gazette No. S102.

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

### **Objectives, functions, powers and duties**

We are a water corporation established under the *Water Act 1989*. 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* can only be exercised to perform functions given to Westernport Water by an Act of Parliament.

The responsible Victorian Minister for the reporting period from 1 July 2018 to 30 June 2019 was the Hon. Lisa Neville MP, Minister for Water.

The activities of our corporation are governed by the *Water Act 1989* and the Statement of Obligations (SoO) issued by the Victorian Minister for Water under Section 41(2) of the *Water Industry Act 1994*. 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.

A board of directors is responsible for the strategic planning of Westernport Water and the management of its affairs under (s.95(4), *Water Act 1989*). Such planning needs to take into consideration the obligations set out in the SoO and Letter of Expectations (LoE). These responsibilities are executed through corporate and business plans.

The LoE was issued by the Victorian Minister for Water on 26 February 2019 in accordance with section 247 of the *Water Act 1989* (as amended). The LoE outlines the Victorian Government's priority policy areas for the water sector and water corporations to focus on. Westernport Water is required to report on its progress towards meeting its obligations set out in its Corporate Plan and identified priority policy areas.

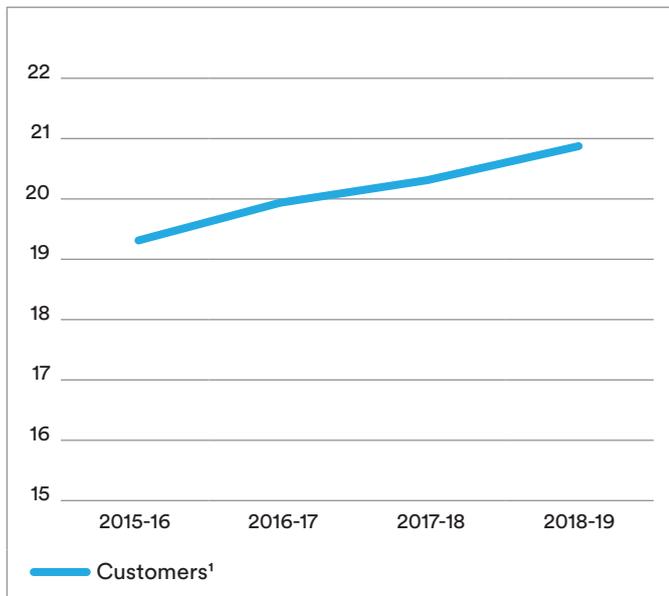
Our Corporation is also governed by other Acts including the *Safe Drinking Water Act 2003*, *Catchment and Land Protection Act 1994*, *Public Administration Act 2004*, the *Food Act 1984* and the *Environment Protection Act 1970*.

The Environment Protection Authority Victoria (EPA Victoria) and the Victorian Department of Health and Human Services (DHHS) oversee our recycled water quality and drinking water quality respectively.

The Essential Services Commission (ESC) is our economic regulator. Every five years we are required to submit a price submission which sets out the services and service standards we propose to deliver to customers, and the proposed prices customers will pay for these.

# Year in review

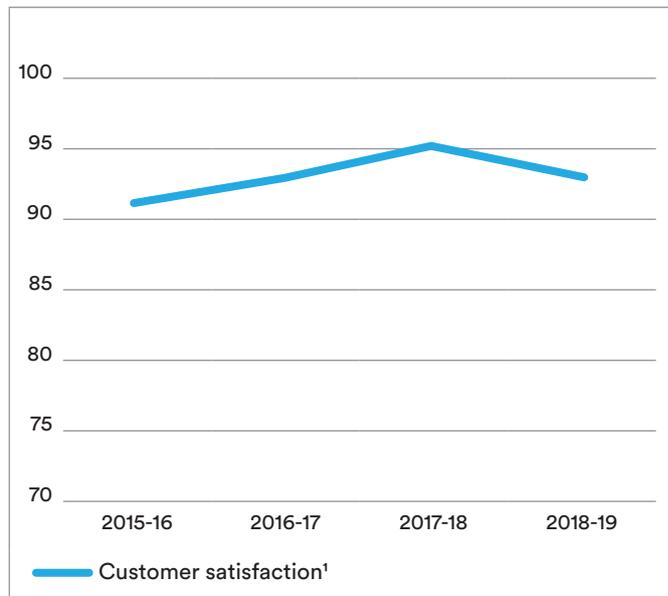
**Number of Victorians serviced by the Corporation ('000)**



**Notes**

1. Customer numbers have increased from 19,300 in 2015-16 to 20,953 in 2018-19.

**Overall customer satisfaction level (%) for the services provided<sup>2</sup>**



**Notes**

- 1. Customer satisfaction has decreased slightly from 95% in 2017-18 to 93% in 2018-19.
- 2. Customer satisfaction results are obtained from a telephone survey of 400 customers.

## Our new values

We continue to work collaboratively to drive a positive workplace culture with common goals and values. As detailed in our Organisational Development Strategy, we recently reviewed our values and identified the following characteristics that were important to all of our people:

|  |   |
|--|---|
|  | <p><b>Care to make a difference –</b><br/>because our actions show that we care about who we are, what we do, and each other.</p> |
|  | <p><b>Courage to step forward –</b><br/>because we can achieve great things when we are prepared to step forward.</p>             |
|  | <p><b>Commitment to do great work –</b><br/>because we all want to do the best we can, together.</p>                              |

# Customer commitments

Westernport Water's Price Submission for the period 2018-23, clearly and succinctly explains how Westernport Water will demonstrate value for money for customers. It sets out four clear customer outcomes that provide Westernport Water with strategic direction. Our commitments to customers are:

## Reliable water and wastewater services



We will maintain the water network to ensure water and wastewater services are reliable for all customers by minimising interruptions, bursts, leaks and spills.



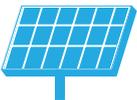
## Better tasting water

We will consistently deliver safe drinking water to customers in accordance with regulatory obligations, while always looking to improve taste and odour to meet customer expectations.

## Affordable and responsive services



Our services will remain affordable for all customers, including those experiencing financial hardship. Our people will be accessible and responsive to customer enquiries and requests for assistance.



## A more sustainable community

We will work closely with our customers and community to promote sustainable water practices and reduce environmental impacts.

# A Message from the Chair and Managing Director



Westernport Water Team accepting IPAA Leading Employer Award for 2018.

At Westernport Water, we are passionate about the role we play in building a better future for our people, our planet and our customers. Our achievements throughout 2018-19 show the various ways that we have demonstrated leadership through collaboration to deliver a more inclusive, respectful and liveable community.

## Leading employer

In February 2019, Westernport Water was recognised at the Institute of Public Administration Victoria's (IPAA) Leadership Awards as the Leading Employer in the Victorian public sector. The achievement highlighted our positive workplace culture, engaged workforce and clear strategic direction.

## Strong values

Our people launched new organisational values this year centred on care, courage and commitment. Care to make a difference; courage to step forward to achieve great things; and a commitment to do great work.

These values are demonstrated through our commitment to Workplace Health and Safety, the delivery of our first 'Reflect' Reconciliation Action Plan, the establishment of Bass Coast Reconciliation Network (with key partners Phillip Island Nature Parks, Bass Coast Shire Council and Bass Coast Health), our accreditation as a White Ribbon Workplace and the creation of our first Mentally Healthy Workplace Action Plan.

Furthermore, Westernport Water demonstrates its commitment to support global initiatives that improves access to safe water, hygiene and sanitation through its participation in the Vietnam Water Utility Improvement Program.

## Delivering for customers

In the first year of the new regulatory period, Westernport Water has continued to deliver affordable prices for our customers with the second highest operational efficiency improvement rate in the Victorian water sector.

For the fifth consecutive year, Westernport Water also achieved full compliance with the Australian Drinking Water Guidelines and achieved our performance targets for responding to water bursts and leaks.

## Taking action on climate change

Investment in renewable energy remains a key mechanism to reduce our environmental footprint in a sector, which is historically energy intensive.

In April 2019, Westernport Water partnered with 12 other Victorian water corporations to reduce carbon emissions by approximately 80,000 tonnes per annum via the purchase of clean energy from a solar-farm in North West Victoria.

In addition, we progressed our Emissions Reduction Project to install solar panels at key sites and initiated a Class B Recycled Water Trial. Class B recycled water uses less energy than Class A, and therefore enables the Corporation to increase water reuse, reduce our emissions and minimise ocean outfall.

Westernport Water's future actions will be driven by the Climate Change Adaptation Plan that was developed this year.

## Delivering value to community

Focused on improving community outcomes, we contributed to resilient and liveable towns and cities with the installation of drinking fountains, involvement in the Totally Renewable Phillip Island working group to enhance and develop community initiatives towards a carbon neutral community, support for Plastic Free Phillip Island community campaign to protect the area's unique biodiversity from plastic pollution, as well as supporting water for recreation through our partnership with the Phillip Island Community Orchard.

## Investing for the future

We recognise that our people require modern, professional technologies and facilities to ensure that they can remain efficient and effective.

Earlier this year, we transitioned to a new managed network services contract, providing hosting services for all Westernport Water applications and additional scope items to ensure information security and improved performance. We also signed contracts to commence phase one of the Corporate System Replacement Project, which will deliver new finance, payroll and HR information systems in 2019-20.

The Diversity and Inclusion Facilities Improvement Project was also delivered this year to ensure that our workplace is accessible to all members of our community. It is important to us that our workforce reflects the diversity of customers we serve.

## Strong financial performance

We continue to maintain a strong financial position, reducing total debt from \$7.9M to \$6.7M and posting a positive profit before tax of \$1.9M. A total of \$6.7M cash was recorded in the bank at the end of the financial year which is earmarked to fund capital works projects during 2019-20. We continue to meet our pricing commitments to customers whilst maintaining our AA credit rating.

On behalf of the Board and the Executive Team, we would like to thank our people for their care, courage and commitment throughout the year. With their help, Westernport Water continues to achieve great things and remains in a strong position to deliver value for customers in the years ahead.

### Responsible Body Declaration

In accordance with the *Financial Management Act 1994*, We are pleased to present Westernport Water's Annual Report for the year ending 30 June 2019



**Philip Clark**  
Chair  
Westernport Water

15 September 2019



**Peter Quigley**  
Managing Director  
Westernport Water

15 September 2019

# Operational performance highlights and key achievements

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

## Water for Victoria

Victoria has a long and proud history of effectively managing its water resources. With the achievement of Westernport Water's Corporate Plan priorities, we continue to manage a water system that is modern, efficient, innovative, future focused and affordable.

The information that follows shows alignment of Westernport Water's Strategic Focus Areas and Key Initiatives with Water for Victoria's priority policy areas. Where applicable, some initiatives cover multiple Water for Victoria policy areas.

## Climate change

Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies and actions.

- Developed Climate Change Adaptation Plan with focused programs and actions to be delivered over the duration of Pricing Submission 1 (2018-23)
- Delivered year one of the Emissions Reduction Pledge Program, which included developing specifications and detailed designs for future projects and installations
- Completed a review and update of the Environmental Management System, which included the delivery of staff training to integrate environmental management into business processes.
- Along with 13 other Victorian water corporations, Westernport Water has partnered to form a large scale energy partnership - Zero Emissions Water (ZEW). ZEW will purchase clean energy (beginning late 2019) from the Kiamal Solar Farm in north west Victoria under a long term power purchase agreement at a much cheaper rate than would be possible individually, allowing Westernport Water to offset emissions.

Further information on our response to Climate Change (pg. 14, 40).

## Customers and community outcomes

All aspects of service delivery will be customer and community centred.

- Implemented year three of the Water Quality Continuous Improvement Plan
- Delivered year two of the Business Transformation Project
- Successfully completed the upgrade of our IT Managed Services and transition to a new provider
- Installed four water refill stations under the Community Hydration Program
- Delivered Customer Data Continuous Improvement Program as part of year one of the Customer Service Strategy 2018-21
- According to the Essential Services Commission's survey of 5,800 Victorian water customers, Westernport Water customers rate Westernport Water above average on four key areas including, reputation in the community, level of trust, value for money and overall satisfaction.

## Water for Aboriginal cultural, spiritual and economic values

Recognise and support Aboriginal cultural values and economic inclusion in the water sector.

- Completed all actions and initiatives outlined in the Corporation's first 'Reflect' Reconciliation Action Plan which represents over two years of action in the reconciliation and recognition space, engaging with First Nations People, Traditional Owner organisations and local community
- Established the Bass Coast's first Regional Reconciliation Network to work together and focus on outcomes to achieve collective goals for reconciliation and recognition. This network provides a platform for corporations, Traditional Owner organisations and community to engage with one another in a culturally safe space
- Continued participation in the Integrated Water Management Program
- Continued to support an Aboriginal and Torres Strait Islander Trainee to complete their traineeship

- Developed a land management position for an Aboriginal and Torres Strait Islander person to commence in 2019-20
- Conducted a cultural heritage assessment of Westernport Water's service area to identify all registered Aboriginal cultural heritage places and known archaeological sites to inform future planning.

Further information on Aboriginal cultural heritage (pg. 14, 46).

## Recreational values

Support the wellbeing of rural and regional communities by considering recreational values in water management.

- Supported stakeholder and community partnerships to install four community refill stations as part of a program to improve community health and wellbeing
- Enabled the ongoing operation of the Phillip Island Community Orchard (PICO) providing in-kind support to inspire, educate and engage the community on recycled water
- Delivered year one of the Phillip Island Water Security Project to provide improved service reliability for our customers
- Provided recreational opportunity for community groups such as bush walkers and bird watchers to observe wildlife at wetlands located within the Corporation's treatment facilities.

## Resilient and liveable cities and towns

Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.

- Delivered a Choose Tap Hospitality initiative in partnership with local cafés and eateries, promoting free and convenient access to tap water
- Improved Environmental Management System, including training for all staff
- Installed over 100 remote water meters to remove hazards and provide a safer workplace for meter readers
- Supported the community with \$57,000 of sponsorship value, which includes both financial and in-kind sponsorship support
- Strengthened community engagement efforts with Totally Renewable Phillip Island and key local stakeholders to develop shared initiatives towards a carbon neutral community by 2030.

Further information on resilient and liveable cities and towns (pg. 14-15, 36-38).

## Leadership and culture

Water corporations reflect the needs of our diverse communities.

- Delivered year one of a three year Organisational Development Strategy designed to support our people and maintain a positive workplace culture
- Completed year one of the Workplace Health and Safety (WHS) Improvement Plan designed to encourage a positive safety culture, including a new WHS Management System
- Achieved White Ribbon Workplace Accreditation and commenced implementation of year one of the White Ribbon Operational Plan
- Established a Regional White Ribbon Workplace Committee with Bass Coast Shire Council and Phillip Island Nature Parks to jointly promote White Ribbon and facilitate activities and initiatives in relation to primary prevention
- Established the region's first regional reconciliation network to work together and focus on outcomes to achieve collective goals for reconciliation and recognition
- Introduced an eLearning system to ensure training is readily available, cost-effective and accessible.

Further information on leadership and culture (pg. 12-13, 22).

## Financial sustainability

Delivering safe and cost-effective water and wastewater services in a sustainable way.

- Continued to deliver shared-efficiencies and business improvements through the Gippsland Regional Water Alliance (GRWA). In 2019-20 the GRWA will further explore shared procurement and service provision, to deliver shared ICT benefits and improve system capability.
- Rolled out a new Corporate Style Guide and internal engagement platform to improve the effectiveness of internal and external communications
- Successfully completed the upgrade of our IT Managed Services and transition to a new provider.

# Key initiatives and projects

Since 1 July 2018, Westernport Water has initiated a number of programs and initiatives in line with our Corporate Plan, to deliver efficient and effective products and services.

## Our customers

### Delivered year three of the Water Quality Continuous Improvement Plan (2016-21)

Year three actions from the Water Quality Continuous Improvement Plan focused on improvements to raw and treated water quality. Key projects included the installation of a vertical profiler in Candowie Reservoir to increase understanding of raw water and to provide early warning of changes to water quality. This will allow operators to make operational changes to maintain high quality water.

The second key component is the commencement of a three stage backflow prevention program to prevent potential contamination entering the network from the reverse flow of water. The first stage of the project involved identifying agricultural properties and the installation of approved backflow prevention devices.

During 2018-19, we invested \$330,326 in water quality improvements and expect to deliver a further \$475,000 in water quality improvements by 2022.

The 2019-20 program continues to focus on operational improvements in water quality. This will be primarily through the maintenance of our distribution system and building upon our knowledge of raw water supply in Candowie Reservoir.

### Delivered Customer Data Continuous Improvement Program

During the year we undertook a program of works to improve our management of data to enhance customer value. To achieve continuous improvement we have further developed guidelines and procedures to ensure consistency in tariff application and associated charges.

## Our people



*Employees celebrate International Women's Day.*

### Delivered year one of the Organisational Development (OD) Strategy (2018-21)

The OD Strategy is a roadmap for developing our organisation and positioning us for long term sustainability and success. The 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. Year one of the strategy delivered key projects under each of these commitments.

A new fit-for-purpose Workplace Health & Safety (WHS) Management System consistent with relevant standards and legislative obligations was developed and implemented to provide our people with a framework under which they can work safely. A suite of leadership development opportunities and programs suitable for all employees was developed and implemented. This included an internal leadership program, developed and delivered in conjunction with Swinburne University. Following an extensive staff consultation process, we drafted and adopted a new set of values to assist us to govern our own behaviours towards our desired culture. Learning and development opportunities included coaching, mentoring and the implementation of an eLearning program.

During the 2018-19 reporting period, the Corporation invested \$76,000 to deliver year one of the OD Strategy.

### **Delivered year one of the Workplace Health & Safety Improvement Plan (2018-20)**

The WHS Improvement Plan provides a clear pathway for change to continue to strengthen our safety culture throughout the organisation. Year one of the plan has included a program of 58 action items, ranging from technical and physical improvements to activities focusing on values, attitudes and reporting. All staff have undergone education and training on their WHS obligations, enabling them to understand the link between their actions at work and going home safe and well every day.

The Incident Cause Analysis Method (ICAM) is a safety investigation methodology that was introduced for all Lost Time Injuries and Notifiable Incidents. In addition, Safety Leadership Walks commenced for members of the Board, Executive and Leadership Teams. A new system was also adopted to manage visitor security, contractor inductions, and hazard and incident reporting.

During the 2018-19 reporting period, the Corporation spent \$159,623 to deliver year one of the WHS Improvement Plan.

## **Our assets**

### **Delivered year one of the Phillip Island Water Supply Security Project (2018-21)**

The Phillip Island Water Supply Security Project includes constructing a storage tank in the Cowes water supply zone, providing service reliability to our customers and operational flexibility. Year one of the Phillip Island Water Supply Security Project included completion of the preliminary design of the new storage and pipeworks and tendering phase. Tenders for the design and construction contract have been received and will begin in February 2020. During 2018-19, the Corporation invested \$155,035 to develop designs and tender specification. Over the next two years, we will spend \$2.7M on this project to improve water reliability for customers on Phillip Island.

### **Water Main Replacement Program – Cowes**



*Maintenance Team doing repairs to the water main.*

Completed year one of a five year Water Main Replacement Program. This included the replacement of ageing pipelines in Grandview Grove, Vaughan Street and Genesta Street in Cowes. The total cost of the Water Main Replacement program for 2018-19 was \$342,894. Over the remaining four years of the program, Westernport Water will spend approximately \$1.5M to replace ageing pipes across the service area.

### **Customer water meter replacement program**

Westernport Water has an on-going annual program to replace ageing customer water meters to ensure the reliability of meter readings are maintained. In 2018-19, 1,000 customer water meters were replaced. Total project spend for the reporting period was \$119,605.

As part of the Asset Renewal Program, we will replace a further 1,000 ageing water meters over the next four years. Total project cost is estimated at \$225,000.

### **Continued participation in the Integrated Water Management Program**

Westernport Water continued its participation in the Integrated Water Management (IWM) Program, having made a financial contribution to the Western Port Catchment Scale IWM Plan led by DELWP and the Regional IWM Plan led by Bass Coast Shire Council. A regional IWM workshop was organised by Council and facilitated by consultants Engeny in June 2019. This was the first in a series of IWM regional workshops that will contribute to the development of an IWM Regional Strategy in 2019-20.

## Our community

### Delivered year two of our Reconciliation Action Plan (RAP)

Westernport Water's Reflect RAP committed to actions and initiatives for the period May 2018 to May 2019 to strengthen relationships and create opportunities for Aboriginal and Torres Strait Islander Peoples. All actions identified in the Corporation's first Reflect RAP were delivered on time and in accordance with the plan.

Engagement on future reconciliation activities started earlier in the reporting period and will inform the development of an Innovate RAP, which is the second of four stages in Reconciliation Australia's RAP program.

Throughout the reporting period, \$32,765 was invested in delivering reconciliation and recognition outcomes.



Employees proudly support National Reconciliation Week.

### Introduced a Choose Tap Hospitality Pilot Program

Partnering with 20 local cafés and eateries, we provided the public with improved and convenient access to tap water. The pilot program was considered by local partners as an in-store success.

The cost to pilot the program was \$2,240 however, the majority of the expenses were realised in the previous reporting period. Existing employee resources were used to deliver this program.

During 2019-20, we will continue to support the program by replacing and providing bottles to retailers to enable the community to conveniently access free tap water.

## Our environment

### Delivered year one of the Emissions Reduction Pledge Program

The Corporation adopted an Emissions Reduction Pledge in 2017-18. The pledge establishes measures to achieve net zero emissions by 2050, in accordance with the Victorian Government's Water Plan and the Take2 Pledge.

2018-19 implementation of year one of the Emissions Reductions Pledge included developing specifications and preparation of detailed designs.

Installation of solar panels at the Corporation's Newhaven Office, KRWTP and Church Street Sewer Pump Station are expected to be completed by October 2019. Total project spend for these installations will be \$140,068 with a total expected annual solar generation of 108,300 kWh, with a predicted payback period of 6-7 years across the three sites.

Stage two of the Emissions Reduction Pledge Program involves further installation of solar arrays at IBWPP and CWTP, expected to produce another 260,000 kWh of energy annually. These two sites will be the subject of a second business case in 2019-20.

Total investment in the Emissions Reductions Pledge program over the five year period to 30 June 2023 is estimated at \$411,000.



## Implement the Recycled Water Strategy

The Recycled Water Strategy was adopted by our Board in April 2018. The strategy includes targets for increasing the reuse of wastewater (as a percentage of total wastewater received) from a 19 per cent baseline to 35 per cent in 2025 and 50 per cent by 2050. The strategy sets out a range of initiatives to meet these targets, with the current focus being on the trial of Class B recycled water for agricultural irrigation and the expansion of irrigation at Westernport Water's two wastewater treatment plants.

As part of a two year trial, an agreement for the supply of Class B recycled water was signed with Bimbadeen Farm on Phillip Island in November 2018. Over the 2018-19 summer, we produced and supplied over 20 ML of recycled water to Bimbadeen Farm to irrigate pasture and crops. This project saw an increase in wastewater reuse of 9.8 per cent from the previous year. The second year of the Class B trial will be carried out during the 2019-20 summer period.

In 2019, our Board also agreed to the purchase of additional land adjacent to the King Road Wastewater Treatment Plant, allowing for expanded irrigation in line with forecasted increases in wastewater to be received at this site.



## Our business

Strengthening our core business systems will ultimately provide savings, efficiencies, improve service reliability and ultimately customer service.

### Delivered IT Managed Services Upgrade

Starting in May 2018, the IT Managed Service Upgrade was completed in seven months on 30 November 2018. Delivery of this project provided a single point of accountability for IT managed service provision, with a contract that will run for an initial period of five years.

The project was delivered on time and on budget. Benefits included implementation of agreed service levels and penalty arrangements, enhanced support and security, improved network performance and reduced periods of network latency.

Budget for this project is reported as part of the total spend for the Business Transformation Project.

### Deliver year two of the Business Transformation Project

The Business Transformation Project includes replacement of our Finance, Human Resources, Payroll and Billing Information Systems. This project is reportable through the Department of Premier and Cabinet as its total value exceeds \$1M.

Year two of the Business Transformation Project included procuring vendors to replace the Finance, Human Resources and Payroll systems. Westernport Water has aligned itself with the Victorian Government Statement of Directions for Finance and Human Resource Information Systems.

Westernport Water has executed contracts with three implementation partners for Finance, Human Resources and Payroll. These systems will be implemented in the 2019-20 financial year with a decision to be made in relation to the replacement of Utility Billing in 2020.

Total budget allocation for the project is \$3,259,734 and total spend to date is \$641,349.

The Total Remaining Budget for BTP is \$2,618,385.

### Delivered Improved Value through the Gippsland Regional Water Alliance

Westernport Water has been a long term member of the Gippsland Regional Water Alliance (GRWA), which is a unique partnership between Gippsland, South Gippsland, East Gippsland and Southern Rural Water to deliver shared-efficiencies and business improvements.

In 2018-19, the GRWA identified and progressed the following priorities for collaboration:

- Long term procurement planning
- Shared occupational health and safety workplace inspections
- Victorian Protective Data Security Standards
- Improved support for vulnerable customers.

# 5 year financial summary

| Profit and loss – summary                 | 2018-19<br>\$ 000 | 2017-18<br>\$ 000 | 2016-17<br>\$ 000 | 2015-16<br>\$ 000 | 2014-15<br>\$ 000 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Core revenue                              | 21,790            | 20,420            | 20,086            | 19,454            | 18,856            |
| Government contributions                  | –                 | –                 | –                 | –                 | 45                |
| Developer contributions and gifted assets | 2,866             | 1,574             | 1,261             | 1,151             | 1,902             |
| Other revenue <sup>1</sup>                | 663               | 811               | 806               | 593               | 384               |
| <b>Total revenue</b>                      | <b>25,319</b>     | <b>22,805</b>     | <b>22,153</b>     | <b>21,198</b>     | <b>21,187</b>     |
| Operating expenditure                     | 10,116            | 9,063             | 8,383             | 8,484             | 7,319             |
| Depreciation <sup>2</sup>                 | 6,242             | 6,089             | 6,518             | 6,118             | 5,780             |
| Finance costs                             | 285               | 347               | 350               | 431               | 453               |
| Other                                     | 6,869             | 6,128             | 5,957             | 6,370             | 5,386             |
| <b>Total expenditure</b>                  | <b>23,512</b>     | <b>21,627</b>     | <b>21,208</b>     | <b>21,403</b>     | <b>18,938</b>     |
| Net profit before tax                     | 1,807             | 1,178             | 945               | (205)             | 2,249             |

## Notes

1. Other revenue for 2018-19 includes \$168,000 of net loss from sale and disposal of assets.
2. Depreciation includes impairment and amortisation.

## Net profit

Net profit / (loss) before tax for the year was \$1.8M which was ahead of budget expectations. The key drivers of the improved result were higher than budgeted Capital revenue income and consistent and strong cost control over the financial year.

## Revenue

Total revenue for the year was \$25.3M, an increase of \$2.5M on the prior year. The increase in revenue is attributed to a growth in new developments resulting in an increase in new connections across the service area which exceeded budget expectations and outperformed previous year amounts.

The underlying tariffs were increased in line with Essential Services Commission (ESC) approved guidelines of 1.9 per cent. Water consumption remained slightly above forecast levels leading to an increase in revenue compared to the prior year.

## Expenditure

Expenditure levels continued to be carefully managed throughout the year with an ongoing focus on cost management and provision of high quality service to customers and the community. Realised benefits from

capital expenditure projects over the previous years, combined with high quality raw water collection has allowed for the containment of cost whilst increasing water output quality.

Depreciation levels have remained consistent with prior years, with a well planned capital works program driving steady depreciation charges. The Corporation has maintained a AA credit rating, resulting in the lowest possible borrowing cost.

## 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. A formal annual revaluation process completed in the 2015-16 year and subsequent managerial revaluation performed as at 30 June 2019 has 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         | 2018-19<br>\$ 000 | 2016-17<br>\$ 000 | 2016-17<br>\$ 000 | 2015-16<br>\$ 000 | 2014-15<br>\$ 000 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Current assets                  | 9,876             | 9,075             | 6,681             | 4,907             | 4,121             |
| Non-current assets              | 208,486           | 206,413           | 207,331           | 207,811           | 178,851           |
| <b>Total assets<sup>1</sup></b> | <b>218,362</b>    | <b>215,488</b>    | <b>214,012</b>    | <b>212,718</b>    | <b>182,972</b>    |
| Current liabilities             | 8,911             | 7,695             | 6,941             | 6,754             | 4,770             |
| Non-current liabilities         | 39,266            | 40,307            | 40,410            | 40,237            | 34,437            |
| <b>Total liabilities</b>        | <b>48,177</b>     | <b>48,002</b>     | <b>47,351</b>     | <b>46,991</b>     | <b>39,207</b>     |
| <b>Net assets</b>               | <b>170,185</b>    | <b>167,486</b>    | <b>166,661</b>    | <b>165,727</b>    | <b>143,765</b>    |

#### Notes

1. Land, Building and Infrastructure managerial revaluation completed as at 30 June 2019.

### 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 \$4.3M against a target spend of \$5.4M and is in line with year one of the five year ESC approved Pricing Submission capital initiatives. Key projects for the year are described in more detail in later pages of the report with a highlight being the commencement of the Phillip Island Water Supply Security Project, a further enhancement in the provision of reliable, safe and high quality water to our customers.

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

There were no capital projects completed during the 2018-19 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 2018-19 accounts.

### Disclosure of grants and transfer of payments

Nil grants were received or paid during the 2018-19 financial year.

### Subsequent events

There were no events occurring after the balance date that would significantly affect Westernport Water's reported financial position for 2018-19 financial year.

# Governance and organisational structure

## Westernport Region Water Corporation Board

Chair: Philip Clark

The Board of Directors are appointed by the Victorian State Government to set the strategic direction for the corporation, while ensuring compliance with legislative and regulatory obligations.

### Audit and Risk Committee (ARC)

Joanne Pearson (Chair)

### Safety, Sustainability and Innovation Committee (SSIC)

Dr. Emma Connell (Chair)

### People, Diversity and Community (PDCC)

Yvonne Dickson (Chair)

## Managing Director

Peter Quigley

## Executive

The Senior Executive team is responsible for implementing the strategic plans of the Corporation, while ensuring that emerging risks and operational issues are identified and managed effectively.

### General Manager Customer & Community

Gareth Kennedy

The division is focused on the delivery of excellent customer service outcomes and strengthening relationships and partnerships with our stakeholders and the community.

### General Manager Corporate & People

Lisa Caldwell

The division is focused on powering the business with corporate services that meet expectations, while ensuring good governance, regulatory compliance and business excellence.

### General Manager Assets & Operations

Paul Donohue

The division is focused on providing quality water and wastewater services, while ensuring that our assets and infrastructure are developed and maintained in a sustainable and responsible way.

## Organisational structure and corporate governance arrangements

### The Minister for Water

The Hon. Lisa Neville MP was the Minister for Water from 1 July 2018 to 30 June 2019. 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 Customer and Community, Corporate and People and Assets and Operations.

### Executive team

The Executive Team is responsible for implementing our strategic direction, while leading change, managing risk and responding to emerging operational issues. Executive Team members are:

- Peter Quigley – Managing Director
- Gareth Kennedy – General Manager Customer and Community
- Lisa Caldwell – General Manager Corporate and People
- Paul Donohue – General Manager Assets and Operations

### Structural changes

There were no structural changes during the reporting period.

### Governing Board

As at 30 June 2019, the Board of Directors consisted of eight members appointed by the Victorian Government whose key functions include:

- setting the strategic direction and policy framework by adopting, implementing and resourcing the Corporate Plan 2019-24
- 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.

The following is the complete list of Board members who represented Westernport Water for the 2018-19 reporting period.

### From 1 July 2018 – 30 June 2019

Philip Clark (Chair), Dr. Emma Connell (Deputy Chair), Rueben Berg, Joanne Pearson, Yvonne Dickson, Christopher Edwards, Christopher Newton and Peter Quigley (Managing Director).

**Philip Clark (Chair)** was appointed Chair of Westernport Water from 1 October 2017 until 30 September 2021 and is also currently Chair of the Inverloch and District Community Bank. He has experience as a Non-Executive Director of City West Water Limited, as a Non-Executive Director and Chair of the Finance and Audit and Remuneration Committees of ASX Listed African Energy Resources Limited, ATEC International, a start-up social enterprise providing bio-digesters to rural Cambodians and Chair of Engineers Without Borders. Phil is a previous Chair of the Australasian Institute of Mining and Metallurgy, Melbourne Branch. Phil's management career with BHP and Australian Iron and Steel, 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 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 Leadership and Management and a graduate of the Gippsland Community Leadership Program and Williamson Community Leadership Program.

**Dr. Emma Connell (Deputy Chair)** was reappointed to the Board from 1 October 2017 until 30 September 2019. Emma is a Director at Aurecon where she provides technical and strategic planning and environment 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 a Gunditjmara man and the founder and Managing Director of RJHB Consulting. Rueben is also a Commissioner for the Victorian Environmental Water Holder and a member of the Heritage Council of Victoria. In addition, Rueben is a founder of Indigenous Architecture and Design Victoria and a member of the Melbourne Sustainable Society Institute Advisory Board. He is also a founder and director of the Indigenous Ultimate Association and the Chair of the Ultimate Rules Sub-committee for the World Flying Disc Federation. He has a Bachelor of Architecture.

**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 on 1 October 2017 until 30 September 2021, and is the Chair of Westernport Water's Audit and 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 roles in multiple electricity 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 on 1 October 2017 until 30 September 2021. He is the Executive Director in the responsible investment area of IFM Investors. IFM Investors is a leading global provider of investment services across infrastructure, debt investments, listed equities and private equity. 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 2018-19, the committee met six times. Attendance of committee members is detailed in the following section. The current ARC membership is as follows:

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

### Safety, Sustainability and Innovation Committee (SSIC)

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 financial year 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 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 two times per financial year 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
- Philip Clark

## Board / Committee attendance

The following tables indicate Board and Committee meetings held and Director attendance.

### Board and Committee attendance and meetings held from 1 July 2018 – 30 June 2019

| Board Members                     | Board <sup>1</sup> | Audit & Risk Committee <sup>2</sup> | Safety, Sustainability and Innovation Committee | People, Diversity and Community Committee |
|-----------------------------------|--------------------|-------------------------------------|---|---|
| Philip Clark (Chairperson)        | 10/11              | 5/6                                 | -   | 2/2                                       |
| Peter Quigley (Managing Director) | 10/11              | 6/6                                 | 3/3   | 1/2                                       |
| Dr. Emma Connell (Director)       | 9/11               | 4/6 <sup>3</sup>                    | 3/3   | -   |
| Rueben Berg (Director)            | 10/11              | -                                   | 2/3   | 2/2                                       |
| Christopher Edwards (Director)    | 9/11               | 6/6                                 | 1/3   | -   |
| Yvonne Dickson (Director)         | 11/11              | -                                   | 3/3   | 2/2                                       |
| Joanne Pearson (Director)         | 11/11              | 6/6                                 | -   | 2/2                                       |
| Chris Newton (Director)           | 9/11               | 6/6                                 | 2/3   | -   |

#### Notes

1. Two special additional Board meetings held in September 2018 and January 2019.
2. One special additional Audit & Risk Committee meeting held in September 2018.
3. The variance on attendance was due to a special out of schedule meeting in September 2018.

## Our people

Determined to build a culture of excellence, the Corporation entered the first stage of delivery of the Organisational Development (OD) Strategy in 2018. 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 commenced implementation of the OD Strategy 2018-21, delivering 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
- Our people are diverse and capable

The strategy has seen a cultural shift in our approach to safety, introduced new employee support mechanisms and a strong suite of health and wellbeing initiatives, built capability by cultivating and encouraging leadership across all levels, provided fit-for purpose systems and processes in an open and trusting environment and embedded diversity in all that we do.

### Diversity

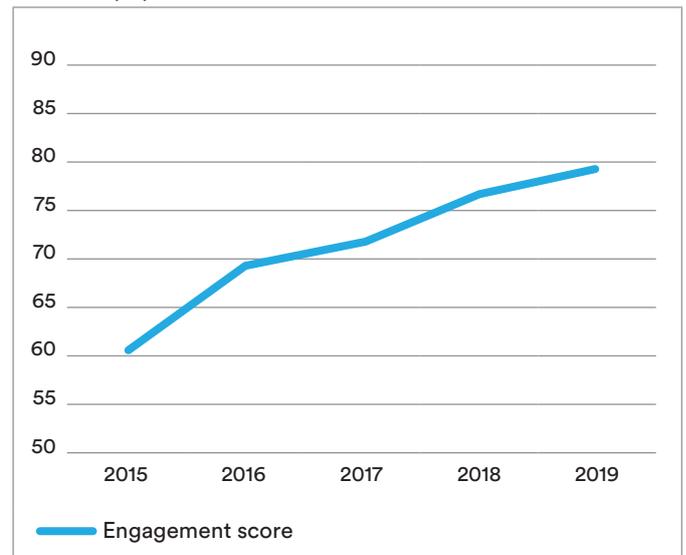
At Westernport Water we recognise the benefits of a diverse, inclusive and healthy workforce. Our Diversity and Inclusion Policy sets out guidelines that reflect our commitment to an inclusive work environment where all employees are treated with respect.

The Diversity and Inclusion Plan 2016-20 commits to 81 actions. These actions are 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. Of those 81 actions, all those due in the reporting year have been achieved and all targets are on track to be achieved by 2020.

### Creating our new values

We are a values driven organisation. Our new values Care, Courage and Commitment were developed by our employees following an extensive consultation process and were adopted in December 2018. The new values were then embedded within the organisation over the second half of the financial year via an extensive Communications Plan. The effectiveness of the new values was then assessed through a Culture Check Survey conducted in June 2019.

## People Matter Survey engagement scores 2015 to 2019 (%)



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. In the 2019 People Matter Survey we out-performed both our comparator group (other Victorian water corporations) and the wider public sector in 11 out of 13 of the key people outcomes. In particular, our engagement score, job satisfaction, employee wellbeing and senior leadership performance rated well above the rest of the industry.

Celebration of employee's abilities, qualities, achievements and years of service regularly takes place at Westernport Water. In 2018-19, Westernport Water congratulated six staff members who reached an outstanding 10, 15 or 30 years of valuable service to the Corporation.

### 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 journey of cultural and organisational improvement and have come a long way in the past five years, after a significant investment in our people and 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 60 per cent in 2015 to 78 per cent in 2019.

### Leading employer award

Westernport Water was named 'Leading Employer' at the Institute of Public Administration Victoria's (IPAA) Leadership Awards in Melbourne on Tuesday, 19th February 2019.

The IPAA awards recognise inspirational leadership across all levels of the Victorian public sector.

The award was presented to Westernport Water in recognition of its strong employee engagement and high-performance culture. Recent initiatives focused on increasing workplace diversity and inclusion, improving workplace health and safety, growing leadership capability and supporting organisational development.

### **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 the VPSC code of conduct, 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, recruitment procedures were refined to ensure merit and equity, with a focus on improving diversity and inclusion. An Employee Handbook was developed to assist employees' understanding of processes and guiding recruitment principles.

### **Governance training**

The Governance Matters training program was delivered to all staff. The program featured subject matter experts from within the business providing updates to staff on ICT governance, fraud and corruption, the Working Together Policy, the Disciplinary Policy, dispute resolution, procurement and fleet management. The program is designed to ensure that our policies and procedures are accessible to staff and our obligations are well understood.

### **Industrial relations**

Westernport Water enjoys 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.



*Our People and Culture Team at work.*

### **Employee development**

A robust program of learning and development continued to be a focus for Westernport Water in 2018-19. The Corporation conducted a broad range of training programs, with a strong theme of diversity and leadership.

During the year:

- One employee completed higher education funded by Westernport Water
- All employees attended the three mandatory 'Governance Matters' training as a commitment to uphold the improved compliance culture
- All employees were provided mandatory training for workplace health and safety which included how to sustain a safety culture
- A range of diversity training was conducted including Cultural Awareness and Family Violence – MATE Bystander training
- Two people participated in the 'Four Leadership' Program, one in the Women's Leadership Program and three Leadership Team members also received coaching to enhance leadership skills
- A catalogue of leadership development opportunities was created and made available to all employees in early 2019. This included options for external programs and internal programs developed in conjunction with Swinburne University. The internal Leadership Programs included Communicating with Impact, Leading and Managing for Performance, Emotional Intelligence & Wellbeing and Improving Strategic Focus.

## Workforce data collections

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

The following tables disclose the workforce breakdown as at 30 June 2019. Employees have been correctly classified in workforce data collections.

## Comparative workforce data

FTE employee trends for 2015-19

| 2019               | 2018 | 2017  | 2016  | 2015  |
|--------------------|------|-------|-------|-------|
| 82.09 <sup>1</sup> | 79.7 | 71.44 | 74.77 | 63.94 |

### Notes

1. FTE changes include an increase in fixed term roles to support projects and leave arrangements, the creation of two new ongoing roles and the placement of an additional graduate.

| Classification                    | 2018-19 <sup>1</sup> |              | 2017-18            |             |
|-----------------------------------|----------------------|--------------|--------------------|-------------|
|                                   | Number (headcount)   | FTE          | Number (headcount) | FTE         |
| Executive <sup>2</sup>            | 4                    | 4            | 4                  | 4.0         |
| Senior managers <sup>3</sup>      | 11 <sup>6</sup>      | 10.74        | 13                 | 12.6        |
| Administration staff <sup>4</sup> | 45 <sup>7</sup>      | 39.32        | 40                 | 36.1        |
| Field staff <sup>5</sup>          | 29 <sup>8</sup>      | 28.03        | 27                 | 27          |
| <b>Total</b>                      | <b>89</b>            | <b>82.09</b> | <b>84</b>          | <b>79.7</b> |
| Male                              | 55 <sup>9</sup>      | 53.77        | 50                 | 48.6        |
| Female                            | 34                   | 28.32        | 34                 | 31.1        |
| <b>Total</b>                      | <b>89</b>            | <b>82.09</b> | <b>84</b>          | <b>79.7</b> |

### Notes

- 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.
- Executive – Office of Public Sector Executive Remuneration (OPSER) contracted employee.
- Senior managers – Senior Executive Officers ongoing or under contract.
- Administration staff – Employees with administration tasks as primary responsibility of position.
- Field staff – Employees with field tasks as primary responsibility of position.
- Two senior leaders resigned at the end of 2018-19 resulting in a minor adjustment to this figure. Recruitment for the two roles is underway and the positions will be filled early in the 2019-20 financial year.
- Four administration based temporary roles were created and one ongoing administration based role created resulting in a minor adjustment to this figure.
- One vacant field role was filled and one new field role was created resulting in a minor adjustment to this figure.
- Three male Executive employees were recorded as ongoing employees in 2018-19, as opposed to fixed term in 2017-18. Together with this, two vacant ongoing roles were filled by male employees.

## Gender categories – June 2019

| Gender         | All employees      |       | Ongoing               |                       |       | Fixed term and casual <sup>1</sup> |      |
|----------------|--------------------|-------|-----------------------|-----------------------|-------|------------------------------------|------|
|                | Number (headcount) | FTE   | Full-time (headcount) | Part-time (Headcount) | FTE   | Number (headcount)                 | FTE  |
| Women          | 34                 | 28.32 | 18                    | 8                     | 22.95 | 8                                  | 5.37 |
| Men            | 55                 | 53.77 | 45                    | 2                     | 46.37 | 8                                  | 7.40 |
| Self-described | 0                  | 0     | 0                     | 0                     | 0     | 0                                  | 0    |

## Details of employment in June 2018 and 2019

|                                   | June 2019             |         |                                 | June 2018             |         |                                 |
|-----------------------------------|-----------------------|---------|---------------------------------|-----------------------|---------|---------------------------------|
|                                   |                       | Ongoing | Fixed term and casual employees |                       | Ongoing | Fixed term and casual employees |
|                                   | Employees (headcount) | FTE     | FTE                             | Employees (headcount) | FTE     | FTE                             |
| <b>Gender</b>                     |                       |         |                                 |                       |         |                                 |
| Male                              | 47 <sup>5</sup>       | 46.37   | 7.40                            | 42                    | 41.3    | 7.3                             |
| Female                            | 26                    | 22.95   | 5.37                            | 28                    | 25.5    | 5.6                             |
| <b>Age</b>                        |                       |         |                                 |                       |         |                                 |
| Under 25                          | 2                     | 2       | 3                               | 1                     | 1       | 3.3                             |
| 25-34                             | 10                    | 8.45    | 1                               | 9                     | 8       | –                               |
| 35-44                             | 18                    | 17.32   | 4.06                            | 22                    | 21.3    | 3                               |
| 45-54                             | 20                    | 18.97   | 3.26                            | 18                    | 17.1    | 2.6                             |
| 55-64                             | 21                    | 20.84   | 1.45                            | 18                    | 17.8    | 4                               |
| Over 64                           | 2                     | 1.74    | –                               | 2                     | 1.6     | –                               |
| <b>Classification<sup>1</sup></b> |                       |         |                                 |                       |         |                                 |
| Broadband 1                       | –                     | –       | 1                               | –                     | –       | –                               |
| Broadband 2                       | 15                    | 14.24   | 1.63                            | 13                    | 12.8    | 1                               |
| Broadband 3                       | 12                    | 10.24   | 2.05                            | 11                    | 10.5    | 1.7                             |
| Broadband 4                       | 11                    | 10.84   | 3.26                            | 13                    | 11.8    | 2.3                             |
| Broadband 5                       | 15                    | 14.26   | 3.82                            | 14                    | 13.6    | 2                               |
| Broadband 6                       | 6                     | 6       | –                               | 6                     | 5.4     | –                               |
| SEO <sup>2</sup>                  | 10 <sup>6</sup>       | 9.74    | 1                               | 13                    | 12.6    | –                               |
| Executive <sup>3</sup>            | 4 <sup>7</sup>        | 4       | –                               | –                     | –       | 4                               |
| Other <sup>4</sup>                | –                     | –       | –                               | –                     | –       | 2                               |

### Notes

1. Employees are classified as a band 1 to 6 under the Westernport Water EA.
2. SEO – Senior Executive Officers full time or under contract.
3. Executive – Office of Public Sector Executive Remuneration (OPSER) contracted employee.
4. Other – Traineeships outside of banding system in June 2019.
5. Data shows an increase in ongoing male employees as three male Executive employees are now recorded as ongoing employees and two ongoing roles were filled by male employees.
6. Two senior leaders resigned at the end of 2018-19 resulting in a minor adjustment to this figure. Recruitment for the two roles is underway and the positions will be filled early in the 2019-20 financial year.
7. All Executive employees are now recorded as ongoing employees in the 2018-19 year, as opposed to fixed term in 2017-18.

## Gender equity

As part of our Diversity and Inclusion Policy, we are 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 2019 gender balance target, with a senior leadership team made up of 46 per cent female employees. 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 target in 2018-19 and 2017-18.

| Workforce inclusion policy initiative | Target  | Progress in 2018-19   | Progress in 2017-18                              |
|---------------------------------------|---|---|--|
| Gender equity                         | By June 2020, 50% of senior leadership positions <sup>1,2</sup> will be held by women | 46% <sup>3</sup> of senior leadership positions held by women | 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. Two senior leaders resigned at the end of 2018-19 resulting in a minor adjustment to this figure. Recruitment for the two roles is underway and the positions will be filled early in the 2019-20 financial year.

## Executive officer (EO) data

The following tables disclose the EO data of Westernport Water for 30 June 2019:

- 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**

|   | 2019     | 2018     | 2017     |
|---|----------|----------|----------|
| Executives with total remuneration over \$100,000           | 4        | 4        | 4        |
| <i>Add</i>  |          |          |          |
| Vacancies   | 0        | 0        | 0        |
| Executives employed with total remuneration below \$100,000 | 0        | 0        | 0        |
| Accountable Officer (Secretary)                             | 0        | 0        | 0        |
| <i>Less</i>   |          |          |          |
| Separations   | 0        | 0        | 0        |
| <b>Total executive numbers at 30 June</b>                   | <b>4</b> | <b>4</b> | <b>4</b> |

**Table 2: Executive officers by division and gender**

| Divisional breakdown | Total    |            | Women    |            | Men      |            | Self-described |            |
|----------------------|----------|------------|----------|------------|----------|------------|----------------|------------|
|                      | 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)        |
| <b>Total</b>         | <b>4</b> | <b>(0)</b> | <b>1</b> | <b>(0)</b> | <b>3</b> | <b>(0)</b> | <b>0</b>       | <b>(0)</b> |

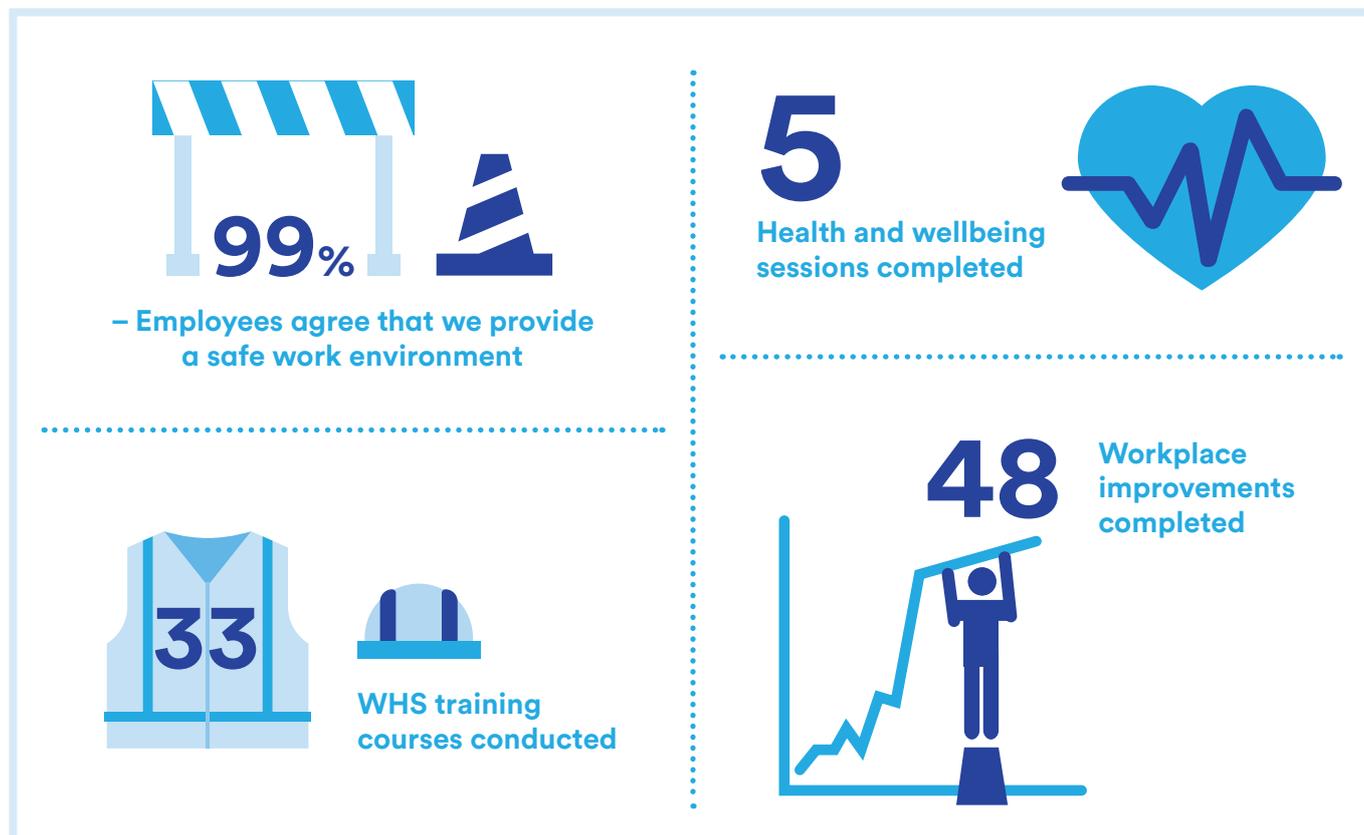
**Table 3: Annualised total salary for executives and other senior non-executive staff**

| Income band (salary)  | Executives | SEO       |
|-----------------------|------------|-----------|
| <\$160,000            | –          | 11        |
| \$160,000 – \$179,000 | –          | –         |
| \$180,000 – \$199,000 | 3          | –         |
| \$200,000 – \$219,000 | –          | –         |
| \$220,000 – \$239,000 | –          | –         |
| \$240,000 – \$259,000 | –          | –         |
| \$260,000 – \$279,000 | 1          | –         |
| <b>Total</b>          | <b>4</b>   | <b>11</b> |

**Workplace health and safety (WHS) matters**

Westernport Water’s WHS approach is to ensure all staff go home safe and well every day. Significant investment in safety culture has continued in 2018-19, with the delivery of year one of the WHS Improvement Plan. This has included a program of 48 action items, ranging from technical and physical improvements to activities focusing on values, attitudes and reporting. The overarching focus of the plan has been to generate improved safety outcomes and an adjustment in safety attitudes and behaviours. Activities have included introduction of Incident Cause Analysis Method (ICAM) investigations, leadership safety interactions for managers and Board, and regular toolbox talks on safety. All Westernport Water employees received training on their WHS responsibilities during the reporting period.

Employee health and wellbeing continues to be a key focus with a view to creating a resilient, healthy and productive workforce. Strategies included: development and implementation of a Mentally Healthy Workplace Action Plan with provision of a Healthy Life Coaching option incorporated into the Employee Assistance Program, provision of an ongoing Health and Wellbeing Program including Health and Wellbeing Week and provision of Mental Health First Aid Training to Contact Officers and staff with direct reports.



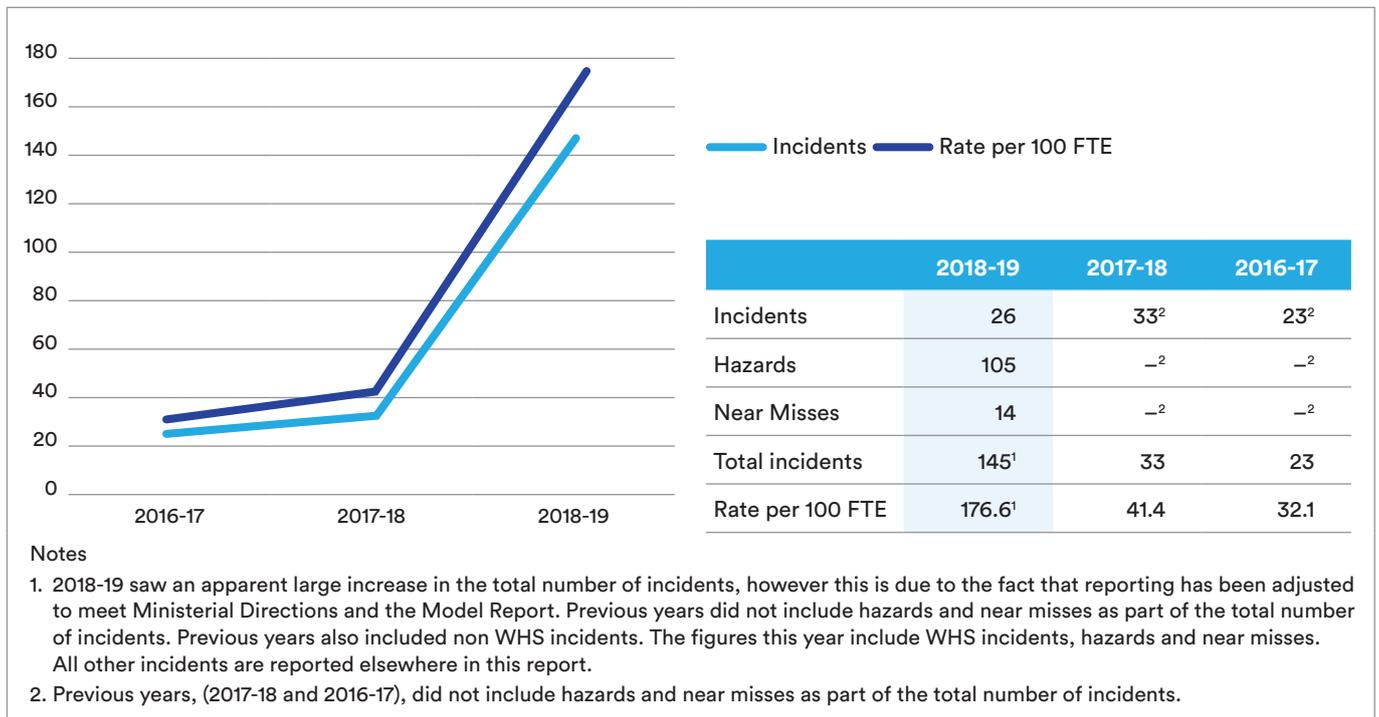
## Incident management

Total incidents reported across the organisation increased in the 2018-19 period. Incidents include injuries, near misses and detected workplace hazards. In real terms, the increase equates to 113 additional reported incidents compared with the previous year. The reason for this increase is that in previous years, 'total number of incidents' did not include hazards and near misses. This year, these have been included in order to align with the Model Report for Government Departments.

Westernport Water values incident reporting and uses such reporting to inform preventative action and enable continuous improvement. As a result of continuous improvement activities driving our safety culture, we have seen a much higher rate of identification and reporting of hazards and near misses. This is enabling the organisation to implement WHS improvements.

There were two notifiable incidents in the reporting period. Notifiable incidents are those that require WorkSafe to be notified if they occur.

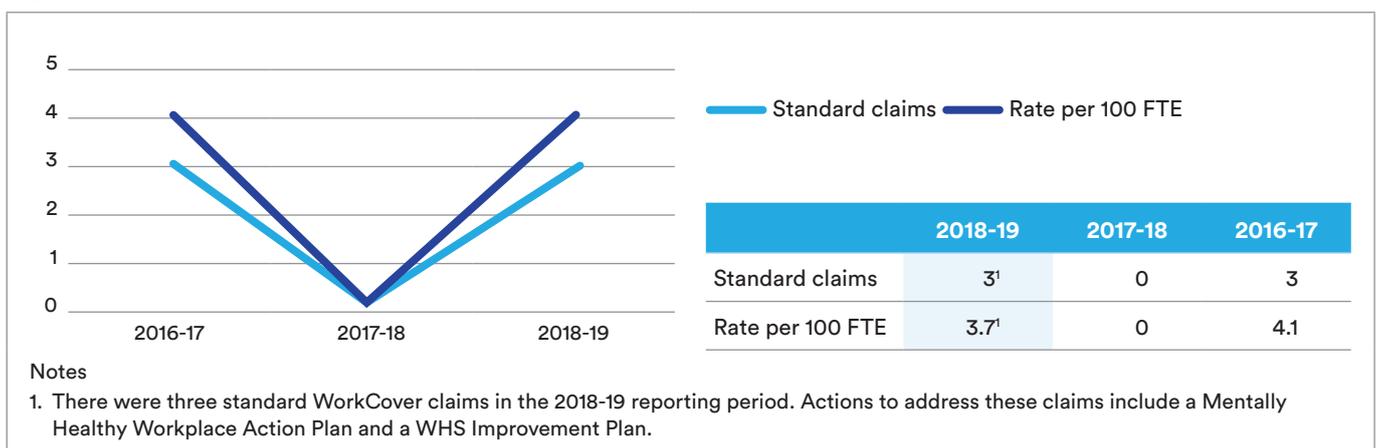
**Figure 1: Total number of incidents / hazards / near misses and rate per 100 FTE**



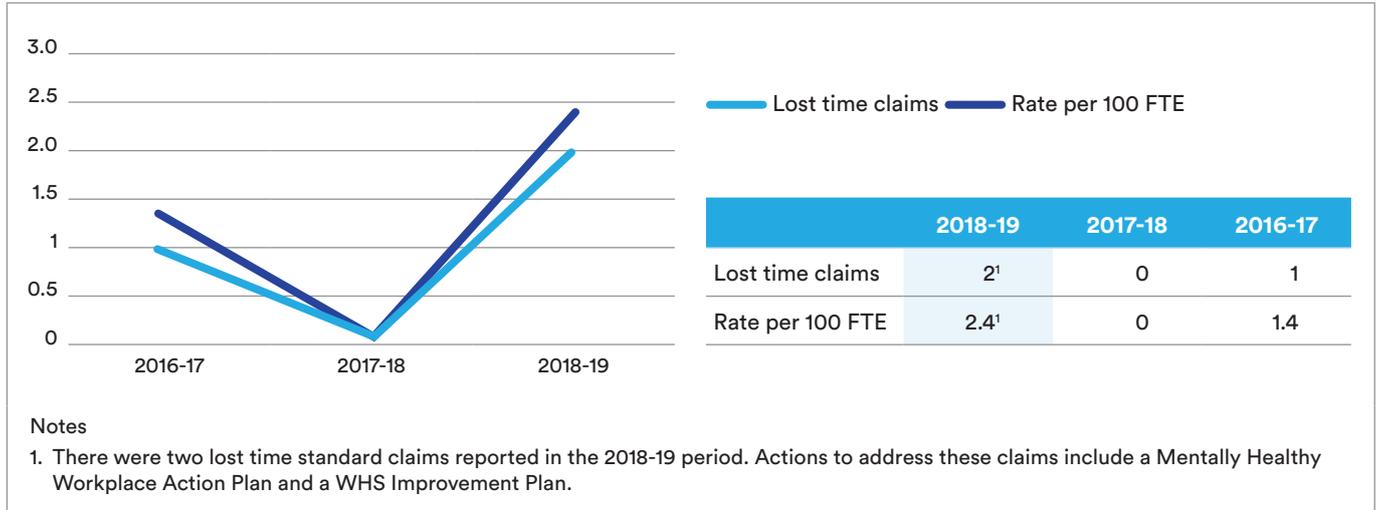
## WorkCover

In the 2018-19 period there were three standard claims, two of which resulted in lost time and the third that resulted in medical costs only. Actions taken to address these claims include a Mentally Healthy Workplace Action Plan and a WHS Improvement Plan.

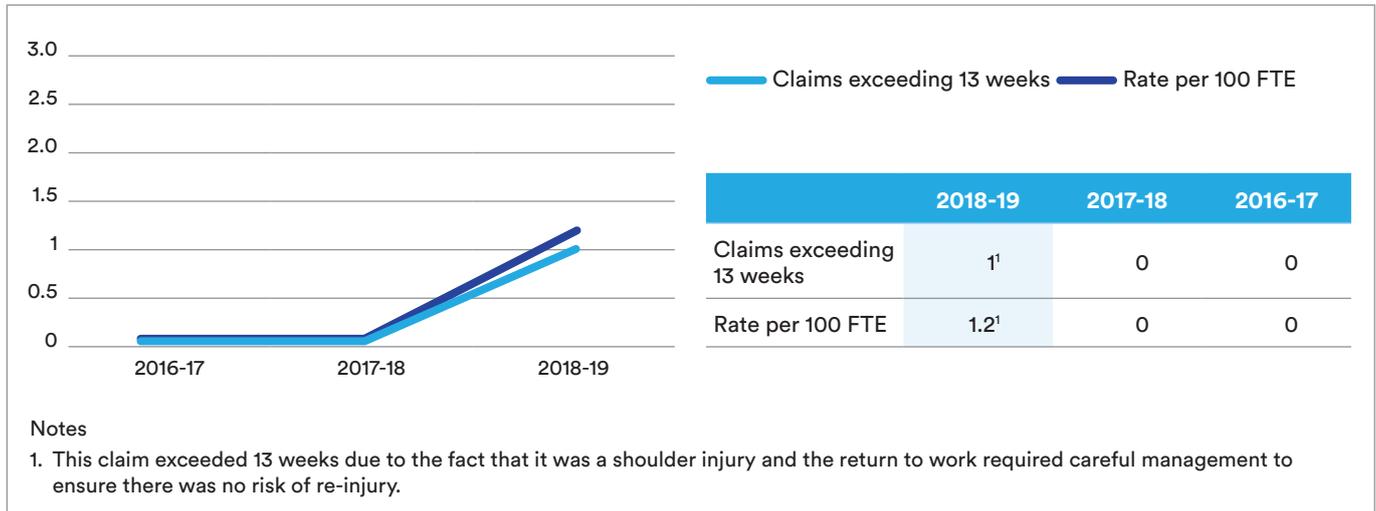
**Figure 2: No. of standard claims and rate per 100 FTE**



**Figure 3: Lost time standard 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   | 2018-19   | 2017-18   | 2016-17   |
|--------------------------------|---|-----------|-----------|-----------|
| Incidents                      | No. of Incidents / hazards / near misses <sup>1</sup>   | 145       | 33        | 23        |
|                                | Rate per 100 FTE  | 176.6     | 41.4      | 32.1      |
| Claims                         | No. of standard claims <sup>2</sup>   | 3         | 0         | 3         |
|                                | Rate per 100 FTE  | 3.7       | 0         | 4.1       |
|                                | No. of lost time claims <sup>3</sup>  | 2         | 0         | 1         |
|                                | Rate per 100 FTE  | 2.4       | 0         | 1.4       |
|                                | No. of claims exceeding 13 weeks <sup>4</sup>   | 1         | 0         | 0         |
|                                | Rate per 100 FTE  | 1.2       | 0         | 0         |
| Fatalities                     | Fatality claims   | 0         | 0         | 0         |
| Claim costs                    | Average cost per standard claim <sup>5</sup>  | \$41,033  | 0         | \$5,822   |
| Return to work (RTW)           | Percentage of claims with RTW plan <30 days <sup>6</sup>  | 33%       | 0         | 100%      |
| 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 |
|                                | Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel)  | completed | completed | completed |
| Consultation and participation | Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs) and issue resolution procedures (IRPs)             | completed | completed | completed |
|                                | Compliance with agreed structure on DWGs, HSRs and IRPs   | completed | completed | completed |
|                                | Number of WHS Committee meetings <sup>7</sup>   | 12        | n/a       | n/a       |
| Risk Management                | Percentage of internal audits/inspections conducted as planned <sup>8</sup>   | 57%       | 100%      | 100%      |
|                                | Percentage of reported incidents investigated <sup>7</sup>  | 100%      | n/a       | n/a       |
|                                | Percentage of issues identified arising from:   |           |           |           |
|                                | – internal audits   | 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%      |
|                                | – management training <sup>9</sup>  | –         | –         | –         |
|                                | – contractors, temps, visitors  | –         | –         | –         |
|                                | Percentage of HSR's trained:  |           |           |           |
|                                | – acceptance of role <sup>10</sup>  | 100%      | 86%       | 100%      |
| – re-training (refresher)      | –   | –         | 50%       |           |

### Notes

- 2018-19 saw an apparent large increase in the total number of incidents, however this is due to the fact that reporting has been adjusted to meet Ministerial directions and the Model Report. Previous years did not include hazards and near misses as part of the total number of incidents. Previous years also included non WHS incidents. The figures this year include only WHS incidents, hazards and near misses. All other incidents are reported elsewhere in this document.
- There were three standard WorkCover claims in the 2018-19 reporting period. Actions to address these claims include a Mentally Healthy Workplace Action Plan and a WHS Improvement Plan.
- There were two lost time standard claims reported in the 2018-19 period. Actions to address these claims include a Mentally Healthy Workplace Action Plan and a WHS Improvement Plan.
- This claim exceeded 13 weeks due to the fact that it was a shoulder injury and the return to work required careful management to ensure there was no risk of re-injury.
- The average cost per standard claim increased as a result of the increase in standard claims. Additionally there was one claim that exceeded 13 weeks.
- The percentage of claims with RTWP < 30 days is only 25% due to the other three injuries being for employees with physical job requirements and the return to work requiring careful management to ensure there was no risk of re-injury.
- New reporting requirement introduced in 2018-19.
- A new inspection schedule was introduced in January 2019. This included the introduction of Leadership Safety Walks by management of which 100% were completed. Due to the absence of appropriately skilled staff, 6/14 of regular site inspections were postponed and completed in July 2019.
- All Managers/Supervisors were provided with WHS training specific to their role as Managers/Supervisors.
- There was one new HSR in 2018-19 and they completed the five day training course upon acceptance of the role.

# Water consumption and drought response



Candowie Reservoir July 2019

Westernport Water’s service area is unique, with a large proportion of non-permanent residents and a seasonal tourism economy of national significance. This influences water consumption statistics, making it very difficult to compare data with other water corporations.

Per capita drinking water consumption in 2018-19 was 227 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.

Average residential household bills in 2018-19 were \$1,179 based on 89 KL of consumption. In comparison, larger water users paid \$1,401 based on 200 KL of consumption. A range of grants, concessions and rebates are available to customers to ensure bills remain affordable.

## Household drinking water consumption (KL) – Residential

|   |                  |
|---|------------------|
| Quarter 1                                   | 255,319          |
| Quarter 2                                   | 439,794          |
| Quarter 3                                   | 385,921          |
| Quarter 4 <sup>1</sup>                      | 68,590           |
| <b>Total annual residential consumption</b> | <b>1,149,624</b> |

### 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 2019.

**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 treated water storages, 75 customer taps in five separate localities and numerous strategic test points in the distribution system. Water quality indicators were fully compliant with targets quoted in the table below.

**Major non-residential users** are defined as a non-residential customer consuming greater than 100 ML<sup>3</sup>. During the reporting period no non-residential customers consumed greater than 100 ML.

## Water consumption report

| 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 2018-19 | 15,911                | 631 <sup>1</sup>                | 1,421                         | 21                                   | - <sup>2</sup>                      | 1,037                     | 811                           | 105                                  | - <sup>2</sup>                      | 16,948 <sup>3</sup>           |
| WPW district 2017-18 | 15,485                | 495                             | 1,295 <sup>4</sup>            | 14                                   | - <sup>2</sup>                      | 1,044                     | 656                           | 74                                   | - <sup>2</sup>                      | 16,529 <sup>4</sup>           |

| Water Consumption    |                                  |  |                                  |                             |                   |                   |                  |   |  |  |
|----------------------|----------------------------------|--|----------------------------------|-----------------------------|-------------------|-------------------|------------------|---|--|--|
| District Name        | 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) | Non-revenue water |                   |                  |   | Total water (all sources) (12)+(16) (16) |  |
|                      |                                  |  |                                  |                             | Leakage (13)      | Firefighting (14) | Other (15)       | Total non-revenue water (13)+(14)+(15) (16) |  |  |
| WPW district 2018-19 | 2,232                            | 126 <sup>1</sup>                                       | 2,358                            | 1,989                       | 2.8 <sup>6</sup>  | 0.2 <sup>8</sup>  | 125 <sup>6</sup> | 128 <sup>6</sup>                            | 2,486 <sup>9</sup>                       |  |
| WPW district 2017-18 | 1,951 <sup>5</sup>               | 89   | 2,040 <sup>5</sup>               | 1,888                       | 237 <sup>7</sup>  | -                 | 69 <sup>7</sup>  | 306 <sup>7</sup>                            | 2,346 <sup>5</sup>                       |  |

### Notes

- Due to a number of subdivisions progressing, connected customers increased and volume consumed increased as a result.
- Westernport Water does not manage recycled stormwater.
- Customer numbers in 2018-19 has increased by 2.5% on the previous year.
- We reported 17,024 total customer numbers in 2017-18, counting 495 recycled water customers twice. Total customer numbers in this report for 2017-18, has been amended to reflect the true customer numbers as at 31 June 2018.
- Potable water volume was reported incorrectly for 2017-18. The 2017-18 figure of 1,257(2) did not include the residential body corporation volume of 38ML. This has resulted in changes to the figures reported under section (10), (12) and total water figures reported as at June 2018.
- Main breaks, flushing program, potable water used for recycled water and WPW consumption is now reported as other. This is a change from previous reporting where potable water used for recycled water and consumption was included in leakage. This provides greater accuracy on non-revenue water.
- 2017-18 figures were calculated using the methodology described in footnote 5. As such, figures reported in this report for 2017-18 differ to last year's report. In 2017-18, the figures the following figures were reported: leakage 306 and other 6.
- Potable water was used to replace farm dam water used during the Grantville bushfire.
- The increase in total water from 2017-18 can be attributed to a growing population and dry conditions.

## Water quality performance against target 2018-19

| Water quality indicator                                 | 2018-19 Actual % | 2018-19 Target % | Target met Yes/No | 2017-18 % | 2016-17 % | 2015-16 % | 2014-15 % |
|---|------------------|------------------|-------------------|-----------|-----------|-----------|-----------|
| E. coli (% samples containing zero organisms per 100ML) | 100              | 100 <sup>1</sup> | Yes               | 100       | 100       | 100       | 100       |
| Turbidity (Nephelometric Turbidity Units, NTU)          | 100              | >95 <sup>2</sup> | Yes               | 100       | 100       | 100       | 100       |
| Trihalomethanes (ug/L)                                  | 100              | 100 <sup>3</sup> | 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 milliliters 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

We enacted the Drought Preparedness Plan, when the level of Candowie Reservoir fell below the Drought Response trigger level in January 2019. In response, Westernport Water formed a Drought Resilience Committee in line with the Corporation’s Urban Water Strategy. The Strategy outlines how the Corporation will manage demand and ensure sufficient supplies of drinking water across the region.

In preparation, we developed and released key messages and reminded the community about water efficiency initiatives to encourage our community and householders to target their water consumption and adopt voluntary water efficiency behaviours.

The Drought Preparedness Plan is a component of Westernport Water’s Urban Water Strategy approved in 2016-17. It sets out management actions for the various water sources available to us and responses 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 distinctive taste and odour issues. Process improvements, coupled with excellent treatment plant management led to no disruptions 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

Water consumption at the Newhaven office and the operations depot decreased by 12.4 per cent from the previous year. With the facilities upgrade under the Building Asset Management Plan, new and more water efficient appliances were installed.

We also improved our water metering with the use of the VicFacilities, an online tool for remote water metering designed by DELWP. The website shows usage and alerts staff to any abnormal spikes in water usage allowing for early detection of water leaks. One previously unidentified leak was found and repaired during 2018-19, reducing overall consumption.

| Indicator  | 2018-19          | 2017-18 | 2016-17 | 2015-16            |
|--|------------------|---------|---------|--------------------|
| W1. Total water consumption (kilolitres)                       | 490 <sup>1</sup> | 559     | 500     | 1,247 <sup>2</sup> |
| W2. Units of office water used per FTE (kilolitres/FTE)        | 6                | 7       | 7       | 18.14              |
| W3. Units of office water used per office area (kilolitres/m2) | 0.5              | 0.6     | 0.5     | 1.29               |

### Notes

1. The reduction in water consumption from 2017-18 is due to toilet refurbishments under the Building Asset Management Plan. The reduction of one commode and two urinals and the renovation of one urinal to a waterless system reduced consumption.
2. Corporate water consumption was high in 2015-16 because of a number of activities that occurred, including but not limited to building cleaning, a leaking cistern, leaking pipe and a change to vehicle washing practices.

## 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, collectively referred to as Melbourne Supply System throughout this document, is shown in the next table.

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

Since 1 July 2018, Candowie Reservoir did not spill and reached a maximum capacity of 3,379 ML on 15 September 2018. In accordance with the environmental flow conditions of the BE, 476 ML were released during the reporting period. This was 67 ML more than the previous year. The environmental flow enhances the downstream creek environment, assisting the flora and fauna to remain healthy.

**Bass River Bulk Entitlement** was used in 2018-19 for a period of 10 days in November 2018 and 23 days during May and June 2019. The level in Candowie Reservoir triggered the decision to run the Bass River 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 428.3 ML.

**Greater Yarra System – Thomson River Pool Bulk Entitlement** was not used during 2018-19. We complied with all conditions and requirements for this BE and received a water allocation on a monthly basis from the water resource manager, Melbourne Water, who also provided 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 509 ML, a carryover of 2,802 ML and a balance of available water of 3,311 ML (approximately 18 months of demand). 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 in the process of being signed by both parties.

In 2018, the Melbourne Retailers' Bulk Entitlement (Desalinated Water) Orders 2014 were amended to support our access to water allocated under our Greater Yarra System – Thomson River Pool BE. Assignment of a reciprocal volume of water allocation between the Melbourne Retailer and Westernport Water will be required (under section 46 of the *Water Act 1989*) to allow Westernport Water to access water from our Greater Yarra System – Thomson River Pool BE while desalinated water is being delivered.

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 groundwater source has been revised and this source will only be used during low rainfall events after other sources have been fully utilised.

No water was extracted from this source during the reporting period.

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

| BE (Westernport) Conversion Order 1997 as at September 2015 <sup>3</sup> |                    |                           | 14.1(a)                        | 14.1(ab)                         | 14.1(b)                        | 14.1(c)           | 14.1(ca)                                | 14.1(d)               |
|--|--------------------|---------------------------|--------------------------------|----------------------------------|--------------------------------|-------------------|---|-----------------------|
| System   | Storages           | Bulk entitlement ML/year  | Max. rate of extraction ML/day | Daily flow to environment ML/day | Water storages ML <sup>1</sup> | Amount taken ML/y | Annual environment flow ML <sup>4</sup> | Amendment of programs |
| Tennent Creek  | Candowie Reservoir | 2,911                     | 13.2                           | 5.0 winter 0.1, summer 7.5 fresh | 2,197                          | 1,926             | 476                                     | 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) 2009 <sup>3</sup> |  |                          | 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 <sup>2</sup> | Amendment of programs             | Amount taken ML/y | Entitlement transfer from | Entitlement transfer to |
| Bass River                                      |  | 3,000                    | 12                          | Yes                                 | Nil                               | 428.3             | 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 <sup>3</sup> |  |                          | 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               | 3,311                             | 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 2019.
2. Daily flow in waterway must exceeded 40 ML/d during any extraction periods.
3. All BE's service the entire region.
4. Environmental flow released though the environmental flow pipeline.

# Environment and social sustainability

The reinvigoration of water efficiency programs for Melbourne and regional Victoria was a key commitment in 'Water for Victoria' to achieve more resilient and liveable cities and towns.

## The Victorian Water Efficiency Strategy (VWES)

adopted in 2017 remained in place during the year to enhance the water efficiency for all customers, using innovative and collaborative practices between water corporations to help deliver on the vision for water management. The strategy encourages a collaborative approach to deliver water efficiency initiatives, including statewide initiatives.

The VWES complements Westernport Water's Strategic Plans such as the Urban Water Strategy, Corporate Social Responsibility Strategy and Corporate Plan. Identified within the strategy is the Target Your Water Use campaign (TYWU), a regional Victorian water efficiency program which highlights a number of common programs across Victoria.

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

Residential programs and initiatives common across Victoria in 2018-19 were:

- Community Water Rebate Program; Permanent Water Saving Rules; School Education Programs; National Water Week; Community Water Refill Station Program; Smart Approved Water Mark website and resources; standardised website messaging; comparative consumption data – on bills and website; hardship programs and the Choose Tap campaign.

## Community engagement

During the year, community engagements included community events, workshops, water taste tests, attendance at community meetings, representation on various stakeholder committees and participation in industry wide customer satisfaction surveys.

Since 2014, the Corporation has conducted an annual telephone based Customer Satisfaction Survey in conjunction with Gippsland water corporations. By coming together, each organisation has realised savings and information obtained has enabled benchmarking of results and the identification of opportunities for collaboration.

## Integrated water management

Westernport Water continued its participation in the Integrated Water Management (IWM) Program, having made a financial contribution to the Catchment Scale IWM Plan led by DELWP and the Regional IWM Plan led by Bass Coast Shire Council (BCSC). A regional IWM workshop was organised by BCSC and facilitated by consultants Engeny in June 2019. This was the first IWM regional workshop, which will contribute to the development of an IWM Regional Strategy in 2019-20.

The Western Port Integrated Water Management Forum Strategic Directions Statement was released in late 2018.

**Schools Water Efficiency Program (SWEP)** provides data loggers linked to 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 program also provides a tailored curriculum program, allowing students to use the school's water data within various subjects. We are proud to report, 100 per cent of schools in the service area are benefiting from the program. During 2018-19, five of these schools were notified of major leaks via the SWEP program, with estimated savings of 4.8 ML, which is a total estimated saving of 17.2 ML since 2012.

**Permanent Water Saving Rules (PWSR)** encourage common sense water use even when water restrictions are not in place. The rules guide the efficient use of drinking water and were in effect for the entire 2018-19 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 the rules that apply to each stage. During the reporting period, no restrictions were imposed in any of the water supply districts that Westernport Water services.

Despite not having evoked water restrictions, our customers and visitors were encouraged to be mindful of their water consumption and adopt voluntary water efficiency behaviours.



Community enjoying the benefits of conveniently located water refill stations.

### Recognising recreational value

During the reporting period, the Corporation supported the delivery of a number of social and recreational activities in partnership with key local organisations and government agencies, including BCSC 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

We increased access to recycled water, strengthened community awareness and inter-agency relationships providing educational opportunities and promoting water awareness campaigns.

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

Since 1 July 2018, 87 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, 11 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-B recycled water offers a lower class of recycled water suitable for pasture irrigation and livestock care on farms. Westernport Water completed the first year of a two year trial using Class B recycled water on neighbouring farmland to assess operational factors and crop yield benefits in line with its Recycled Water Strategy.

Overall, across Westernport Water's two effluent treatment facilities, 338 ML of treated effluent was reused. This equates to 23.5 per cent reuse of treated effluent in 2018-19, an increase from 9.8 per cent achieved in 2017-18.

### Planning for the future

The Board approved the purchase of 16.7ha of land at Lot 4 King Road, Corinella adjacent to our King Road Wastewater Treatment Plant. The purchase has been funded by bringing forward the capital budget for the Sustainable Water Reuse and Land Management Program. This will assist Westernport Water by providing additional irrigation area to meet our EPA license requirements.

### The Recycled Water Grant Program

Expressions of interest (EOI's) under this program were last sought in 2016 to help businesses and not-for-profit organisations invest in connecting to the recycled water network. Through the EOI process four applications were received and in 2018-19, the last of the successful projects were completed and the applicant reimbursed. Under this program Westernport Water also supported Phillip Island Nature Parks to connect to recycled water at the Koala Reserve on Phillip Island.

**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, 28 customers were provided assistance through the program for agreed products or services to the value of \$16,523.60.

**Utility Relief grants** are available to low-income customers or customers experiencing unexpected hardship. The grant provides help to pay an 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.

## Value of community service obligation provided

| Performance indicator   | 2018-19<br>(\$)      | 2017-18<br>(\$)     | 2016-17<br>(\$) | 2015-16<br>(\$) | 2014-15<br>(\$) |
|---|----------------------|---------------------|-----------------|-----------------|-----------------|
| Concession rebates to customers   | 803,965 <sup>1</sup> | 743,114             | 751,328         | 707,344         | 667,510         |
| Rebates for not-for-profit organisations under the water and sewerage rebate scheme   | 28,470               | 28,660              | 28,695          | 28,748          | 29,297          |
| Utility relief grant scheme payments  | 21,154 <sup>2</sup>  | 16,280              | 16,743          | 18,720          | 12,428          |
| Water concession for life-support machines  | 0                    | 0                   | 0               | 0               | 0               |
| Victorian Government Rebate Program – Small Business (ended 30 June 2015)   | – <sup>3</sup>       | – <sup>3</sup>      | –               | 10,900          | 17,403          |
| Victoria Government Rebate Program – Residential (ended 30 June 2015)   | –                    | –                   | –               | 9,330           | 7,380           |
| Community Rebate Program  | 16,523 <sup>4</sup>  | 18,063 <sup>5</sup> | 0               | 3,400           | –               |
| Industry and community sponsorship and donations, including exchange programs and in-kind support – real value to the community | 57,171 <sup>6</sup>  | 61,230              | 63,247          | 39,167          | 52,075          |
| <b>Total community service obligation provided</b>  | <b>927,283</b>       | <b>867,347</b>      | <b>860,013</b>  | <b>817,609</b>  | <b>791,093</b>  |

### Notes

1. There was an increase in concession rebates during the reporting period because of a focus on identifying customers in hardship and concession.
2. The increase in support was largely due to a focus on improving hardship support and a dedicated hardship resource.
3. Program ended June 2015.
4. Eligible customers can participate in the Community Rebate Program once every two years. The small decline in 2018-19 reflects the program's popularity in the previous year.
5. The program was re-activated in 2017-18 and dedicated resources assigned to work with our most vulnerable customers.
6. This contribution excludes in-kind labour costs equivalent to 279 hours.

**Sponsorship and community support** was provided to 44 community events and activities as well as 23 educational engagements.

Sponsorship 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 four water refill stations in partnership with Phillip Island Nature Park and Bass Coast Shire Council, taking the total to 16 fountains installed under this program
- provided support for the Phillip Island Community Orchard to deliver educational activities and agricultural workshops focusing on recycled water and sustainable gardening
- Bass Coast and Phillip Island Landcare sustainability initiatives.

Support was also given to key local events including the Island Whale Festival, Phillip Island Festival of Stories, Bass Coast Business Award, Phillip Island Pro QS1000 (International sporting event), Phillip Island 150 Years Gala Dinner and various local reconciliation events.

**Education** programs and campaigns built on previous years to improve community awareness of our products and services. Activities were delivered in line with the Corporation's Education Plan, focusing on strengthening stakeholder partnerships and driving positive behavioural change.

Throughout the 23 educational engagements, three key initiatives supported – the continuation of the Choose Tap and Stop it. Don't block it campaigns and National Water Week activities. Highlights include:

- continuation of the Choose Tap – Grade Prep water bottle initiative in all local schools
- sponsorship of Plastic Free Phillip Island and San Remo's community campaign against single use plastic
- launch of the Choose Tap Hospitality Pilot Program
- incursions, excursions and tours with local and visiting schools, community groups and stakeholders.



*Work experience student enjoys practical work experience opportunity.*

### **Learning opportunities for the community**

A local secondary student took part in work experience across both our Human Resources and Information and Communication Technology teams. One Undergraduate Engineer experienced seven weeks paid vacation employment. The organisation supported two employees through traineeships, one in Operations and Maintenance and the other in Environment and Sustainability.

### **International water partnership**

Westernport Water has partnered with Vietnamese water utility BIWASE, the water utility servicing Binh Duong province just to the north of Ho Chi Minh City. The partnership enabled the organisations to share experience and knowledge with each other through reciprocal visits of delegations from each water utility, as well as electronic exchange of information. The program concluded with a presentation at OzWater in May 2019.

### **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.

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

# Greenhouse gas and energy



Cowes Wastewater Treatment Plant

## Climate change adaptation

Under the *Climate Change Act 2017* the water sector has been chosen to pilot climate change adaptation plans. DELWP is completing a sector-wide pilot plan but each utility is also expected to have their own adaptation plan. Water for Victoria Chapter 2 and the Water Minister's LoE 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 sources of water and wastewater, including source water and demand, built assets, natural environment, people and workplace, interdependencies as well as customer and product delivery.

In response to the LoE, we developed our first Climate Change Adaptation Plan in 2018-19. The overall objective of the Adaptation Plan is to prepare Westernport Water for the impacts of climate change on assets, supply and demand forecasting, people and the environment, now and into the future. The ultimate goal is to ensure we can continue to provide reliable services and meet customer expectations under a changing climate, whilst balancing the impacts on the Corporation's financial sustainability and water services costs.

The Climate Change Adaptation Plan is comprised of a number of prioritised adaptation actions split into six focus programs that align with Westernport Water's strategic framework. Actions include:

- strengthen asset management and operational processes
- foster collaboration and partnerships with other Water Corporations and service providers
- ensure workforce capability and capacity to respond and adapt to climatic impacts
- promote awareness and behavioural change amongst customers and community.

Greenhouse gas emissions and net energy consumption are generated from a number of different activities and sources, these are:

- wastewater treatment plants and remote pumping stations (66%)
- water treatment plant (22%)
- office facilities and other activity such as waste disposal (9%)
- transport (3%).

Greenhouse Gas Emissions during 2018-19 increased by four per cent from 2017-18 emissions through increases in emissions from alum sludge waste disposal at IBWPP. A project to manage alum sludge at IBWPP equated to 382 tonnes of emissions and an increase in 'Other' emissions from 2017-18 by 131 per cent. The removal is not an annual project. There was a three per cent increase in water treatment and supply emissions due to water harvesting from the Bass River. The pumping from Bass River also increased electrical consumption in 2018-19.

## Breakdown of GHG Emissions

| Performance Indicator                          | Tonnes CO <sub>2</sub> -e |                |                    | Variance (%) |
|--|---------------------------|----------------|--------------------|--------------|
|  | Baseline                  | 2018-19 Target | 2018-19 Result     |              |
| Water Treatment and Supply <sup>1</sup>        | na                        | na             | 1,510              | na           |
| Sewerage Treatment and Management <sup>1</sup> | na                        | na             | 4,563              | na           |
| Transport <sup>1</sup>                         | na                        | na             | 243                | na           |
| Other <sup>1</sup>                             | na                        | na             | 604                | na           |
| Offsets  | 0                         | 0              | 0                  | 0            |
| Total  | 6,062 <sup>2</sup>        | 5,974          | 6,920 <sup>2</sup> | 13.7         |

### Notes

1. No targets set for individual business activities.
2. Variance is due to an increase in water treatment, source water pumping from an alternate catchment and removal of alum sludge from IBWPP.

## Climate Change Strategy and Emissions Reduction Pledge

Underpinning the Climate Change Adaptation Plan is Westernport Water's Climate Change Strategy 2017-23 and Emissions Reduction Pledge. The strategy has been developed to reduce our greenhouse gas footprint and change the way we work to ensure the physical impacts of climate change are managed effectively. The strategy and pledge commits the Corporation to an eight per cent reduction in greenhouse gas emissions by 2025, compared with our baseline emissions (2011-16). The strategy's approach to climate change is supported by four key principles:

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

In 2018-19, the Corporation delivered the following actions outlined in the Climate Change Strategy:

- year one of the Emissions Reduction Pledge Program, which included developing specifications and detailed designs for future projects and installations of solar photovoltaic renewable energy technology
- finalised the Climate Change Adaptation Plan
- participated in the 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
- continued research into carbon sequestration and offsetting opportunities on Corporation land.

## Energy consumption and renewable energy production

Overall during 2018-19, the Corporation generated 0.2 per cent of its total energy from renewable energy. For the period there were no large scale generation certificates generated by Westernport Water, or any sold or surrendered.

## Energy consumption and renewable energy production

| Performance Indicator             | (a)<br>Total energy use (MWh) | Renewable energy use (MWh) |                              |
|-----------------------------------|-------------------------------|----------------------------|------------------------------|
|                                   |                               | (h) Total                  | (h) Renewable energy use (%) |
| Water Treatment and Supply        | 1,411                         | 0                          | 0                            |
| Sewerage Treatment and Management | 2,257                         | 0                          | 0                            |
| Other (office, workshops, depots) | 145                           | 7.7                        | 5.3                          |
| Total                             | 3,813 <sup>3</sup>            | 7.7                        | 0.2                          |

### Notes

1. Westernport Water did not export any renewable energy in 2018-19.
2. Westernport Water has not set a renewable energy target in 2018-19.
3. Five per cent variance increase from 2017-18 due to an increase in source water pumping from an alternate catchment.

# Other disclosures

During 2018-19, Westernport Water commenced three Local Jobs First contracts totalling \$3.51 million. These projects were located in metropolitan Melbourne and in the Bass Coast Shire and had an average commitment of 95 per cent local content.

The outcomes expected from the implementation of the Local Jobs First Policy, to these projects where information was provided are as follows:

- an average of 95 per cent local commitment was made
- a total of fourteen (14.56 FTE) standard employees were retained
- one (0.88 FTE) part-time employee was created.

## Information and Communication Technology expenditure

The Corporation undertook one ICT project or initiative during 2018-19 that met the criteria of the “ICT Reporting Standard for the Victorian Public Service” issued September 2015. Details of this project can be found on page 15.

For 2018 19, total ICT expenditure of \$1,906,474M, with the details shown below excluding direct employee costs.

| All operational ICT expenditure Business As Usual (BAU) ICT expenditure | ICT expenditure related to projects to create or enhance ICT capabilities |                                |                           |
|---|---|--------------------------------|---------------------------|
|   | Non Business As Usual (non BAU) ICT expenditure                           | Operational expenditure (OPEX) | Capital expenditure CAPEX |
| (Total)   | (Total = Operational expenditure and Capital Expenditure)                 |                                |                           |
| 1,461 <sup>1</sup>  | 445   | 51 <sup>2</sup>                | 394 <sup>3</sup>          |

### Notes

1. Increase in ICT operational expenditure is attributable to costs relating to changing IT Managed Service Provider.
2. Non BAU operational expenditure has decreased because of a reduction in external contractor engagement.
3. Non BAU capital expenditure increases are attributable to the Business Transformation Project – Part A – transition to new managed services provider and market costs for implementation partners for our core systems replacement program.

## 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 (valued over \$50,000) at the Newhaven Head Office in 2018-19, the Diversity and Inclusion Facilities Improvement (DIFI) Project, under a building permit. This project was inspected by a Registered Building Surveyor who then issued an Occupancy Permit.

Westernport Water was issued with zero emergency orders in relation to buildings in 2018-19.

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.

## 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 relevant requirements of the Competitive Neutrality Policy.

## Freedom of Information (FOI)

The *Freedom of Information Act 1982* (the Act) allows the public a right of access to documents held by Westernport Water. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by Westernport Water. This comprises documents both created by Westernport Water, or supplied to Westernport Water, by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by Westernport Water is available on Westernport Water's website under its Part II Information Statement.

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 Act has been amended to reduce the FOI processing time for requests received from 45 to 30 days. However, when external consultation is required the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times.

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

FOI requests can be lodged online at [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large, and the search for material, time consuming. Access to documents can also be obtained through a written request to Westernport Water's FOI Team, as detailed in s17 of the *Freedom of Information Act 1982*.

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents in the possession of Westernport Water should be addressed to:

Freedom of Information Team  
Westernport Water  
2 Boys Home Road  
Newhaven VIC 3925

## FOI statistics/timeliness

During 2018-19, Westernport Water received one application. This request was from the general public. Westernport Water made one FOI decision during the 12 months ending 30 June 2019. This decision was made in greater than 90 days. The average time taken to finalise requests in 2018-19 was 99 days.

## Further information

Further information regarding the operation and scope of FOI can be obtained from the Act; regulations made under the Act; and [foi.vic.gov.au](http://foi.vic.gov.au).

## Additional 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](mailto: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

This Ombudsman 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, Westernport Water has observed a decrease in complaints. The Energy and Water Ombudsman Victoria (EWOV) received only 16 complaints (0.76 complaints per 1,000 customers) and the bulk of complaints and related investigations were related to disputes over vacant land charges.

### EWOV Contact Details

Free Call 1800 500 509 | Email: [ewovinfo@ewov.com.au](mailto:ewovinfo@ewov.com.au) | GPO Box 469 Melbourne 3001 [www.ewov.com.au](http://www.ewov.com.au)

## Compliance with the *Protected Disclosures Act 2012*

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

### What is a protected disclosure?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

Improper or corrupt conduct involves substantial, mismanagement of public resources, risk to public health or safety, risk to the environment and corruption.

### 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](http://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: [ibac.vic.gov.au](http://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

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.

# Other statutory obligations

The Port Phillip & Western Port Regional Catchment 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 2018-19, Westernport Water:

- continued the land management partnership with the catchment management authority and funding of 0.2 FTE facilitator with Bass Coast Landcare Network and Melbourne Water. This is to promote opportunities to local landholders and landholders in Candowie catchment for on-ground works for farm, land and waterway improvements
- facilitated revegetation works through the partnership, including the delivery of 3.88 kilometres of fencing, 28 hectares of weed control and planting of 11,500 trees over five properties in the Candowie catchment
- undertook pest plant and animal programs on land managed by the Corporation
- planted 900 plants on land managed by the Corporation adjacent to Candowie Reservoir
- constructed fenced plots adjacent to Saltwater Creek for future planting
- identified future program works within the region and land managed by the Corporation to ensure it is contributing to the priorities within the strategy.

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

During 2018-19, 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 2018-19 to support biodiversity management included:

- continued pest plant and animal programs to control target species and facilitate revegetation to improve biodiversity outcomes
- management and maintenance of revegetation works surrounding the Candowie Reservoir
- planting of 2,100 trees at King Road surrounding the treatment plant to establish a boundary buffer and support biodiversity
- 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.

Through its partnership with Bass Coast Landcare Network, we are 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 2018-19 program was supported by a professional baiting program to address pest animal concerns

**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 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 2018-19, we continued to monitor the 2018 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. The review was completed in August, a new strategy or policy was not developed, however the review summarised the delivery of actions within the CRSWS. There are 112 actions in the CRSWS with 104 achieved. The CRSWS process brings multiple stakeholders together to discuss water management principles, priorities, opportunities and directions in the region. We continued to work closely with DELWP to deliver on the remaining actions throughout 2018-19.

**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, sea grass, reef and soft seabed communities.

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

In 2018-19, Westernport Water continued to invest in works on land adjacent to the Candowie Reservoir as part of the annual Landcare Land Management Plan. Additionally, we worked 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.

**State Environment Protection Policy (Waters)** (SEPP Waters) commenced in October 2018. This new policy, replaces two existing policies and ensures Victoria has a contemporary statutory policy for the protection and management of surface water and groundwater in Victoria. SEPP (Waters) provides a single instrument to guide water quality management in Victoria and improve the protection of our waterways, bays, coastal waters and groundwater. It provides environmental quality objectives which better reflect conditions of our water environments and is based on extensive monitoring data, the latest scientific understanding and relevant national standards. It also more clearly identifies rules for decision makers and obligations on industry to guide the protection and management of water quality in Victoria.

An implementation plan was released in October 2018 and focuses on six critical high level implementation actions. Of particular relevance is the requirement for Westernport Water to report to DELWP (via the CMA) on sustainable irrigation programs. This is managed through take and use licences.

Following the successful completion of the Cowes Wastewater Treatment Plant upgrade in 2017-18, 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 (Waters).

In 2018-19, Westernport Water will continue to participate in the DELWP and CMA led engagement sessions for the SEPP (Waters) and to meet requirements under the Implementation Plan. Westernport Water will provide commentary and attend workshops on particular clauses impacting our operations and compliance.

### ***Environmental Protection and Biodiversity Conservation Act 1999***

There were no referrals made during this reporting year.

**Cultural heritage management** plans are prepared by Westernport Water as a way of protecting and managing Aboriginal cultural heritage. During the reporting period, Westernport Water underwent a Cultural Heritage Due Diligence Assessment for preparation for the Building Asset Management Plan Stage 3 project where sheds will be construction for the Depot Warehouse upgrade. The findings of the assessment were:

- Preparation of a mandatory Cultural Heritage Management Plan is not required under the Aboriginal Heritage Regulations 2018
- There is no requirement under the *Heritage Act 2017* to undertake an assessment of Historical heritage of the subject area.

As a part of its Reconciliation Action Plan the Corporation committed to develop a cultural heritage assessment to identify areas of cultural sensitivity across the service area. An initial assessment was undertaken to identify the registered Aboriginal cultural heritage places and known types of archaeological sites. Using the data supplied by the Aboriginal Cultural Heritage Advisor, an initial GIS map was prepared which will inform future works that unearth and disturb the ground. Further information about engagement with First Nations Peoples can be found on (pg. 10).

**Environmental incidents** are unplanned incidents that have the potential to impact on the environment or community. There was one environmental incident in 2018-19, a tankered waste incident at a wastewater treatment plant:

- Westernport Water identified some gaps in relation to regulation of tankered septic waste at Cowes Wastewater Treatment Plant (CWWTP). A tankered waste driver induction program was implemented and CWWTP operators were asked to question the origin of all tanker loads to ensure that only domestic septic waste was discharged. During November, operators at CWWTP asked a driver to provide evidence of waste origin before discharging. The driver refused to provide the requested documentation, and they were subsequently refused discharge and turned away by operators. After a discussion between Westernport Water and management of the tankered waste company, the driver was later permitted to re-enter the site and discharge. Investigations later that day determined that the waste load originated from a high risk contaminated industrial site and did not comply with CWWTP's EPA licence. The incident was reported to the EPA immediately and a monitoring program was implemented to target the specific contaminant of concern associated with the waste generator. Westernport Water initiated a number of improvement actions that were implemented throughout 2018-19. No enforcement or compliance actions were initiated by the EPA against Westernport Water as a result of the notification.

### **Environmental management**

We are committed to minimising the impacts of its operations on the environment. The Corporation maintains an Environmental Management System (EMS) in accordance 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.

During 2018-19, a review of the EMS occurred. This was a two stage project:

- Stage 1, reviewed and updated the EMS to align with the updated ISO14001:2015 Standard and developed an Improvement Plan to build on Westernport Water's capability and capacity to maintain an effective EMS. The actions identified in the Improvement Plan will be addressed over the next two financial years
- Stage 2, developed and implemented a training package for all employees and the Board. The training will be used for new employee inductions and helps ensure environmental management is integrated into business processes.

### **Office based environmental reporting**

Westernport Water maintains one main office inclusive of a maintenance depot, supporting 82 FTE. 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 under FRD 24D due to no availability of data for 2018-19.

In 2018-19, waste generated at the office is now segregated further to include a 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 2018-19, 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 2019-20.

## Procurement

The Corporation's main areas of procurement are: contractors 31 per cent; and goods and services 69 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 policies, practices and environmental management systems
- 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 the:

- contract for PPE uniforms
- contract for commercial waste and recycling collections
- tender for Emissions Reduction Pledge Stage 1
- tender for Disposal of Category 2 Greasy Waste
- tender for Provision of Cleaning Services.

Procurement targets have been set for 2019-20:

- to achieve a one per cent total annual expenditure with Aboriginal and Torres Strait Islander businesses
- to reduce office based cleaning chemicals and source sustainable alternatives
- ensuring that the Social Procurement Framework's practices and weightings are embedded in purchasing decisions, including consideration of the entire lifecycle of products, broader consideration of social and environmental impacts
- identify local Gippsland sources to enhance social outcomes and strengthen local economic and skill base.

### Details of consultancies (valued at less than \$10,000)

In 2018-19, there were 10 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. Total expenditure incurred during 2018-19 in relation to these consultancies was \$44,694 (excl. GST).

### Details of consultancies (valued at \$10,000 or greater)

In 2018-19, there were seven consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2018-19 in relation to these consultancies is \$181,538 (excl. GST). Details of individual consultancies are outlined on the following page and can be found on the Westernport Water website at [westernportwater.com.au](http://westernportwater.com.au).

### Government advertising expenditure

In 2018-19, there were no advertising campaigns with total media spend of \$100,000 or greater (excl. GST).

### Disclosure of major contracts

Westernport Water did not enter into any major contracts during 2018-19. A 'major contract' is a contract entered into during the reporting period valued at \$10 million or more.

### Contracts awarded over \$1M in 2018-19

Westernport Water has awarded four contracts over \$1M in 2018-19, including:

- the Provision of Electricity for Small and Large Scale Sites, which will commence in 2019-20 and amounts to \$1.7M over a two year period
- the Business Transformation Project – Finance Systems, which has commenced in 2018-19 and amounts to \$1.077M over a five year period
- the Business Transformation Project – Finance System Implementation Partner, which commenced in 2018-19 and amounts to \$1.09M over a one year period; and
- the Provision of Plant, Equipment, Labour, Materials and Maintenance Services, which has commenced in 2018-19 and amounts to 1.35M over a three year period.

## Consultancies awarded 01 July 2018 to 30 June 2019

| Consultant                         | Purpose   | Start Date | Finish Date | Total Approved Project Fee \$ (ex GST) | Expenditure (\$) 2018-19 (ex GST) | Future Expenditure (\$) |
|------------------------------------|---|------------|-------------|--|-----------------------------------|-------------------------|
| Barrington Centre Pty Ltd          | Employment advisory services                          | July 2018  | June 2019   | 15,000                                 | 14,051                            | 0                       |
| Black Falcon Consulting            | Emergency Management and Business Continuity services | Sept 2018  | Feb 2019    | 25,500                                 | 25,500                            | 0                       |
| DLA Piper Australia                | Business Transformation Project advisory services     | July 2018  | June 2019   | 60,000 <sup>1</sup>                    | 56,345                            | 0                       |
| KPMG Enterprise                    | Business Transformation Project advisory services     | July 2018  | June 2019   | 30,700                                 | 15,887                            | 14,813                  |
| Mercer Consulting (Australia)      | Remuneration benchmarking advice                      | July 2018  | June 2019   | 13,500                                 | 13,500                            | 0                       |
| Price Waterhouse Coopers           | Annual Tax advisory services                          | July 2018  | June 2019   | 45,000                                 | 39,310                            | 0                       |
| South Gippsland Water <sup>2</sup> | Customer Satisfaction Survey                          | Jan 2019   | March 2019  | 16,945                                 | 16,945                            | 0                       |

### Notes

1. Consultancy project fees component related to the delivery of the Business Transformation Project.
2. Consultancy services completed by Insync Surveys Pty Ltd through joint procurement with South Gippsland Water.

# 2018-19 Performance report

## Financial Performance Indicators

| KPI No. | Key Performance Indicator   | 2017-18 Result | 2018-19 Result | 2018-19 Target | Variance to prior year % | Variance to target % | Notes |
|---------|---|----------------|----------------|----------------|--------------------------|----------------------|-------|
| F1      | <b>Cash Interest Cover</b><br>Net operating cash flows before net interest and tax/net interest payments.                   | 41.4           | 40.2           | 21.25          | -2.9                     | 89.2                 | 1     |
| F2      | <b>Gearing Ratio</b><br>Total Debt (including finance leases)/ total assets x 100   | 3.7%           | 3.1%           | 3.7%           | -16.2                    | -16.2                | 2     |
| F3      | <b>Internal Financial Ratio</b><br>Net operating cash flow less dividends/ net capital expenditure x 100                    | 168%           | 138%           | 76.9%          | -17.9                    | 79.5                 | 3     |
| F4      | <b>Current Ratio</b><br>Current assets/current liabilities (excluding long-term employee provisions and revenue in advance) | 1.9%           | 1.6%           | 0.7%           | -15.8                    | 128.6                | 4     |
| F5      | <b>Return on Assets</b><br>Earnings before net interest and tax/average assets x 100  | 0.7%           | 0.9%           | 0.6%           | 28.6                     | 50.0                 | 5     |
| F6      | <b>Return on Equity</b><br>Net profit after tax/average total equity x 100  | 0.5%           | 0.7%           | 0.4%           | 40.0                     | 75.0                 | 6     |
| F7      | <b>EBITDA Margin</b><br>Earnings before interest, Tax, Depreciation and Amortisation/total revenue x 100                    | 33%            | 33%            | 33%            | 0                        | 0                    | -     |

### Notes

- Cash flow from operating activities is lower than prior year however, remains favourable to target due to increased cash flow through improved collections processes and a strong cash position. All cash funds are being held in an interest bearing account in preparation for future capital and operational expenses. Reduced borrowings has resulted in lower interest paid for the year.
- The 2018-19 target assumed full utilisation of borrowings to fund capital spend which was not required. A managerial revaluation on land and buildings performed on 30 June 2019 resulted in an increase to asset values above plan.
- A reduction in net operating cash flows during the year resulted in an unfavourable variance to prior year. This was attributed to the introduction of the Melbourne Water Bulk entitlement charges in 2018-19 and an increase in reactive maintenance expenditure which is not expected to be repeated. A lower than budgeted vacancy rate also contributed to an increase in employee costs. Operating cash fully financed the capital investment program resulting in a favourable variance to target as the 2018-19 target had assumed full utilisation of borrowings to fund capital spend which was not required.
- An increase in current liabilities compared to prior year resulted in an unfavourable variance however, an increase in current assets resulting from the strong cash holdings has resulted in a favourable variance to 2018-19 target.
- ROA is favourable to target and prior year, largely attributed to the increase in Developer income received during the 2018-19 year compared to 2017-18.
- ROE increased from prior year due to higher net profit compared to 2018-19 largely attributed to an increase in Developer income received in 2018-19.

## Customer Responsiveness Performance Indicators

| KPI No. | Key Performance Indicator   | 2017-18 Result | 2018-19 Result | 2018-19 Target | Variance to prior year % | Notes | Variance to target % | Notes |
|---------|---|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| CR1     | <b>Water quality complaints</b><br>No. of complaints per 1000 customers | 1.94           | 2.18           | 2.2            | 12.4                     | 7a    | -0.9                 | 7b    |
| CR4     | <b>Billing complaints</b><br>No. of complaints per 1000 customers       | 1.79           | 0.19           | 1              | -89.4                    | 8a    | -81.0                | 8b    |

### Notes

- 7a & 7b. The unfavourable variance can be attributed to ongoing works to obtain a stable chlorine residual and the air-scouring/flushing programs which maintain the cleanliness of the distribution network. To further reduce water quality complaints, we are reviewing our air-scouring program timing and will target specific areas of the water network to minimise impact to customers.
- 8a & 8b. The favourable variance was due to the implementation of a validation step to mitigate the direct debit error that occurred in the previous year.

## Water and Sewerage Service Performance Indicators

| KPI No. | Key Performance Indicator  | 2017-18 Result | 2018-19 Result | 2018-19 Target | Variance to prior year % | Notes | Variance to target % | Notes |
|---------|--|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| WS1     | <b>Unplanned Water Supply Interruptions</b><br>No. of customers receiving more than 1 unplanned interruption in the year / total number of water (domestic and non-domestic) customers * 100 | 3.9%           | 1.0%           | 9.3%           | -74.4                    | 9a    | -89.2                | 9b    |
| WS2     | <b>Interruption Time</b><br>Average duration of unplanned water supply interruptions (minutes)   | 108.5          | 85.9           | 120            | -20.8                    | 10a   | -28.4                | 10b   |
| WS3     | <b>Restoration of Unplanned Water Supply</b><br>Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100                           | 100.0%         | 100%           | 100%           | 0.0                      | -     | 0.0                  | -     |
| SS1     | <b>Containment of sewer spills</b><br>Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers                  | 100%           | 100%           | 100%           | 0.0                      | -     | 0.0                  | -     |
| SS2     | <b>Sewer Spills Interruptions</b><br>No. of residential sewerage customers affected by sewerage interruptions restored within five hours   | 100%           | 100%           | 100%           | 0.0                      | -     | 0.0                  | -     |

### Notes

- 9a & 9b. A favourable variance to prior year and against target can be largely attributed to a reduction in unplanned interruptions that caused multiple customers to be interrupted. The Capital Program included water main renewals for areas of the network that historically caused interruptions on multiple occasions
- 10a & 10b. A favourable variance to prior year and against target can be largely attributed a reduction in the customer minutes to restore water supply and a 67% reduction in unplanned interruptions

## Environmental Performance Indicators

| KPI No. | Key Performance Indicator   | 2017-18 Result | 2018-19 Result | 2018-19 Target | Variance to prior year % | Notes | Variance to target % | Notes |
|---------|---|----------------|----------------|----------------|--------------------------|-------|----------------------|-------|
| E1      | <b>Effluent re-use volume</b><br>(end use)  | 21.4%          | 23.5%          | 25%            | 9.8                      | 11a   | -6.0                 | 11b   |
| E2      | <b>Total net CO<sub>2</sub> emissions</b><br><b>Total Net tonnes</b> CO <sub>2</sub> equivalent | 6,636          | 6,920          | 5,974          | 4.3                      | -     | 15.8                 | 12b   |

### Notes

- 11a & 11b. The favourable increase in reuse to prior year is due to Class B pilot project using 21ML and extended dry period from January to May 2019 reducing inflows to treatment plants by 97ML on previous year. The unfavourable variance against reuse target was due to the need to reduce irrigation volumes in Cowes woodlot in response to expert advice to reduce waterlogging. Further implementation of projects from the approved Recycled Water Strategy will assist the Corporation meet its future targets.
- 12b. The unfavourable variance in the target for net CO<sub>2</sub> emissions compared to the result is due to a four per cent increase in potable water treated and supplied to customers and a project to remove alum sludge at IBWPP contributed 5.5 per cent of total net CO<sub>2</sub> emissions. The alum sludge removal is calculated under waste and falls into the 'Other' category when defining emissions in the Annual Report. The alum sludge project resulted in a 131 percent increase in 'Other' CO<sub>2</sub> emissions compared to 2017-18. Further analysis of the greenhouse gas emissions was undertaken to ensure the accurate forecast of emissions in response to increasing demand. In 2019-20 implementation of Emissions Reduction Pledge initiatives will continue with a forecast decrease in net CO<sub>2</sub> emissions.

# Certification of Performance Report

We certify the accompanying Performance Report for Westernport Region Water Corporation in respect of the 2018-19 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 2018-19 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.



**Philip Clark**  
Chair  
Westernport Water



**Peter Quigley**  
Managing Director  
Westernport Water



**Kathy Hawke**  
Chief Finance Officer  
Westernport Water

15 September 2019

# Independent Auditor's Report



## Independent Auditor's Report

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

#### Opinion

I have audited the accompanying performance report of the Westernport Region Water Corporation (the corporation) for the year ended 30 June 2019 which comprises the:

- financial performance indicators
- water and sewerage service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- the certification of performance report.

In my opinion, the performance report of the Westernport Region Water Corporation in respect of the year ended 30 June 2019 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

#### Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the performance report* section of my report.

My independence is established by the *Constitution Act 1975*. 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 *Code of Ethics for Professional Accountants* (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.

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

#### Board's responsibilities for the performance report

The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

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

As required by the *Audit Act 1994*, 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.

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 the 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 the 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  
20 September 2019



Paul Martin  
*as delegate for the Auditor-General of Victoria*

# Financial Statements for the year ended 30 June 2019

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# Comprehensive Operating Statement

For the financial year ended 30 June 2019

|   | Notes | 2019<br>\$'000 | 2018<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Revenue</b>  |       |                |                |
| Service and Water usage charges                               | 2.1   | 21,790         | 20,420         |
| Interest income   |       | 110            | 89             |
| Developer contributions                                       | 2.2   | 2,866          | 1,574          |
| Net gain/(loss) on disposal of non-financial assets           | 4.1.5 | (168)          | 77             |
| Other income  | 2.3   | 721            | 645            |
| <b>Total Revenue</b>  |       | <b>25,319</b>  | <b>22,805</b>  |
| <b>Expenses</b>   |       |                |                |
| Depreciation and impairment                                   | 4.1.4 | 6,157          | 5,959          |
| Amortisation  | 4.2   | 85             | 130            |
| Employee benefits   | 3.1.1 | 7,955          | 7,652          |
| Direct operational expenses                                   | 3.2   | 1,327          | 1,061          |
| Repairs and maintenance expense                               | 3.3   | 834            | 808            |
| Environmental Contributions                                   | 8.2   | 916            | 794            |
| Interest  | 6.1.2 | 285            | 346            |
| Other operating expenses                                      | 3.4   | 5,953          | 4,876          |
| <b>Total expenses</b>   |       | <b>23,512</b>  | <b>21,627</b>  |
| <b>Net result before tax</b>                                  |       | <b>1,807</b>   | <b>1,178</b>   |
| Income tax expense/(revenue)                                  | 8.1.1 | 541            | 353            |
| <b>Net result for the period</b>                              |       | <b>1,266</b>   | <b>825</b>     |
| <b>Other comprehensive income</b>                             |       |                |                |
| Net gain on revaluation of land, buildings and infrastructure | 9.1.2 | 2,047          | -              |
| Income Tax Equivalents Expense / (Benefit)                    |       | (614)          | -              |
| <b>Total other comprehensive income for the period</b>        |       | <b>1,433</b>   | <b>-</b>       |
| <b>Comprehensive result</b>                                   |       | <b>2,699</b>   | <b>825</b>     |

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

# Balance Sheet

As at 30 June 2019

|   | Notes | 2019<br>\$'000 | 2018<br>\$'000 |
|---|-------|----------------|----------------|
| <b>ASSETS</b>                                 |       |                |                |
| Current assets                                |       |                |                |
| Cash and cash equivalents                     | 6.2   | 6,727          | 6,443          |
| Receivables                                   | 5.1   | 2,344          | 2,161          |
| Inventories                                   |       | 337            | 325            |
| Biological Assets – Cattle held for sale      |       | 133            | 111            |
| Prepayments                                   |       | 335            | 35             |
| <b>Total current assets</b>                   |       | <b>9,876</b>   | <b>9,075</b>   |
| Non-current assets                            |       |                |                |
| Receivables                                   | 5.1   | 66             | 70             |
| Infrastructure, property, plant and equipment | 4.1.1 | 207,664        | 205,662        |
| Intangible assets                             | 4.2   | 756            | 681            |
| <b>Total non-current assets</b>               |       | <b>208,486</b> | <b>206,413</b> |
| <b>TOTAL ASSETS</b>                           |       | <b>218,362</b> | <b>215,488</b> |
| <b>LIABILITIES</b>                            |       |                |                |
| Current liabilities                           |       |                |                |
| Payables                                      | 5.2   | 4,801          | 4,799          |
| Interest bearing liabilities                  | 6.1   | 1,190          | 1,250          |
| Current tax payable                           | 8.1.1 | 1,078          | -              |
| Employee benefits                             | 3.1.2 | 1,842          | 1,646          |
| <b>Total current liabilities</b>              |       | <b>8,911</b>   | <b>7,695</b>   |
| Non-current liabilities                       |       |                |                |
| Interest bearing liabilities                  | 6.1   | 5,500          | 6,690          |
| Employee benefits                             | 3.1.2 | 282            | 211            |
| Deferred tax liabilities                      | 8.1.2 | 33,484         | 33,406         |
| <b>Total non-current liabilities</b>          |       | <b>39,266</b>  | <b>40,307</b>  |
| <b>TOTAL LIABILITIES</b>                      |       | <b>48,177</b>  | <b>48,002</b>  |
| <b>NET ASSETS</b>                             |       | <b>170,185</b> | <b>167,486</b> |
| <b>EQUITY</b>                                 |       |                |                |
| Contributed capital                           | 9.1.1 | 51,323         | 51,323         |
| Asset revaluation surplus                     | 9.1.2 | 54,839         | 53,406         |
| Accumulated surplus                           | 9.1.3 | 64,023         | 62,757         |
| <b>TOTAL EQUITY</b>                           |       | <b>170,185</b> | <b>167,486</b> |

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 2019

|   | Contributed<br>Capital<br>\$'000 | Reserves<br>\$'000 | Accumulated<br>Surplus<br>\$'000 | Total<br>\$'000 |
|---|----------------------------------|--------------------|----------------------------------|-----------------|
| Balance at 1 July 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         |
| Total comprehensive income for the year |                                  |                    |                                  |                 |
| Net results for the period              | -                                | -                  | 1,266                            | 1,266           |
| Other Comprehensive income              | -                                | 1,433              | -                                | 1,433           |
| Balance at 30 June 2019                 | 51,323                           | 54,839             | 64,023                           | 170,185         |

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

# Cash Flow Statement

Year ended 30 June 2019

|   | Notes        | 2019<br>\$'000 | 2018<br>\$'000 |
|---|--------------|----------------|----------------|
| <b>Cash Flows from Operating Activities</b>                                   |              |                |                |
| <i>Receipts</i>   |              |                |                |
| Service charges (Combined with Usage)   |              | 23,775         | 22,700         |
| Interest received   |              | 93             | 62             |
| Goods and Services Tax received from the ATO                                  |              | 982            | 1,088          |
| Other receipts  |              | 886            | 847            |
| <i>Payments</i>   |              |                |                |
| Payments to suppliers and employees   |              | (18,760)       | (16,190)       |
| Interest and other costs of finance paid                                      |              | (235)          | (253)          |
| Environmental contribution levy paid  |              | (1,181)        | (529)          |
| <b>Net cash (outflow)/inflow from Operating Activities</b>                    | <b>6.2.1</b> | <b>5,560</b>   | <b>7,725</b>   |
| <b>Cash Flows from Investing Activities</b>                                   |              |                |                |
| Payments for new infrastructure, property, plant and equipment                |              | (4,068)        | (4,801)        |
| Proceeds from sale of infrastructure, property, plant & equipment             |              | 42             | 193            |
| <b>Net cash (outflow)/inflow from Investing Activities</b>                    |              | <b>(4,026)</b> | <b>(4,608)</b> |
| <b>Cash Flows from Financing Activities</b>                                   |              |                |                |
| Proceeds from borrowings <sup>1</sup>   |              | -              | 1,251          |
| Repayment of borrowings <sup>2</sup>  |              | (1,250)        | (1,750)        |
| <b>Net cash outflow from Financing Activities</b>                             |              | <b>(1,250)</b> | <b>(499)</b>   |
| <b>Net increase in cash and cash equivalents</b>                              |              | <b>284</b>     | <b>2,618</b>   |
| <b>Cash and cash equivalents at the beginning of the financial year</b>       |              | <b>6,443</b>   | <b>3,825</b>   |
| <b>Cash and cash equivalents at the end of the financial year<sup>3</sup></b> | <b>6.2</b>   | <b>6,727</b>   | <b>6,443</b>   |

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

Notes:

1. Proceeds from borrowings includes only approved refinanced debt, no new borrowings for 2018-19.
2. Repayment of borrowings includes repayments of fixed loans of \$0.5M and \$0.75M (total of \$1.25M) which were not refinanced.
3. Due to increased operating cash flow at year end, all cash remains invested in the Central Banking System (CBS) account.

## 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 2019. 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 27 August 2019.

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.

The following standard has been adopted by the Corporation:

- AASB 9 *Financial Instruments*, effective as of 1 January 2018 (and thus to the Corporation on 1 July 2018).

#### AASB 9 impact assessment

AASB 9 *Financial Instruments*, which replaces AASB 39 *Financial Instruments: Recognition and Measurement*, introduces new requirements for recognition, classification and measurement, a new impairment model for financial assets based on expected credit losses, and simplified hedge accounting. The Corporation has adopted AASB 9 as at 1 July 2018 and has applied the new rules on a modified retrospective basis and has assessed that there is no financial impact for 2018-19. As a result, comparatives for 2017-18 in our 30 June 2019 accounts will not be restated. Further disclosures in relation to AASB9 are at note 9.8 of this report.

Where appropriate, comparative figures have been amended to align with current presentation and disclosure and related notes have been added to present the impact 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 4.1);
- 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

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| Service charges                        |                |                |
| - Water service charges                | 7,566          | 6,976          |
| - Sewage charges                       | 9,933          | 9,636          |
| - Trade waste charges                  | 105            | 88             |
| Water usage charges                    | 4,157          | 3,686          |
| - Recycle charges                      | 29             | 33             |
| <b>Total Service and usage charges</b> | <b>21,790</b>  | <b>20,420</b>  |

Water and sewerage service charges are recognised when services have been provided or service charge has been made. Water and Sewerage service charges are billed quarterly in advance and are 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 sewerage.

The payment in advance by customers of accounts which at reporting date were unbilled is classified as unearned income. Trade waste charges are recognised as revenue at the end of the service delivery period. Trade waste charges are measured by reading volume meters and applying the appropriate rate as per the trade waste agreement. Major trade waste customers meters are read monthly or quarterly with invoices issued at the end of the service delivery period and accrued at year-end based on actual usage.

Water usage charges, sewage disposal charges and recycled water charges are all recognised as revenue when the service is provided. As meter reading is cyclical, an estimate is made at the end of the accounting period for water usage and sewerage disposal by customers and recycled water produced. The estimate is made by multiplying the number of days since the last reading by daily average water consumption for that period.

The variance when comparing to prior years reporting is the exclusion of the Government Rebate from the Water Services Charges which ceased in 2018. 2018 Water Services Charges were represented net of all Government Rebates (2018: \$542K). 2019 Water Service Charges do not include Government Rebates as per Essential Services Commission approved pricing.

## 2.2 Developer contributions

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| Developer Contributions                       |                |                |
| - Fees paid by developers                     | 1,030          | 878            |
| - Assets or services received from developers | 1,836          | 696            |
| <b>Total Developer Contributions</b>          | <b>2,866</b>   | <b>1,574</b>   |

New customer contributions are paid by developers to connect new housing developments to existing water supply and waste water systems. The Corporation recognises them as revenue when they are received and measures them at their fair value.

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 issues a Statement of Compliance and obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

## 2.3 Other income

|                           | 2019<br>\$'000 | 2018<br>\$'000 |
|---------------------------|----------------|----------------|
| Other Income              | 721            | 645            |
| <b>Total other income</b> | <b>721</b>     | <b>645</b>     |

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 Direct Operational Expenses
- 3.3 Other operating expenses
- 3.4 Administrative and other operating expenses

## 3.1 Our people

### 3.1.1 Employee benefits – comprehensive operating statement

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| Employee Benefits  |                |                |
| - salaries and wages                                       | 5,416          | 5,523          |
| - annual leave   | 558            | 496            |
| - long service leave                                       | 265            | 188            |
| - employer superannuation contributions                    | 657            | 574            |
| - employer superannuation contributions – defined benefits | 39             | 38             |
| - payroll tax  | 183            | 254            |
| - other  | 837            | 579            |
| <b>Total employee benefit costs</b>                        | <b>7,955</b>   | <b>7,652</b>   |

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.

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| Current provisions:                                       |                |                |
| <u>Annual leave and RDO's</u>                             |                |                |
| Unconditional and expected to settle within 12 months     | 597            | 574            |
| Unconditional and expected to settle after 12 months      | 163            | 117            |
| <u>Employee benefits (LSL)</u>                            |                |                |
| Unconditional and expected to settle within 12 months     | 92             | 108            |
| Unconditional and expected to settle after 12 months      | 747            | 609            |
| <u>Provisions for on-costs</u>                            |                |                |
| Unconditional and expected to settle within 12 months     | 123            | 125            |
| Unconditional and expected to settle after 12 months      | 120            | 113            |
| <b>Total current provisions for employee benefits</b>     | <b>1,842</b>   | <b>1,646</b>   |
| Non-current provisions:                                   |                |                |
| Employee benefits (LSL)                                   | 249            | 182            |
| On-costs  | 33             | 29             |
| <b>Total non-current provisions for employee benefits</b> | <b>282</b>     | <b>211</b>     |
| <b>Total provisions for employee benefits</b>             | <b>2,124</b>   | <b>1,857</b>   |

#### Reconciliation of movement in on-cost provision

|  | 2019<br>\$'000 |
|--|----------------|
| Operating balance                      | 267            |
| Additional provisions recognised       | 59             |
| Effect of changes in the discount rate | (49)           |
| Closing balance                        | 277            |
| Current                                | 244            |
| Non-current                            | 33             |

### **Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

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 water corporation does not have an unconditional right to defer settlements of these liabilities.

Liabilities for salaries and annual leave are all recognised in the provision for employee benefits as 'current liabilities' as per AASB 119 Employee Benefits, because the Corporation does not have an unconditional right to defer settlements of these liabilities.

### **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 contracts) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

## **3.1.3 Superannuation**

### **Superannuation contributions**

Westernport Region Water Corporation obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

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 2019 are detailed below:

| Scheme       | Type of Scheme   | Rate | 2019<br>\$'000 | 2018<br>\$'000 |
|--------------|------------------|------|----------------|----------------|
| Vision Super | Defined benefits | 9.5% | 39             | 39             |
| Vision Super | Accumulation     | 9.5% | 270            | 220            |
| Other        | Accumulation     | 9.5% | 412            | 342            |

In addition to the above contributions, Westernport Region Water Corporation has not paid any unfunded liability payments to Vision Super during the 2018/19 year (2018: \$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 2019. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$40k (2019:\$39k).

### Accumulation

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 2018 interim 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 2018 interim actuarial investigation surplus amounts

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) was 106.0%. Because the VBI was above 100%, the 2018 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 6.0% pa
- Salary information 3.5% pa
- Price inflation (CPI) 2.0% pa.

Vision Super has advised that the estimated VBI at 30 June 2019 was 107.1%.

The Fund's full actuarial investigation as at 30 June 2019 identified the following:

- A VBI surplus of \$131.9 million;
- A total service liability surplus of \$218.3 million;
- A discounted accrued benefits surplus of \$249.1 million; and

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 2018.

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 2019 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2019. It is anticipated that this actuarial investigation will be completed in October 2019.

### Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Westernport 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 Direct operational expenses

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| Chemicals                                | 356            | (i) 304        |
| Electricity                              | 810            | 560            |
| Testing and Sampling                     | 134            | 170            |
| Operating lease payments                 | 27             | (i) 27         |
| <b>Total direct operational expenses</b> | <b>1,327</b>   | <b>1,061</b>   |

Notes:

- (i) Chemicals expense and operating lease payments were previously classified in Repairs and Maintenance expenses (Note 3.2) in 2018 Westernport Region Water Corporation Annual Report. Reclassified to direct operational expenses in 2019.

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.

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.

## 3.3 Repairs and maintenance

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

|                                      | 2019<br>\$'000 | 2018<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Repairs and maintenance              |                |                |
| - Preventive maintenance             | 378            | (i) 495        |
| - Material and supplies              | 456            | 313            |
| <b>Total repairs and maintenance</b> | <b>834</b>     | <b>808</b>     |

Notes:

- (i) Preventative maintenance expenses were previously included in Contractors expenses (Note 3.3) in 2018 Westernport Region Water Corporation Annual Report. Reclassified to repairs and maintenance expenses in 2019.

### 3.4 Administration and other operating expenses

|  | 2019         | 2018         |
|--|--------------|--------------|
| Other expenses                                       | \$'000       | \$'000       |
| -Purchase of inventory                               | 150          | 95           |
| -Contractors   | 2,132        | (i) 1,609    |
| -Consultants   | 145          | 247          |
| -Melbourne Bulk Water entitlement                    | (ii) 592     | -            |
| -Computer Expense                                    | 1,281        | 1,138        |
| -Training & Education                                | 185          | 189          |
| -Licence Fees, Permits & Registration                | 173          | 170          |
| -Insurance   | 125          | 105          |
| -Vehicle Maintenance & Repairs                       | 203          | 191          |
| -Postage   | 97           | 106          |
| -Conference costs (excl Travel & Accommodation)      | 85           | 61           |
| -Debt Collection Fees                                | 96           | 87           |
| -Mobile Phone Costs                                  | 73           | 48           |
| -Subscriptions & Memberships                         | 73           | 89           |
| -Bad debt expense                                    | 23           | 57           |
| -Other Supplies                                      | 520          | 684          |
| <b>Total administration other operating expenses</b> | <b>5,953</b> | <b>4,876</b> |

Notes:

- (i) Contractors in 2018 Westernport Region Water Corporation Annual Report previously included \$495k of preventative maintenance expense. Reclassified to repairs and maintenance expenses in 2019.
- (ii) Melbourne Bulk Water entitlement new charge for 2019.

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:

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.

## 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**

|                                | Land   | Building | 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     |
|--------------------------------|--------|----------|---------------------|----------------------------------|--|------------------------------|---------------------------------|---|---------------------------|-----------|
|                                | \$'000 | \$'000   | \$'000              | \$'000                           | \$'000   | \$'000                       | \$'000                          | \$'000                                    | \$'000                    | \$'000    |
| At 1 July 2017                 | 9,980  | 4,005    | 10,227              | 118,260                          | 47,407   | 1,506                        | 110,924                         | 23,527                                    | 6,981                     | 332,817   |
| Cost or fair value             | -      | (1,435)  | (6,656)             | (60,429)                         | (10,331)   | (624)                        | (36,468)                        | (10,415)                                  | -                         | (126,357) |
| Accumulated depreciation       | 9,980  | 2,570    | 3,571               | 57,831                           | 37,076   | 882                          | 74,456                          | 13,112                                    | 6,981                     | 206,460   |
| Carrying amount                |        |          |                     |                                  |  |                              |                                 |   |                           |           |
| 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  | 1,435                        | 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 carrying 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   |
| Year ended 30 June 2019        |        |          |                     |                                  |  |                              |                                 |   |                           |           |
| Opening net book amount        | 9,980  | 2,640    | 3,562               | 57,231                           | 36,615   | 2,247                        | 75,050                          | 12,766                                    | 5,571                     | 205,662   |
| Additions                      | -      | -        | -                   | -                                | -  | -                            | -                               | -   | 4,524                     | 4,524     |
| Disposal                       | -      | -        | (79)                | -                                | (12)   | (3)                          | (92)                            | (60)                                      | -                         | (246)     |
| Transfer btwn Asset Classes    | 528    | 1,003    | 814                 | 808                              | 428  | 181                          | 1,217                           | 834                                       | (5,813)                   | -         |
| Assets received free of charge | -      | -        | -                   | 887                              | -  | -                            | 949                             | -   | -                         | 1,836     |
| Revaluation                    | 1,655  | 390      | -                   | -                                | -  | -                            | -                               | -   | -                         | 2,045     |
| Depreciation                   | -      | (96)     | (732)               | (2,082)                          | (617)  | (97)                         | (2,019)                         | (514)                                     | -                         | (6,157)   |
| Closing net book amount        | 12,163 | 3,937    | 3,565               | 56,844                           | 36,414   | 2,328                        | 75,105                          | 13,026                                    | 4,282                     | 207,664   |
| At 30 June 2019                |        |          |                     |                                  |  |                              |                                 |   |                           |           |
| Cost or fair value             | 12,163 | 5,732    | 10,946              | 121,374                          | 47,956   | 3,116                        | 115,397                         | 24,368                                    | 4,282                     | 345,334   |
| Accumulated depreciation       | -      | (1,795)  | (7,381)             | (64,530)                         | (11,542)   | (788)                        | (40,292)                        | (11,342)                                  | -                         | (137,670) |
| Net Book Amount                | 12,163 | 3,937    | 3,565               | 56,844                           | 36,414   | 2,328                        | 75,105                          | 13,026                                    | 4,282                     | 207,664   |

### **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 (2018: \$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 103H. 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 de-recognition 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

| 2019  | Carrying amount as at<br>30 June 2019 | Fair value measurement at end of reporting period using: |                        |                        | (\$'000) |
|---|---------------------------------------|--|------------------------|------------------------|----------|
|   |                                       | Level 1 <sup>(i)</sup>                                   | Level 2 <sup>(i)</sup> | Level 3 <sup>(i)</sup> |          |
| Land at fair value                                    |                                       |  |                        |                        |          |
| Non-specialised land                                  | 707                                   | -  | 707                    | -                      |          |
| Specialised land                                      | 11,456                                | -  | -                      | 11,456                 |          |
| <b>Total of land at fair value</b>                    | <b>12,163</b>                         | <b>-</b>   | <b>707</b>             | <b>11,456</b>          |          |
| Buildings at fair value                               |                                       |  |                        |                        |          |
| Non-specialised buildings                             | 3,937                                 | -  | 3,937                  | -                      |          |
| Specialised buildings                                 | -                                     | -  | -                      | -                      |          |
| <b>Total of buildings at fair value</b>               | <b>3,937</b>                          | <b>-</b>   | <b>3,937</b>           | <b>-</b>               |          |
| Plant and equipment at fair value                     |                                       |  |                        |                        |          |
| Plant and equipment                                   | 3,565                                 | -  | -                      | 3,565                  |          |
| <b>Total of plant and equipment at fair value</b>     | <b>3,565</b>                          | <b>-</b>   | <b>-</b>               | <b>3,565</b>           |          |
| Infrastructure at fair value                          |                                       |  |                        |                        |          |
| Infrastructure - water distribution                   | 56,844                                | -  | -                      | 56,844                 |          |
| Infrastructure - water harvesting and major transfers | 36,414                                | -  | -                      | 36,414                 |          |
| Infrastructure - water quality                        | 2,328                                 | -  | -                      | 2,328                  |          |
| Infrastructure - sewer collection                     | 75,105                                | -  | -                      | 75,105                 |          |
| Infrastructure - sewer treatment and major disposal   | 13,026                                | -  | -                      | 13,026                 |          |
| <b>Total of infrastructure at fair value</b>          | <b>183,717</b>                        | <b>-</b>   | <b>-</b>               | <b>183,717</b>         |          |

Notes:

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

| 2018  | Carrying amount as at<br>30 June 2018 | Fair value measurement at end of reporting period using: |                        |                        | (\$'000) |
|---|---------------------------------------|--|------------------------|------------------------|----------|
|   |                                       | Level 1 <sup>(i)</sup>                                   | Level 2 <sup>(i)</sup> | Level 3 <sup>(i)</sup> |          |
| Land at fair value                                    |                                       |  |                        |                        |          |
| Non-specialised land                                  | 600                                   | -  | 600                    | -                      |          |
| Specialised land                                      | 9,380                                 | -  | -                      | 9,380                  |          |
| <b>Total of land at fair value</b>                    | <b>9,980</b>                          | <b>-</b>   | <b>600</b>             | <b>9,380</b>           |          |
| Buildings at fair value                               |                                       |  |                        |                        |          |
| Non-specialised buildings                             | 2,640                                 | -  | 2,640                  | -                      |          |
| Specialised buildings                                 | -                                     | -  | -                      | -                      |          |
| <b>Total of buildings at fair value</b>               | <b>2,640</b>                          | <b>-</b>   | <b>2,640</b>           | <b>-</b>               |          |
| Plant and equipment at fair value                     |                                       |  |                        |                        |          |
| Plant and equipment                                   | 3,562                                 | -  | -                      | 3,562                  |          |
| <b>Total of plant and equipment at fair value</b>     | <b>3,562</b>                          | <b>-</b>   | <b>-</b>               | <b>3,562</b>           |          |
| 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                 |          |
| <b>Total of infrastructure at fair value</b>          | <b>183,909</b>                        | <b>-</b>   | <b>-</b>               | <b>183,909</b>         |          |

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-Inc. on 30 June 2016 and a subsequent managerial revaluation was performed effective 30 June 2019 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.

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 Corporation's 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. A managerial revaluation was performed effective 30 June 2019 in line with FRD103H requirements resulting in an adjustment in fair values for specialised land and building values.

### **Plant and equipment**

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

There were no changes in valuation techniques throughout the period to 30 June 2019.

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-Inc. 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 2019 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           |                  |                    |                  |               |                  |                 |                     |
|-------------------|------------------|--------------------|------------------|---------------|------------------|-----------------|---------------------|
| 2019              | Specialised land | Water distribution | Water harvesting | Water quality | Sewer Collection | Sewer Treatment | Plant and equipment |
| Opening balance   | 9,380            | 57,231             | 36,615           | 2,247         | 75,050           | 12,766          | 3,562               |
| Purchases (sales) | 528              | 1,695              | 416              | 178           | 2,074            | 774             | 735                 |
| Depreciation      | -                | (2,082)            | (617)            | (97)          | (2,019)          | (514)           | (732)               |
| Revaluation       | 1,548            | -                  | -                | -             | -                | -               | -                   |
| Closing balance   | 11,456           | 56,844             | 36,414           | 2,328         | 75,105           | 13,026          | 3,565               |

| \$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                 |
| Disposal          | -                | -                  | -                | -             | -                | -               | -                   |
| Depreciation      | -                | (2,047)            | (600)            | (69)          | (1,967)          | (458)           | (732)               |
| Revaluation       | -                | -                  | -                | -             | -                | -               | -                   |
| Closing balance   | 9,380            | 57,231             | 36,615           | 2,247         | 75,050           | 12,766          | 3,562               |

### 4.1.3 Description of significant unobservable inputs to Level 3 valuations

| 2019 and 2018                             | \$000's   | Valuation technique <sup>(i)</sup>    | Significant unobservable inputs <sup>(ii)</sup>                                  |
|---|-----------|---------------------------------------|--|
| Specialised Land and Buildings            | \$ 11,456 | Market approach                       | Community Service Obligations (CSO)  |
| Infrastructure – Water Distribution       | \$ 56,844 | Depreciated replacement cost approach | Average cost per kilometer<br>Useful life of the infrastructure                  |
| Infrastructure – Water Harvesting         | \$ 36,414 | Depreciated replacement cost approach | Cost per unit (Quantity 1 Reservoir)<br>Useful life of the infrastructure        |
| Infrastructure – Water Quality            | \$ 2,328  | Depreciated replacement cost approach | Cost per unit (Quantity 1 Reservoir)<br>Useful life of the infrastructure        |
| Infrastructure - Sewer Collection         | \$ 75,105 | Depreciated replacement cost approach | Average cost per kilometer<br>Useful life of the infrastructure                  |
| Infrastructure - Sewer Treatment/Disposal | \$ 13,026 | Depreciated replacement cost approach | Cost per unit (Quantity 2 Treatment Plants)<br>Useful life of the infrastructure |
| Plant and equipment                       | \$ 3,565  | Depreciated replacement cost approach | Useful life of the asset   |

#### 4.1.4 Depreciation, amortisation and impairment

|  | 2019         | 2018         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| Buildings  | 96           | 86           |
| Plant and equipment                                    | 732          | 732          |
| Water Distribution                                     | 2,082        | 2,047        |
| Water Harvesting & major transfer                      | 617          | 600          |
| Water Quality  | 97           | 69           |
| Sewer Collection                                       | 2,019        | 1,967        |
| Sewer Treatment and Disposal                           | 514          | 458          |
| Impairment   | -            | -            |
| <b>Subtotal</b>  | <b>6,157</b> | <b>5,959</b> |
| Intangible assets & amortisation                       | 85           | 130          |
| <b>Total depreciation, amortisation and impairment</b> | <b>6,242</b> | <b>6,089</b> |

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

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

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

| Asset                             | Useful life: years |
|-----------------------------------|--------------------|
|                                   | 2019 and 2018      |
| 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:

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| Sales proceeds                                      | 126            | 255            |
| Costs of the assets                                 | (581)          | (874)          |
| Accumulated depreciation                            | 287            | 696            |
| Net gain/loss on disposal                           |                |                |
| Property, plant and equipment (including livestock) | (168)          | 77             |

## 4.2 Intangible assets

|                                | Water<br>entitlements<br>\$'000 | Software<br>Costs<br>\$'000 | Patents and<br>Licences<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|--------------------------------|---------------------------------|-----------------------------|-----------------------------------|-----------------|-----------------|
| <b>At 1 July 2017</b>          |                                 |                             |                                   |                 |                 |
| Cost or 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             |
| <b>Year ended 30 June 2018</b> |                                 |                             |                                   |                 |                 |
| Opening net book amount        | 351                             | 249                         | 202                               | 10              | 812             |
| Impairment of assets           | -                               | (1)                         | -                                 | -               | (1)             |
| Amortisation                   | (4)                             | (101)                       | (20)                              | (5)             | (130)           |
| Closing carrying amount        | 347                             | 147                         | 182                               | 5               | 681             |
| <b>At 30 June 2018</b>         |                                 |                             |                                   |                 |                 |
| Cost of 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             |
| <b>Year ended 30 June 2019</b> |                                 |                             |                                   |                 |                 |
| Opening net book amount        | 347                             | 147                         | 182                               | 5               | 683             |
| Transfer between asset class   | -                               | 158                         | -                                 | -               | 158             |
| Amortisation                   | (4)                             | (76)                        | (2)                               | (3)             | (85)            |
| Carrying amount                | 344                             | 230                         | 180                               | 2               | 756             |
| <b>At 30 June 2019</b>         |                                 |                             |                                   |                 |                 |
| Cost or fair value             | 370                             | 2,680                       | 279                               | 32              | 3,362           |
| Accumulated amortisation       | (26)                            | (2,450)                     | (99)                              | (30)            | (2,606)         |
| Carrying amount                | 344                             | 230                         | 180                               | 2               | 756             |

## 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:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) an intention to complete the intangible asset and use or sell it;
- c) the ability to use or sell the intangible asset;
- d) the intangible asset will generate probable future economic benefits;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) 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:

| Intangible Asset                           | 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 Impairment 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

|                                      | 2019<br>\$'000 | 2018<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Current                              |                |                |
| Contractual                          |                |                |
| Trade receivables                    | 1,535          | 1,419          |
| Provisions for doubtful debt         | (125)          | (125)          |
| Other receivables                    | 214            | 128            |
| Accrued revenue                      | 578            | 588            |
| Statutory                            |                |                |
| GST Input tax credit receivables     | 142            | 140            |
| FBT receivable                       | -              | 11             |
| <b>Total current receivables</b>     | <b>2,344</b>   | <b>2,161</b>   |
| Non-current                          |                |                |
| Contractual                          |                |                |
| Provisions for doubtful debt         | (57)           | (57)           |
| Trade receivables                    | 123            | 127            |
| <b>Total non-current receivables</b> | <b>66</b>      | <b>70</b>      |
| <b>Total receivables</b>             | <b>2,410</b>   | <b>2,231</b>   |

Receivables consist of:

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

### 5.1.1 Impairment of contractual receivables

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables.

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for receivables – service and usage charges and other receivables:

| 30 June 2019<br>\$000's  | Current | Less than<br>1 month | 1-3 months | 3 months-1<br>year | More than 1<br>year | Total |
|--|---------|----------------------|------------|--------------------|---------------------|-------|
| Expected loss rate   | 0%      | 0%                   | 0%         | 6.3%               | 6.3%                |       |
| Gross carrying amount –<br>receivables from service and<br>usage charges | 363     | 55                   | 664        | 904                | 68                  | 2,054 |
| Gross carrying amount - other<br>receivables                             | -       | 20                   | 194        | -                  | -                   | 214   |
| Loss allowance   | -       | -                    | -          | 57                 | 4                   | 61    |
| 1 July 2018  | Current | Less than<br>1 month | 1-3 months | 3 months-1<br>year | More than 1<br>year | Total |
| Expected loss rate   | 0%      | 0%                   | 0%         | 5.9%               | 5.9%                |       |
| Gross carrying amount –<br>receivables from service and<br>usage charges | 289     | 38                   | 657        | 896                | 72                  | 1,952 |
| Gross carrying amount - other<br>receivables                             | -       | 16                   | 102        | 10                 | -                   | 128   |
| Loss allowance   | -       | -                    | -          | 54                 | 4                   | 58    |

Receivables from service and usage charges are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments for a period of greater than (120) days past due.

Loss allowance on on receivables from service and usage charges are presented in other operational expenses within the comprehensive operating statement.

No interest is charged for the first 35 days from the invoice date. Thereafter, interest is charged at 5 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.

## 5.2 Payables

|                       | 2019<br>\$'000 | 2018<br>\$'000 |
|-----------------------|----------------|----------------|
| Current               |                |                |
| Contractual           |                |                |
| Trade creditors       | 1,410          | 1,119          |
| Sundry creditors      | 890            | 580            |
| Accrued expenses      | 641            | 1,307          |
| Prepaid Income        | 1,860          | 1,793          |
| <b>Total payables</b> | <b>4,801</b>   | <b>4,799</b>   |

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

|                       | Maturity dates  |                |                   |              |                   |            |          |
|-----------------------|-----------------|----------------|-------------------|--------------|-------------------|------------|----------|
|                       | Carrying amount | Nominal amount | Less than 1 month | 1-3 months   | 3 months - 1 year | 1- 5 years | 5+ years |
|                       | \$'000          | \$'000         | \$'000            | \$'000       | \$'000            | \$'000     | \$'000   |
| <b>2019</b>           |                 |                |                   |              |                   |            |          |
| Supplies and services | 3,911           | 3,911          | 2,051             | 1,860        | -                 | -          | -        |
| Other payables        | 890             | 890            | 285               | -            | 605               | -          | -        |
| <b>Total</b>          | <b>4,801</b>    | <b>4,801</b>   | <b>2,336</b>      | <b>1,860</b> | <b>605</b>        | <b>-</b>   | <b>-</b> |
| <b>2018</b>           |                 |                |                   |              |                   |            |          |
| Supplies and services | 4,219           | 4,219          | 2,427             | 1,792        | -                 | -          | -        |
| Other payables        | 580             | -              | 237               | -            | 343               | -          | -        |
| <b>Total</b>          | <b>4,799</b>    | <b>4,219</b>   | <b>2,664</b>      | <b>1,792</b> | <b>343</b>        | <b>-</b>   | <b>-</b> |

### 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 2019-20 reporting period.

## 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

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| Current interest bearing liabilities           |                |                |
| Secured Borrowings from TCV                    | 1,190          | 1,250          |
| Total current interest bearing liabilities     | 1,190          | 1,250          |
| Non-current interest bearing liabilities       |                |                |
| Secured Borrowings from TCV                    | 5,500          | 6,690          |
| Total non-current interest bearing liabilities | 5,500          | 6,690          |
| Total interest bearing liabilities             | 6,690          | 7,940          |

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 | Nominal amount | Maturity dates    |            |                   |            | \$'000   |
|-----------------------------|-----------------|----------------|-------------------|------------|-------------------|------------|----------|
|                             |                 |                | Less than 1 month | 1-3 months | 3 months – 1 year | 1- 5 years | 5+ years |
| <b>2019</b>                 |                 |                |                   |            |                   |            |          |
| Secured Borrowings from TCV | 6,690           | 6,690          | -                 | 190        | 1,000             | 4,750      | 750      |
| Total                       | 6,690           | 6,690          | -                 | 190        | 1,000             | 4,750      | 750      |
| <b>2018</b>                 |                 |                |                   |            |                   |            |          |
| 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    |

### 6.1.2 Interest expense

|                               | 2019   | 2018   |
|-------------------------------|--------|--------|
|                               | \$'000 | \$'000 |
| Interest on secured TCV Loans | 199    | 257    |
| Financial accommodation levy  | 85     | 90     |
| Total interest expense        | 285    | 347    |

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.

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

Borrowing costs include interest on short-term and long-term borrowings held with the Treasury Corporation of Victoria (TCV) and costs relating to the Financial Accommodation Levy (FAL) set by the Treasurer of the State of Victoria under section 40N(2) of the Financial Management Act 1994. The FAL is in place to remove the financial benefit obtained by the Corporation in securing lower than market interest rates as a result of being guaranteed by the State of Victoria.

## 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.

|                                    | 2019   | 2018   |
|------------------------------------|--------|--------|
|                                    | \$'000 | \$'000 |
| Cash at bank                       | 6,727  | 2,443  |
| Deposits at call                   | -      | 4,000  |
| Balance as per cash flow statement | 6,727  | 6,443  |

Note:

- Deposits at call during 2018 were held with TCV in short term interest bearing account. From 2019 Cash at bank is invested with Central Banking System (CBS) interest bearing account.

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

|  | 2019    | 2018   |
|--|---------|--------|
|  | \$'000  | \$'000 |
| Net result for the period  | 1,266   | 825    |
| Non-cash movements:  |         |        |
| (Gain)/loss on sale or disposal of non-current assets                  | 168     | (77)   |
| Depreciation and amortisation of non-current assets                    | 6,242   | 6,089  |
| Resources provided free of charge or for nominal consideration         | (1,836) | (695)  |
| Bad debt write off   | 65      | 66     |
| Other non-cash movements – Capital Labour transfer to work in progress | (1,099) | (597)  |
| Movements in assets and liabilities:                                   |         |        |
| Increase/decrease in receivables                                       | (49)    | (75)   |
| Increase/decrease in inventories and livestock                         | (38)    | 1      |
| Increase/decrease in other non-financial assets (prepayments)          | (300)   | 139    |
| Increase/decrease in payables  | (321)   | 201    |
| Increase/decrease in current tax payable                               | 1,078   | -      |
| Increase/decrease in provisions  | 268     | 279    |
| Increase/decrease in prepaid income                                    | 67      | 493    |
| Increase/decrease in deferred tax liabilities                          | (537)   | 353    |
| Increase/decrease in other liabilities                                 | 586     | 573    |
| Net cash flows from/(used in) operating activities                     | 5,560   | 7,725  |

### 6.2.2 Financing facilities

|  | 2019   | 2018   |
|--|--------|--------|
|  | \$'000 | \$'000 |
| Unsecured bank overdraft facility, reviewed annually and payable at call   |        |        |
| Amount unused  | 2,000  | 2,000  |
| Total  | 2,000  | 2,000  |
| Unsecured loan facilities with various maturity dates through to 2019-18 and which may be extended by mutual agreement |        |        |
| Amount used  | 6,690  | 7,940  |
| Amount unused  | 2,000  | 2,500  |
| Total  | 8,690  | 10,440 |

## 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
- 6.3.4 Other 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: 2019                       | Less than 1 year<br>\$'000 | Between 1 and 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|---|----------------------------|---------------------------------|------------------------|-----------------|
| Capital commitments                         | 1,260                      | -                               | -                      | 1,260           |
| Operating lease commitments payable         | 474                        | 2,072                           | -                      | 2,546           |
| Other (non lease commitments)               | 50                         | 711                             | -                      | 761             |
| <b>Total commitments (inclusive of GST)</b> | <b>1,784</b>               | <b>2,783</b>                    | <b>-</b>               | <b>4,567</b>    |
| Less GST recoverable from the ATO           | 161                        | 253                             | -                      | 414             |
| <b>Total commitments (exclusive of GST)</b> | <b>1,623</b>               | <b>2,530</b>                    | <b>-</b>               | <b>4,153</b>    |

| Nominal Amounts: 2018                       | Less than 1 year<br>\$'000 | Between 1 and 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|---|----------------------------|---------------------------------|------------------------|-----------------|
| Capital commitments                         | 577                        | -                               | -                      | 577             |
| Operating and lease commitments payable     | 40                         | 20                              | -                      | 60              |
| <b>Total commitments (inclusive of GST)</b> | <b>617</b>                 | <b>20</b>                       | <b>-</b>               | <b>637</b>      |
| Less GST recoverable from the ATO           | 56                         | 2                               | -                      | 58              |
| <b>Total commitments (exclusive of GST)</b> | <b>561</b>                 | <b>18</b>                       | <b>-</b>               | <b>579</b>      |

### 6.3.2 Operating lease commitments

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.

| 2019  | Less than 1<br>year<br>\$'000 | Between 1 and<br>5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------|------------------------------------|------------------------|-----------------|
| Operating and lease commitments payable     | 474                           | 2,072                              | -                      | 2,546           |
| Less GST recoverable from the ATO           | (43)                          | (188)                              | -                      | (231)           |
| <b>Total commitments (exclusive of GST)</b> | <b>431</b>                    | <b>1,884</b>                       | <b>-</b>               | <b>2,315</b>    |

| 2018                                    | Less than 1<br>year<br>\$'000 | Between 1 and<br>5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------|------------------------------------|------------------------|-----------------|
| Operating and lease commitments payable | 40                            | 19                                 | -                      | 59              |
| Less GST recoverable from the ATO       | 3                             | 1                                  | -                      | 4               |
| Total commitments (exclusive of GST)    | 37                            | 18                                 | -                      | 55              |

### 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.

| 2019                                 | Less than 1<br>year<br>\$'000 | Between 1 and<br>5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|--------------------------------------|-------------------------------|------------------------------------|------------------------|-----------------|
| Capital commitments                  | 1,260                         | -                                  | -                      | 1,260           |
| Less GST recoverable from the ATO    | 114                           | -                                  | -                      | 114             |
| Total commitments (exclusive of GST) | 1,146                         | -                                  | -                      | 1,146           |

| 2018                                 | Less than 1<br>year<br>\$'000 | Between 1<br>and 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|--------------------------------------|-------------------------------|------------------------------------|------------------------|-----------------|
| Capital commitments                  | 577                           | -                                  | -                      | 577             |
| Less GST recoverable from the ATO    | 52                            | -                                  | -                      | 52              |
| Total commitments (exclusive of GST) | 525                           | -                                  | -                      | 525             |

### 6.3.4 Other commitments

Other commitments arising from contracts however are not leases. 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.

| 2019                                 | Less than 1<br>year<br>\$'000 | Between 1 and<br>5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|--------------------------------------|-------------------------------|------------------------------------|------------------------|-----------------|
| Other commitments                    | 50                            | 711                                | -                      | 761             |
| Less GST recoverable from the ATO    | 5                             | 65                                 | -                      | 70              |
| Total commitments (exclusive of GST) | 45                            | 646                                | -                      | 691             |

No other commitments reported for 2018 financial year.

## 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 high her level of judgement to be applied, which for the Corporation related mainly to fair value determination.

### Structure

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

## 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.

These financial instruments include:

| <i>Financial assets</i>      | <i>Financial liabilities</i> |
|------------------------------|------------------------------|
| 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.

### Classification 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. Financial assets are initially measured at fair value plus or minus any direct transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

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**

All financial assets and financial liabilities of the Corporation are measured at amortised cost in line with AASB 9 *Financial Instruments*.

#### **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.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. Refer to section 5.1.

### **Liquidity risk**

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

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

### **Market risk**

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is insignificant exposure to foreign exchange risk and insignificant exposure to other price risks.

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

a) Interest Rate Risk

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

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.

| 2019                              | Interest rate exposure    |                                  |                               |                                  |                                 | Interest rate risk sensitivity |                  |                      |                  |
|-----------------------------------|---------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------|--------------------------------|------------------|----------------------|------------------|
|                                   | Carrying amount<br>\$'000 | Weighted average interest rate % | Fixed interest rate<br>\$'000 | Variable interest rate<br>\$'000 | Non-inter est bearing<br>\$'000 | -100 basis points              |                  | +100 basis points    |                  |
|                                   |                           |                                  |                               |                                  |                                 | Net result<br>\$'000           | Equity<br>\$'000 | Net result<br>\$'000 | Equity<br>\$'000 |
| Contractual financial assets      |                           |                                  |                               |                                  |                                 |                                |                  |                      |                  |
| Cash and deposits                 | 6,727                     | 1.65%                            |                               | 6,727                            | -                               | (67)                           | (67)             | 67                   | 67               |
| Contractual financial assets      | 2,268                     | 5.00%                            | 1,830                         |                                  | 438                             | (18)                           | (18)             | 18                   | 18               |
| Total financial assets            | 8,523                     | -                                | 1,737                         | 6,443                            | 343                             | (85)                           | (85)             | 85                   | 85               |
| Contractual financial liabilities |                           |                                  |                               |                                  |                                 |                                |                  |                      |                  |
| Borrowings                        | 6,690                     | 3.04%                            | 6,690                         | -                                | -                               | (67)                           | (67)             | 67                   | 67               |
| Total financial liabilities       | 6,690                     | -                                | 6,690                         | -                                | -                               | (67)                           | (67)             | 67                   | 67               |

## 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 (2018:\$0).

### Contingent liabilities

The Corporation was not aware of any contingent liabilities at the time of finalisation of the financial report (2018:\$0).

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.

## 7.3 Power Purchase Agreement specific disclosure

Westernport Region Water Corporation is one of 13 water corporation Members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility(ies) in Victoria and in turn supply these products to its Members. This vehicle provides the opportunity for water corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors.

Under the Members' Agreement Westernport Region Water Corporation's liability as a member is limited to \$10 in the event of a winding up.

As required by Australian accounting standards, Westernport Region Water Corporation has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control or significant influence over ZEW. The water corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 Financial Instruments. ZEW is a related party of Westernport Region Water Corporation.

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW will act as a central intermediary between the energy generator and the water corporations. The PPA contains a contract for difference (CFD) payment mechanism in respect of electricity generated by the facility and the sale and supply of large-scale generation certificates (LGCs) from the facility. The PPA contains certain conditions precedent with the target commercial operation date of 1 October 2019. At 30 June 2019, the conditions precedent in the PPA are not completed, and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no transactions to recognise as at 30 June 2019.

Upon satisfaction of the conditions precedent, the CFD derivative will be recognised as a financial liability and will be measured at its fair value. Subsequent changes in the fair value of the derivative will be recognised in profit and loss.

The Members' Agreement specifies that Westernport Region Water Corporation must make a loan available to the SPV amounting to \$11,404 which is equal to a share of 0.81%. The loan provided to ZEW meets the definition of a financial asset as it gives rise to a contractual right for Western Water to receive cash from ZEW at the end of the loan term.

Once the facility is operational, the financial impact of the members' agreement with ZEW is expected to be an increase in revenue, expenses, and recognition of LGCs as intangible assets or asset held for sale (asset)

## 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:

|  | (\$'000)   |            |
|--|------------|------------|
|  | 2019       | 2018       |
| Income statement                                   |            |            |
| Current income tax expense (paid or payable)       | 1,078      | 1,113      |
| Deferred income tax expense                        |            |            |
| Temporary differences                              | (537)      | (759)      |
| <b>Income tax reported in the Income Statement</b> | <b>541</b> | <b>353</b> |
| Tax reconciliation                                 |            |            |
| Net result before income tax expense               | 1,804      | 1,177      |
| Tax at the Australian tax rate of 30% (2018: 30%)  | 541        | 353        |
| <b>Income tax on profit before tax</b>             | <b>541</b> | <b>353</b> |
| Statement in changes in Equity                     |            |            |
| Net deferred tax – debited/(credited)              | 614        | -          |
| <b>Income tax reported in Equity</b>               | <b>614</b> | <b>-</b>   |

### 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

|   | (\$'000)     |              |
|---|--------------|--------------|
|   | 2019         | 2018         |
| Amounts recognised in Comprehensive Operating Statement         |              |              |
| Doubtful debts  | 55           | 54           |
| Employee benefits   | 638          | 557          |
| Unearned Revenue  | 807          | 538          |
| Project related costs   | 489          | 502          |
| Business related costs  | 18           | -            |
| Tax losses  | -            | 473          |
| <b>Total deferred tax assets</b>                                | <b>2,007</b> | <b>2,124</b> |
| Movements   |              |              |
| Opening balance at 1 July                                       | 2,124        | 3,032        |
| Credited/(debited) to the Comprehensive Operating Statement     | 355          | 205          |
| Increase in DTA to recognise additional tax losses from 30 June | -            | -            |
| Decrease in DTA for utilisation of tax losses                   | (473)        | (1,113)      |
| Closing balance at 30 June                                      | 2,007        | 2,124        |
| Deferred tax asset to be recovered after more than 12 months    | 394          | 817          |
| Deferred tax asset to be recovered within than 12 months        | 1,613        | 834          |
| Tax losses  | 0            | 473          |
| <b>Ending balance at 30 June</b>                                | <b>2,007</b> | <b>2,124</b> |

### Deferred tax liabilities

|  | (\$'000)      |               |
|--|---------------|---------------|
|  | 2019          | 2018          |
| Amounts recognised in Comprehensive Operating Statement            |               |               |
| Depreciation   | 34,871        | 35,528        |
| Revaluation of infrastructure property, plant and equipment        | 614           | -             |
| Other deferred tax liabilities - FBT                               | 5             | 3             |
| <b>Total deferred tax liabilities</b>                              | <b>35,491</b> | <b>35,531</b> |
| Movements  |               |               |
| Opening balance at 1 July  | 35,531        | 36,085        |
| Credited/(debited) to the net result                               | (655)         | (554)         |
| Credited/(debited) to the other comprehensive result               | 614           | -             |
| Closing balance at 30 June   | 35,490        | 35,531        |
| Deferred tax liabilities to be recovered after more than 12 months | 35,485        | 35,528        |
| Deferred tax liabilities to be recovered within 12 months          | 5             | 3             |
| <b>Total at 30 June</b>  | <b>35,490</b> | <b>35,531</b> |
| <b>Ending balance at 30 June</b>                                   | <b>33,484</b> | <b>33,406</b> |

## 8.2 Environmental contribution

|                                 | (\$'000) |      |
|---------------------------------|----------|------|
|                                 | 2019     | 2018 |
| Environmental contribution levy | 916      | 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 2019, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

| (\$'000)                                    |                  |                       |              |       |
|---|------------------|-----------------------|--------------|-------|
| 2019  | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
| Environmental contribution levy commitments | 916              | -                     | -            | 916   |
| Total commitments (inclusive of GST)        | 916              | -                     | -            | 916   |
| Less GST recoverable                        | -                | -                     | -            | -     |
| Total commitments (exclusive of GST)        | 916              | -                     | -            | 916   |

| (\$'000)                                    |                  |                       |              |       |
|---|------------------|-----------------------|--------------|-------|
| 2018  | Less than 1 year | Between 1 and 5 years | Over 5 years | 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 |

## 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 Related parties
- 9.5 Remuneration of executives
- 9.6 Remuneration of auditors
- 9.7 Ex-gratia expense
- 9.8 Changes in accounting policies
- 9.9 Australian Accounting Standards issued that are not yet effective

## 9.1 Equity

### 9.1.1 Contributed capital

| Contributed capital | (\$'000) |        |
|---------------------|----------|--------|
|                     | 2019     | 2018   |
| Balance 1 July      | 51,323   | 51,323 |
| 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

|                 | (\$'000) |        |
|-----------------|----------|--------|
|                 | 2019     | 2018   |
| Land            | 2,288    | 1,128  |
| Buildings       | 1,116    | 843    |
| Infrastructure  | 51,435   | 51,435 |
| Balance 30 June | 54,839   | 53,406 |

| Movements during the reporting period | Land  | Buildings | Infrastructure | (\$'000)<br>Total |
|---------------------------------------|-------|-----------|----------------|-------------------|
| Opening balance                       | 1,128 | 843       | 51,435         | 53,406            |
| Revaluation increment/(decrement)     | 1,655 | 390       | -              | 2,047             |
| Tax Effect on Revaluation             | (496) | (118)     | -              | (614)             |
| Closing balance                       | 2,288 | 1,116     | 51,435         | 54,839            |

### 9.1.3 Accumulated surplus

|  | (\$'000) |        |
|--|----------|--------|
|  | 2019     | 2018   |
| Accumulated surplus at beginning of financial year | 62,757   | 61,932 |
| Net profit for the year                            | 1,266    | 825    |
| Accumulated surplus at end of financial year       | 64,023   | 62,757 |

## 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 2018-19 reporting period was the Hon Lisa Neville MP, Minister for Water. Remuneration paid to the respective Minister is excluded in the financial statements. The names of persons who were directors of Westernport Region Water Corporation at any time during the financial year are:

| Name                     | Title                                | Period of appointment      |
|--------------------------|--------------------------------------|----------------------------|
| The Hon. Lisa Neville MP | Minister for Water                   | 1 July 2018 – 30 June 2019 |
| Mr Philip Clark          | Board Chair                          | 1 July 2018 – 30 June 2019 |
| Ms Joanne Pearson        | Audit Risk Committee Chair, Director | 1 July 2018 – 30 June 2019 |
| Mr Peter Quigley         | Managing Director                    | 1 July 2018 – 30 June 2019 |
| Dr Emma Connell          | Director                             | 1 July 2018 – 30 June 2019 |
| Mr Rueben Berg           | Director                             | 1 July 2018 – 30 June 2019 |
| Mr Christopher Newton    | Director                             | 1 July 2018 – 30 June 2019 |
| Mr Christopher Edwards   | Director                             | 1 July 2018 – 30 June 2019 |
| Ms Yvonne Dickson        | Director                             | 1 July 2018 – 30 June 2019 |

#### Responsible person's 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 \$260k-\$269k (\$220k - \$239k in 2018).

| Annualised total salary by \$10,000 bands for executives and other senior non-executive staff | 2019 | 2018 |
|---|------|------|
| \$0-\$9,999   | -    | 1    |
| \$10,000-\$19,999   | -    | 6    |
| \$20,000-\$29,999   | 6    | 2    |
| \$30,000-\$39,999   | -    | 1    |
| \$40,000-\$49,999   | 1    | -    |
| \$260,000-\$269,999   | 1    | 1    |
| Total   | 8    | 11   |
| Total (\$'000)  | 444  | 406  |

### 9.4 Related parties

The Corporation 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 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            | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------------------------|----------------|----------------|
| Amounts recognised as revenue in the Statement of Comprehensive Income: |                                  |                |                |
| Treasury Corporation Victoria   | Interest received from investing | 72             | 48             |
| Department of Health and Human Services                                 | Customer Rebates received        | 817            | 746            |
| Cash paid during the year:  |                                  |                |                |
| Department of Environment, Land and Water Planning                      | Environmental Contribution Levy  | 916            | 794            |
| Treasury Corporation Victoria   | Interest from borrowings         | 199            | 257            |
| Department of Treasury and Finance                                      | Financial Accommodation Levy     | 85             | 90             |
| Treasury Corporation Victoria   | Secured borrowings               | 6,690          | 7,940          |
| State Revenue Office  | Payroll Tax                      | 183            | 254            |

#### 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         | 2019<br>\$'000 | 2018<br>\$'000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 413            | 393            |
| Post-employment benefits     | 43             | 37             |
| Total                        | 456            | 430            |

#### 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.

## 9.5 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   | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| Short-term employee benefits                         | 474            | 464            |
| Post-employment benefits                             | 50             | 48             |
| Total remuneration <sup>(a)</sup>                    | 524            | 512            |
| Total number of executives                           | 3              | 3              |
| Total annualised employee equivalents <sup>(b)</sup> | 3              | 3              |

(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.

## 9.6 Remuneration of auditors

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| Victorian Auditor-General's Office          |                |                |
| Audit or review of the financial statements | 32             | 45             |
| Other non-audit services                    |                |                |
| Other non-audit services <sup>(i)</sup>     | 117            | 135            |
| Total remuneration of auditors              | 149            | 180            |

(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 (2018:\$0).

## 9.8 Changes in accounting policies

### AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting, as reflected in note 7.1.

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements (refer to Note 5.1 above) In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), the Corporation has applied a modified retrospective approach, therefore, comparative figures from FY2018 have not been restated.

(i) Classification and measurement under AASB 9

On 1 July 2018 (the date of initial application of AASB 9), the Corporation's management has assessed which business models apply to the financial assets held by the Corporation and has classified its financial instruments into the appropriate AASB 9 categories.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 5 years before 31 December 2018 or 30 June 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On the date of the initial application, the financial instruments of the Corporation were as follows, with any reclassifications noted:

|                                    | Measurement category |                | Carrying amount    |               |                        |
|------------------------------------|----------------------|----------------|--------------------|---------------|------------------------|
|                                    | Original (AASB 139)  | New (AASB 9)   | Original<br>\$'000 | New<br>\$'000 | Difference *<br>\$'000 |
| Non Current Financial Assets       |                      |                |                    |               |                        |
| Trade receivables (scheme debtors) | Amortised Cost       | Amortised Cost | 70                 | 70            | -                      |
| Current financial assets           |                      |                |                    |               |                        |
| Trade receivables                  | Amortised Cost       | Amortised Cost | 1,882              | 1,882         | -                      |
| Statutory receivables              | Amortised Cost       | Amortised Cost | 151                | 151           | -                      |
| Cash and cash equivalents          | Amortised Cost       | Amortised Cost | 6,443              | 6,443         | -                      |
| Other receivables                  | Amortised Cost       | Amortised Cost | 128                | 128           | -                      |
| Current financial liabilities      |                      |                |                    |               |                        |
| Payables                           | Amortised Cost       | Amortised Cost | 4,799              | 4,799         | -                      |
| Interest bearing liabilities       | Amortised Cost       | Amortised Cost | 1,250              | 1,250         | -                      |

*\*The difference noted in this column are the result of the new expected credit loss model. Refer to section 5.1 for the application of the Expected Credit Loss model. The reclassifications of the financial instruments on adoption of AASB 9 did not result in any changes to measurements.*

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

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

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2019 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 15<br><i>Revenue from Contracts with Customers</i>   | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.  | 1 January 2019   | 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 in the annual report.<br><br>An impact assessment has been performed for 2019 to identify performance obligations to recognise timing and amount of revenue. From 1 July 2019 this change will impact Developer revenue which will now be recognised at the time of issue of Statement of Compliance. |
| AASB 2016-8<br>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities | This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.  | 1 January 2019   | 1 January 2019                | This standard clarifies the application of AASB15 and AASB9 in a not-for-profit context.   |
| AASB 2014-5<br>Amendments to Australian Accounting Standards arising from AASB 15   | Amends the measurement of trade receivables and the recognition of dividends. Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when the Corporation's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably. | 1 January 2019, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018. | 1 January 2019                | This change to recognition of trade receivables may result in changes to the timing and the recording of receivables reported in the Annual report. The Corporation does not currently receive dividends.  |

| Topic   | Key requirements  | Effective date | Effective date for the entity | Estimated impact  |
|---|---|----------------|-------------------------------|---|
| AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15                       | <p>This Standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence.</p> <p>The amendments require:</p> <ul style="list-style-type: none"> <li>• a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;</li> <li>• for items purchased online, the Corporation is a principal if it obtains control of the good or service prior to transferring to the customer; and</li> <li>• for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).</li> </ul> | 1 January 2019 | 1 January 2019                | This standard clarifies the application of AASB15 in a not-for profit context.  |
| AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities | This standard defers the mandatory effective date of AASB 15 from 1 January 2018 to 1 January 2019.   | 1 January 2019 | 1 January 2019                | This amending standard will defer the application period of AASB15 for profit entities to the 2019-20 reporting period in accordance with the transition requirements.  |
| 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. |

| Topic  | Key requirements  | Effective date | Effective date for the entity | Estimated impact  |
|--|---|----------------|-------------------------------|---|
|  |   |                |                               | An assessment was performed against the standard and determined that there is no impact to current business (i.e. Assessment of all current leases determined that none meet the DTF Guidelines as all current leases <\$10k AUD). A lease register has been created for recording purposes as per the requirements.  |
| AASB 1058<br><i>Income of Not-for-Profit Entities</i>        | This Standard will replace AASB 1004 <i>Contributions</i> 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.<br><br>An impact assessment was performed and this will result in recognition of revenue timing changes as revenue will now be recognised on completion of performance obligations. This is not currently applicable as WPW does not currently have any capital grants or contributions for the 2018-19 financial year however, we have mechanisms in place for AASB 1058. |
| AASB 1059<br><i>Service Concession Arrangements Grantors</i> | This standard applies to service concession arrangements which involve (a) an operator providing public services related to a service concession asset on behalf of a grantor; and, (b) managing at least some of those services under its own discretion, rather than at the direction of the grantor. | 1 January 2020 | 1 January 2020                | The Corporation does not currently have any service concession arrangements in place.   |

The following accounting pronouncements are also issued and effective for the 2018-19 reporting period. 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 2017-2 Amendments to Australian Accounting Standards

The following accounting pronouncement has also been issued but not yet effective for the 2018-19 reporting period. The preliminary assessment suggests it may have an insignificant impact on public sector reporting.

- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

## Financial Management Compliance Attestation Statement

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



**Philip Clark**  
Chair  
Westernport Water

# 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 Assistant Treasurer under 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 2019 and financial position of the Corporation at 30 June 2019.

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 15 September 2019.



**Philip Clark**  
Chair  
Westernport Water



**Peter Quigley**  
Managing Director  
Westernport Water



**Kathy Hawke**  
Chief Finance Officer  
Westernport Water

15 September 2019

# Auditor General's Report



## Independent Auditor's Report

To the Board of the Westernport Region Water Corporation

|  |  |
|--|--|
| <b>Opinion</b>   | <p>I have audited the financial report of the Westernport Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2019</li><li>• comprehensive operating statement for the year then ended</li><li>• statement of changes in equity for the year then ended</li><li>• cash flow statement for the year then ended</li><li>• notes to the financial statements, including significant accounting policies</li><li>• accountable officer's and chief finance and accounting officer's declaration.</li></ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2019 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> |
| <b>Basis for Opinion</b>                                 | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. 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>  |
| <b>Board's responsibilities for the financial report</b> | <p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <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  
20 September 2019



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                        |
| BCSC   | Bass Coast Shire Council                            |
| 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                   |
| DHHS   | Department of Health and Human Services             |
| 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  |
| ICAM   | Incident Cause Analysis Method                      |
| 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                             |
| VPSC               | Victorian Public Sector Commission               |
| 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 <sub>2</sub> -e | carbon dioxide equivalent                        |
| KL                 | kilolitre = one thousand litres                  |
| mg                 | milligram = one thousand grams                   |
| ML                 | megalitre = one million litres                   |
| t                  | metric tonne                                     |
| 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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