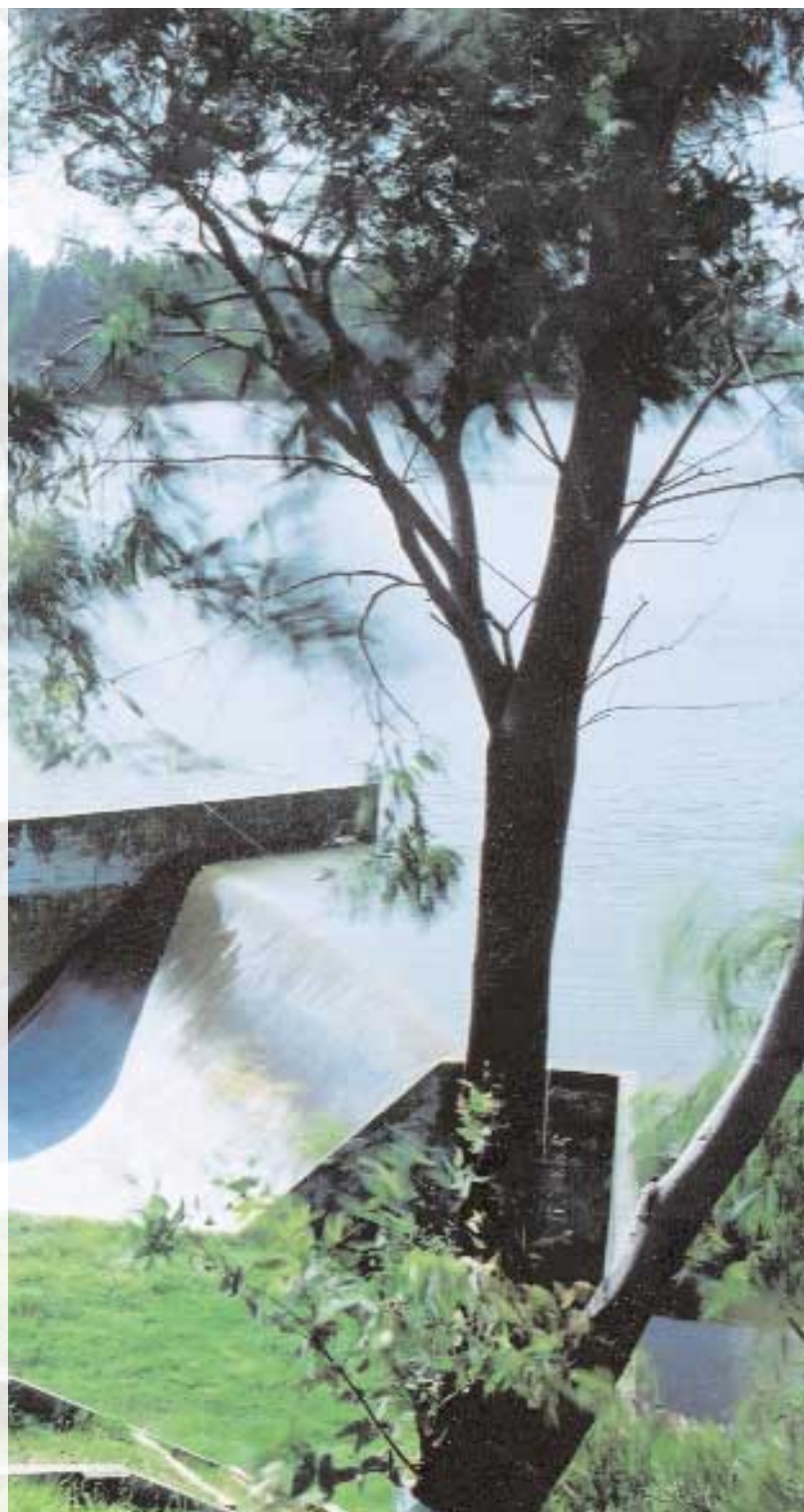






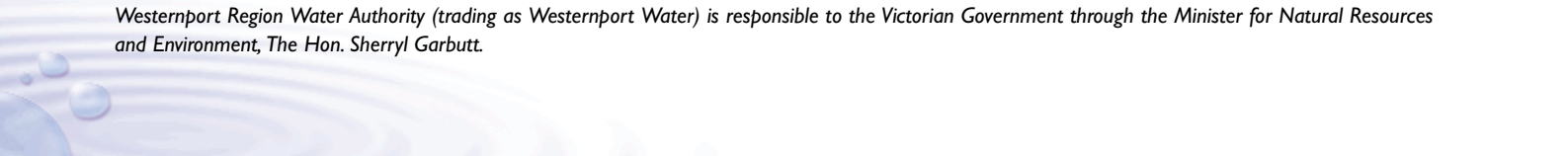
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By Order, under Section 98(2)(a) of the Water Act 1989, published in the Victorian Government Gazette No S102 on 22 December 1994 the then Minister for Natural Resources, the Hon. Geoff Coleman constituted Westernport Region Water Authority.

Westernport Region Water Authority (trading as Westernport Water) is responsible to the Victorian Government through the Minister for Natural Resources and Environment, The Hon. Sherryl Garbutt.



MISSION

To enhance community health, quality of life and economic development in the region by supplying the best appropriate value water and wastewater services and by promoting services that will improve the social, environmental and competitive position of the West Gippsland region.

VISION

Westernport Water will continue to be the organisation that meets customers' and stakeholders' needs by:

- caring about its customers and treating them in accordance with the Authority's Customer Charter.
- being a great place to work and caring about its employees.
- being open, honest and transparent.
- being an innovative, continuously improving and learning organisation.
- applying best appropriate practice to its environmental, legal and social obligations.
- being financially prudent and commercially focused.
- building relationships with Government, its departments and agencies.
- seeking and developing competitive value added services.

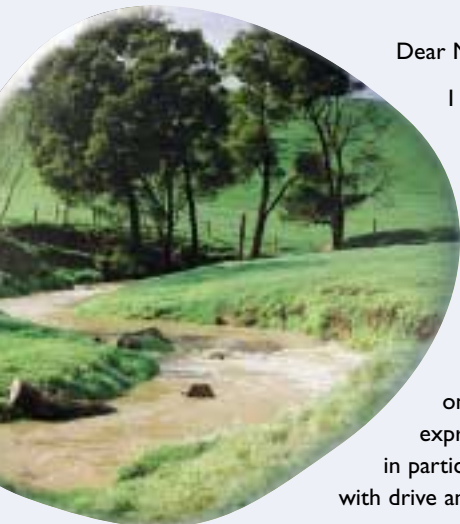
RESULTS AT A GLANCE

| | 2001/02 | 2000/01 | 1999/00 | 1998/99 | 1997/98 |
|------------------------------|------------|------------|------------|------------|------------|
| | \$ million | \$ million | \$ million | \$ million | \$ million |
| Financial Performance | | | | | |
| Revenue | 10.6 | 10.0 | 9.4 | 8.8 | 9.8 |
| Expenses | 7.5 | 6.2 | 6.1 | 6.2 | 5.4 |
| Borrowing costs | 0.5 | 0.7 | 1.0 | 1.1 | 3.6 |
| Net Profit | 2.6 | 3.1 | 2.3 | 1.5 | 0.8 |
| Financial Position | | | | | |
| Total Assets | 96.1 | 87.8 | 88.2 | 89.7 | 91.1 |
| Total Liabilities | 6.6 | 9.4 | 12.4 | 15.6 | 18.6 |
| Total Equity | 89.5 | 78.4 | 78.8 | 74.1 | 72.5 |

SIGNIFICANT CHANGES IN FINANCIAL POSITION

- Cash assets decreased by \$1.6 million and interest bearing liabilities decreased by \$3.2 million.
Reason: No new borrowings. Capital works and loan repayments funded from cash on hand and cash from operating activities.
- Non-current receivables decreased by \$0.5 million.
Reason: upfront payment of owners' contributions for new town sewerage schemes.
- Works under construction increased by \$1.0 million.
Reason: major works not yet completed, particularly improvements at the Cowes Wastewater Treatment Plant, the new office/depot complex and subdivision infrastructure.
- Increase in property, plant and equipment and in asset revaluation reserve of \$9.1 million.
Reason: revaluation of infrastructure, land and buildings.
- Increase in contributed capital and decrease in accumulated surplus of \$35.0 million.
Reason: transfer of opening accumulated surplus to contributed capital. See note 1(m)

Chairperson's Report



Dear Minister,

I have much pleasure in my first year as your Chairperson in presenting the Annual Report for the financial year 2001/2002. It provides a concise account of the Authority's economic, environmental and social successes.

Five new Directors were appointed for three-year terms and two existing Members were each re-appointed for a one-year term from 1 July 2001. I wish to express my thanks to the retiring Directors, in particular Tony Zoanetti, who lead the Board with drive and enthusiasm for nine years.

The new Board participated in a thorough induction program within the first few weeks of their appointment. All Directors have attended the excellent seminars on Corporate Governance, presented by Vic Water.

The operating result for the year was \$2.6 million compared with the previous year's result of \$3.1 million. This decreased result was due to a mild, wet summer and increased expenses associated with completion of major capital works. The Authority paid a \$1.0 million dividend to its shareholder this year.

The Board of Westernport Water has grasped the challenges before us and adopted the Organisation Development Plan presented by management as the strategy for continued success, particularly as the operating environment changes. The Plan has enabled the Board to adopt strategies and policies for a number of key issues including, customer and stakeholder engagement, asset management, employee retention, resourcing and sustainability.

Your requirement for focus on quality services to be delivered by the Authority and the provision regular reports on its progress, are made to you in accordance with the Water Services Agreement. I am pleased to advise that the Authority continues to deliver upon that Agreement with continued improvements in environmental and social performance.

The region continues to grow rapidly and in percentage terms is the highest in the state. The Authority is experiencing issues which are associated with this growth. The rapid growth also provides unique opportunities for the Authority. It enables innovation as resources become scarcer and provides opportunities, as services are required to meet the demands of growth. Westernport Water has delivered on both opportunities.

The Authority received a draft Water Resources Plan late in the year and, when finalised, all stakeholders will be engaged to determine the lowest risk path that has the best "whole of life" solution for the Authority.

The region's number one infrastructure priority is reticulated natural gas. To assist the provision of this service the Authority is participating in a Regional Infrastructure study to test whether there are synergies with our systems that could make service provision more economic. This exciting project may provide a model that can be replicated across the State.

May I express my appreciation to my fellow Directors, senior management and all staff for their ongoing efforts and continued focus on delivering our core services. I also acknowledge the efforts of the Water Sector Services, local parliamentarians and ministerial staff and commend this report to you.

Pamela Cameron.

Chief Executive Officer's Report

The cost of services provided by Westernport Water to our customers in 2001/2002 increased by 2.6%. This is an excellent achievement when considering the price reduction in 1997/98, that a price freeze was applied over the subsequent three years, the increases in the levels of services provided and increases in technical standards achieved.

The newly appointed Board grasped the governance of the Authority as a team and focused their considerable skills to provide excellent strategic decisions. We thank all Board Members for their input, guidance and support.

The management team presented the Board with an Organisation Development Plan which was the result of a future directions workshop for the continued success of the Authority. The Organisation Development Plan was adopted in full by the Board and set in motion in January 2002.

The year's operating result of \$2.6 million was acceptable considering lower revenues from water sold and increased expenditures associated with new infrastructure and increased service levels provided by the Authority. In particular, sewerage service costs were higher due to maintenance levels and increased electricity costs. Water services were higher in the water quality area due to the increase in the number of disinfection stations. Continuing growth in property developments underpinned the result. Income for capital purposes rose to \$1.34 million from \$0.75 million in the previous year.

The Authority has grown its capabilities in the past twelve months to prepare itself for the regulatory regime of the Essential Services Commission. These include;

- Benchmarking its asset management through a consultancy that assessed the "best value" asset management position for the Authority.
- A Net Present Value Developers' contribution policy.
- Seeking knowledge from all possible sources to assist with the understanding of the regulatory environment.
- Resourcing the organisation to meet the work required by the regulatory environment.
- Appropriate investment in information technology & communications systems.

The retention and attraction of employees remains a major challenge for the Authority. The Authority engaged specialist consultants to assist it to prepare an Executive Remuneration Policy to enable recruitment and retention of executives who will deliver our ongoing strategic requirements. It is hoped that this work will be of benefit to the industry as a whole.

We have developed a resource management process that matches water quality with end use. In doing this we have "found" extra water that would have otherwise gone to waste. The systems innovation has received wide recognition and funding from Natural Heritage Trust. I hope to be able to report on its successful implementation next year.

Westernport Water has recognised significant synergies that it can provide to enable other utility services to be provided in the region. These synergies are expected to deliver economies to water related services and hence the costs to our consumers. The Authority is participating in a Regional Infrastructure Study to quantify the synergies it can provide to encourage utility infrastructure investment decisions in the region.

I am indebted to the Authority's employees, our most valuable asset, who have performed tirelessly in these times of internal and external change to achieve the superb results presented in this report. The relocation to our new office and depot complex will enable employees to further improve our service delivery.

We would like to thank our consultants, contractors and government officials without whom we cannot have continued success.

Michael (Mike) Paine.



Profile of Directors

The Hon Sherryl Garbutt, Minister for Environment and Conservation appointed seven people to the Board of Westernport Region Water Authority for varying terms effective 1 July 2001. The Authority received five new Directors and retained two existing Directors.



Ms Pamela Cameron (Chairperson)

Pamela Cameron was initially appointed to the Board in June 1998. She was elected Deputy Chairperson for 2000-2001 and appointed Chairperson

on 30 June 2001. Pamela is a Physiotherapist, a partner in operating a family farm on Phillip Island and President of the Phillip Island Aquatic Centre Fund Inc. She is a part owner of the Phillip Island Motor Racing Circuit. For many years Pamela has held senior committee/director positions. She is a Life Governor of Newhaven College and a Member of the Australian Institute of Company Directors.



Ms Anthea Dacy

A self-employed business consultant specialising in trade and agribusiness investment with China, Ms Dacy has a Bachelor of Arts (Asian Studies), Grad. Dip. Business Studies, and is currently completing a

Diploma of Company Directorship (AICD). She is also studying towards Master of Marketing (Agribusiness). A farmer (beef breeding and Boer goats) in West Gippsland, she is actively involved in revegetation programmes through Landcare, Melbourne Water, and Greening Australia.



Mr Clyde Paterson (Deputy Chairperson)

Mr Paterson is a qualified accountant with over 30 years experience in the water industry with special skills in finance, business management, auditing,

budget control, capital works and construction and management of water and sewerage assets. He is also a Fellow of the Institute of Water Administration. Mr Paterson has sheep and cattle farming interests in South Gippsland and is an active member of the Arawata Landcare Group. He is also involved in community groups and service organisations in South Gippsland and is currently the Honorary Secretary of a 34 bed Aged Care facility in Korumburra.



Dr Eric (Tim) Ealey

Dr Ealey holds a Ph.D. in Desert Ecology, Master of Science in Antarctic Oceanography. Dr Ealey has extensive experience in science and environmental management. Previous employment includes

Foundation Director of the Graduate School of Environmental Science at Monash University, Senior Lecturer in Zoology at Monash University and Research Officer with the CSIRO Division of Wildlife. Dr Ealey is currently a member of the Port Phillip and Westernport Catchment and Land Protection Board, the Central Coastal Board, Westernport Seagrass Management Team, Coronet Bay Ratepayers Association and is Vice President, Coronet Bay Progress Association.



Mr Ian Purbrick

Mr Ian Purbrick has a Bachelor of Laws, holds a current Legal Practising Certificate and is a member of the Law Institute of Victoria. Mr Purbrick was Head Solicitor for the

Commonwealth Banking Group in Victoria and Tasmania. He is a qualified Mediator and a Compliance Committee Member under the Managed Investments Act. Mr Purbrick is a farmer (beef breeding) in the South Gippsland area where he is a member of the Anderson Inlet Landcare Group, the Fish Creek Prograze, Fish Creek BeefCheque Groups and the Beef Improvement Association of Australia.



Mr Philip Westwood

Mr Philip Westwood has a Diploma in Journalism. Mr Westwood is a self employed Director, Blue Mountain Creek Pty Ltd consulting in environmental auditing, public relations and corporate planning.

Mr Westwood is a member of the Central Coastal Board, Friends of Bass Valley Bush Inc, Bushland Research Council, Free Range Farmers Association Inc, South Gippsland Farmers Market and Western Port Seagrass Partnership.



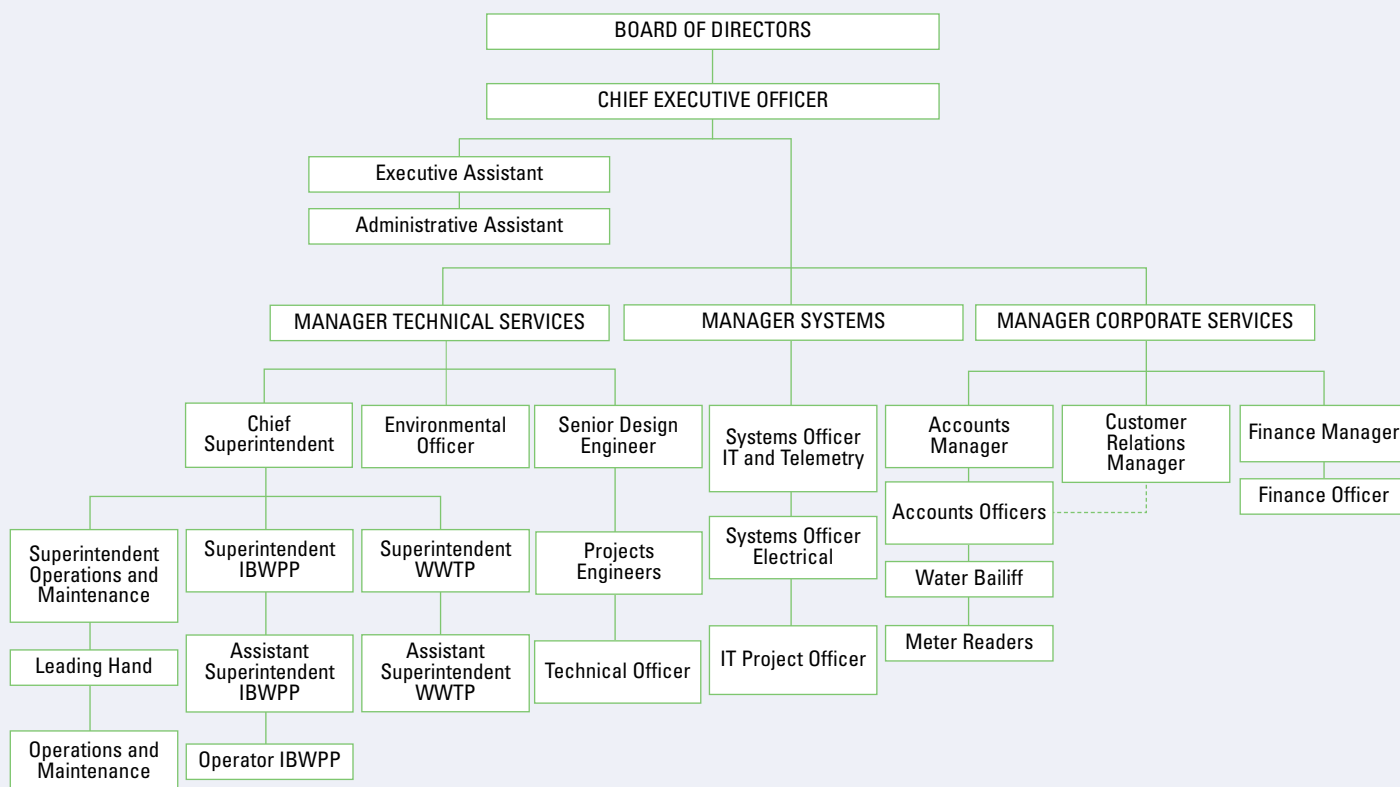
Ms Susan Walpole

Ms Susan Walpole has a Bachelor of Jurisprudence (specialising in Industrial Relations), Bachelor of Laws, and a Graduate Diploma Media Management. Ms Walpole possesses extensive

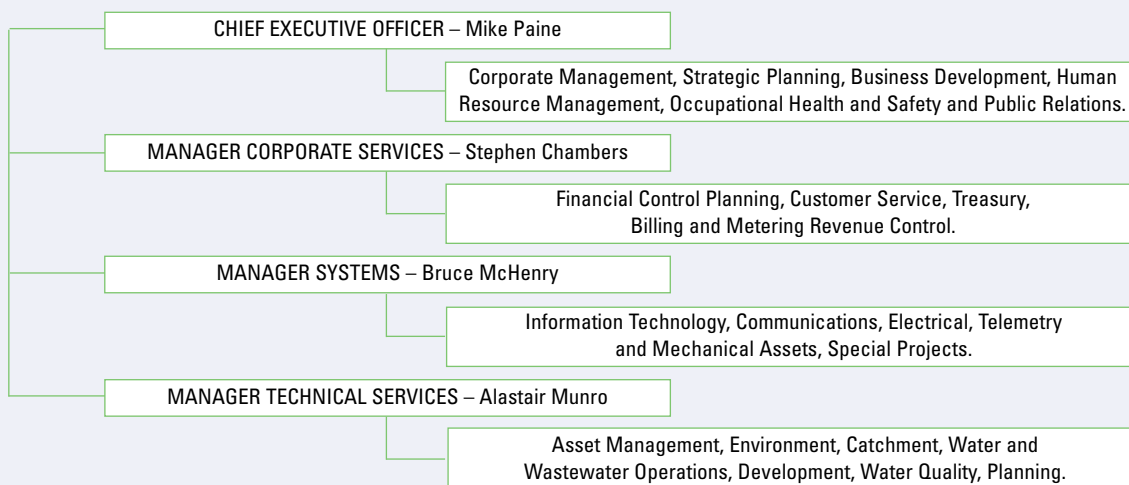
experience in superannuation, industrial relations and in human resources. Previous employment includes Manager Industry Fund and Business Development, Superpartners, Federal Sex Discrimination Commissioner and Federal Head Human Resources, ABC TV.



Organisational Chart



Management Team – Roles & Responsibilities



Corporate Governance

ROLE OF THE BOARD

The Board is responsible for the corporate governance of the Authority and derives its powers and functions from the Water Act 1989. It is responsible for the strategic direction and policy framework of the Authority and sets goals for the executive. On behalf of its customers and the Victorian Government the Board monitors the progress of achievement of these goals to ensure optimal performance.

Key functions of the Board include:

- Setting strategic direction and policy framework by adopting, implementing and resourcing a Corporate Plan
- Establishing measurable goals and objectives
- Ensuring operational, environmental and financial risk management systems are in place
- Ensuring compliance with legislative and regulatory obligations
- Establishing and setting service levels and monitoring achievement
- Evaluating Board and executives' performance to ensure integrity of corporate governance practice and ethical conduct

BOARD COMMITTEES

Board Governance (1/7/01 – 30/6/02)

| Member | Meetings Held | Attended |
|-------------------------------|---------------|----------|
| Pamela Cameron (Chair) | 13 | 13 |
| Anthea Dacy | 13 | 13 |
| Dr Eric Ealey | 13 | 11 |
| Clyde Paterson (Deputy Chair) | 13 | 13 |
| Ian Purbrick | 13 | 13 |
| Susan Walpole | 13 | 11 |
| Philip Westwood | 13 | 11 |

The Board established two committees to consider specific corporate governance functions.

The Remuneration Committee provides oversight and recommendations to the Board on the performance and remuneration of executives, development of the organisation and employees and development of workplace policies, procedures and management systems.

Members of the committee and number of meetings held and attended are outlined below:

Remuneration Committee (1/7/01 – 30/6/02)

| Member | Meetings Held | Attended |
|------------------------|---------------|----------|
| Pamela Cameron (Chair) | 6 | 6 |
| Sue Walpole | 6 | 5 |
| Philip Westwood | 6 | 5 |

The Audit Committee's responsibilities are to review and recommend to the Board the acceptance of the Auditor General's report with or without comment, monitor Internal Auditors' function to set risk management strategies for the organisation and the level of corporate compliance.

Members of the Audit committee and the number of meetings held and attended are outlined below:

Audit Committee (1/7/01 – 30/6/02)

| Member | Meetings Held | Attended |
|------------------------|---------------|----------|
| Clyde Paterson (Chair) | 4 | 4 |
| Ian Purbrick | 4 | 3 |

The Board has also appointed a periodic committee, the Building Committee. Its aim is strategic involvement in issues relating to the development of the Authority's new office and depot complex.

Members of the committee and the number of meetings held and attended are detailed below:

Building Committee (1/7/01 – 30/6/02)

| Member | Meetings Held | Attended |
|-------------------------|---------------|----------|
| Pamela Cameron | 7 | 6 |
| Dr Eric Ealey | 7 | 7 |
| Philip Westwood | 7 | 6 |
| Chief Executive Officer | 7 | 7 |
| Manager Systems | 7 | 7 |

The Authority

SERVICES PROVIDED

The Authority's function is to provide water and wastewater services wherever possible to properties and communities throughout its district.

Water is sourced from the Candowie Reservoir in the Bass Hills near Glen Forbes and distributed to communities through one major supply pipeline with a number of smaller offtakes. Before entering the system water is treated at the Ian Bartlett Water Purification Plant.

Wastewater services are provided to approximately 95% of properties that receive water. The Authority has two Wastewater Treatment Plants, one on Phillip Island serving the Island and the township of San Remo (Cowes Wastewater Treatment Plant) and a second plant near Coronet Bay which services various townships located on the east coast of Western Port (King Road Wastewater Treatment Plant).

In addition the Authority provides the following services:

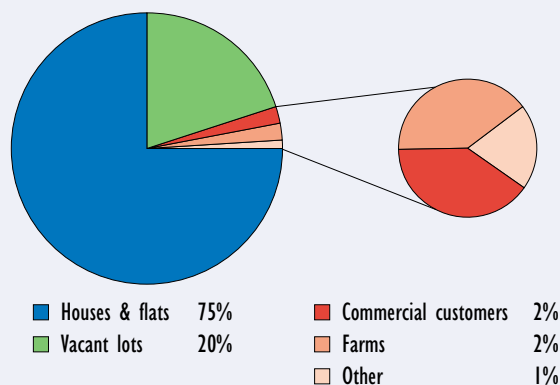
- A liquid waste disposal facility installed at the Cowes Wastewater Treatment Plant
- The sale of treated wastewater for recreational, horticultural and pastoral activities
- The removal of trade water.

CUSTOMER PROFILE

Within our district we have 14,526 customers made up as follows:

| | |
|----------------------|-------|
| Houses & Flats | 10939 |
| Vacant lots | 2838 |
| Commercial customers | 328 |
| Farms | 329 |
| Other | 92 |

The population served ranges from 15,000 people during winter to 50,000 people during peak holiday periods.



Objectives & Achievements

| ECONOMIC OBJECTIVES | OUTCOMES 2001/2002 | ACHIEVEMENT | COMMENT |
|---|--|---|---|
| To be financially prudent | Total debt at 30 June 2002 is not to exceed \$10.3 million. | Total debt at 2002 was \$5.2million. | Planned new borrowing not required due to some capital works and stronger than expected developer income. |
| | 10-year borrowing and cashflow plans are developed. | Cash flow developed to 7 years. | The consistent growth in the region has necessitated a review of all infrastructure planning. The 10-year borrowing program will be reviewed and completed in 2002/2003. |
| | Debt profile is working towards achievement of Department Treasury & Finance requirements. | Should be achieved by 2002/03. | |
| | Past due scheme debt is reduced by 20%. | Actual reduction was 10%. | The implementation of a computerised Debt Management System and application of resources has enabled the Authority to be in a position where it will be able to achieve a 20% reduction in past due scheme debt in 2002/2003. |
| | A new tariff and scheme collection policy is developed and adopted. | Hardship policy adopted and implemented. | Credit management policy to be completed in early 2002/2003. |
| | Interest revenue meets budget forecasts. | Revenue 14% less than budget. | Lower interest rates experienced than those forecast by Department of Treasury and Finance. |
| | A revised purchasing policy and contracts manual is adopted. | Not completed. | The priority for this strategy was revised during the reporting period and it will be undertaken in 2002/2003. |
| | A revised Headworks and Out-fall policy is developed and adopted. | IPART based model and Policy developed and adopted by the Board. | |
| The efficient and effective provision of water supply services that meet customer expectations and the required standards. | The requirements of the Water Service Agreement have been achieved. | Achieved except for water quality which was 97% compared to a 100% requirement. | Augmentation of spillway not required. Candowie upgrades deferred pending establishment of future full supply level. |
| | The mains to meter issue has been reviewed and policy adopted. | Not reviewed. | Priority revised during the reporting period. Deferred to 2002/2003. |
| | Unaccounted water improvements are achieved, quantified and documented. | Several zone flow meters installed. Large leak of up to 50MI per year detected and rectified. | Further zone flow metering to be done. |
| | Investigation into Phillip Island distribution system, water quality and security is undertaken. | Deferred. | The priority for this strategy was revised during the reporting period and it will be undertaken in 2003/2004. |
| | Capital works are completed within the planned time frames and budget. | Achieved except where delayed by external sources or priority revisions. | Candowie and Ian Bartlett Water Purification Plant augmentation works deferred pending results of the development of a Water Resources Plan. |

Objectives & Achievements

| ECONOMIC OBJECTIVES | OUTCOMES 2001/2002 | ACHIEVEMENT | COMMENT |
|--|---|--|--|
| The efficient and effective provision of water supply services that meet customer expectations and the required standards. (continued) | Water supply is available to all sewered properties by 30 June 2002. | In progress, expected to be complete by December 2002. | Two small areas to be completed. |
| | A risk assessment is undertaken on the major assets by 30 June 2002. | Risk assessment is complete for Candowie Reservoir. | The remaining major asset's assessments will be incorporated into Strategic Asset Management Plan works. |
| The efficient and effective provision of sewerage services that meet customer expectation and the required standards. | The Coast and Clean Seas re-use project is complete. | Project in progress. | Will be complete by October 2002. |
| | Sewerage treatment improvements are completed at Cowes Wastewater Treatment Plant | Stage 1 complete. | Further upgrades to be undertaken in accordance with the development plan for the facility. |
| | Sewerage treatment improvements are completed at Church Street Pump Station | Deferred. | The priority for this strategy was revised during the reporting period and it will be undertaken in 2002/2003. |
| | A plan of the regional sewerage extensions for the growth centres of Cowes and San Remo is complete. | Deferred. | The priority for this strategy was revised during the reporting period and it will be undertaken in 2002/2003. |
| | A risk assessment has been undertaken on the major assets by 30 June 2002. | Development plans for Cowes Wastewater Treatment Plant and King Road effluent disposal are complete. | Deferred pending incorporation with Asset management system. |
| | Capital works are completed within the planned time frames and budget. | Achieved, except where delayed by external sources or priority revisions. | Tenby Point delayed by landowner negotiations. Church St pumping station deferred. |
| Maintain an equitable pricing policy consistent with Government guidelines. | Fixed and variable price components are reviewed and adjusted as necessary for 2002/03 financial year. | Re-balancing of prices considered. Prices will remain in their present configuration for the next twelve months. | |
| | All Westernport Water operations and facilities are metered by 31 December 2001. | In progress, 80% complete. | Completion programmed for 30 June 2003. |
| | The Headworks and Out-fall policy is reviewed and adopted by 30 June 2002. | NPV based model and Policy developed and adopted by the Board. | Further work required to input longer term capital works and to consult with the development community. |
| | A financial planning tool is developed which allows scenario testing of revenue sources. | Not specifically achieved. | Work has been focused on Essential Services Commission preparations. |
| To provide bulk water supply to meet customer expectations and the required standards. | Recommendations are made to the Board on appropriate actions to be taken to ensure there is sufficient quantity and reliability of water supply for the future. | Draft Water Resources Plan presented to the Board and received for consultation and collaboration with all stakeholders. | |
| | Strategic land purchases have been undertaken as the opportunities arise. | No opportunities arose for strategic land purchases during the reporting period. | |
| | Completion of the sludge management upgrades at the Ian Bartlett Water Purification Plant | Design and risk alternatives enabled different solutions to be considered. Progressing on final design. | Completed 30 June 2003. |
| | Completion of management plans for fish, weeds and sediment by 30 June 2002. | Deferred. | The priority for this strategy was revised during the reporting period and it will be undertaken in 2002/2003. |

| ECONOMIC OBJECTIVES | OUTCOMES 2001/2002 | ACHIEVEMENT | COMMENT |
|--|--|---|--|
| Organisational Development – Maintain the Authority as an innovative, efficient, professional and ethical organisation. | All employees have been involved in the review of their position description. | 75% complete. | The remaining positions will be completed when positions are finalised in the Organisational Development Project. |
| | Delegation to managers and supervisors has been reviewed and increased in the areas of purchasing and operational and technical matters. | Complete. | |
| | The Better Teams program is completed. | Due to be commenced in August 2002. | Facilitator appointed. Program to be completed in 2002/03. |
| | Productivity gains continue to be linked to wage increases under future Enterprise Agreements. | Management and the Workplace Consultative Committee continues to document areas for consideration in Enterprise Agreement II. | |
| | Initial level Safety Map accreditation has been obtained. | Not complete. | Additional resources have been allocated to achieve this by June 2003. |
| | Identified training needs are actioned. | Achieved. | |
| | The staff development plan has been reviewed by 30 June 2002. | Not commenced. | Training has been provided where identified and additional resources have been allocated to achieve this by June 2003. |
| | The new office/depot complex is nearing completion for occupation by July 2002. | Construction tender finalised May 2002. Construction commenced June 2002. | Programmed occupation date March 2003. |
| Reduce the risk exposure of Westernport Region Water Authority. | Risk management systems/plans are developed in the areas of: – Emergency – Environmental | Blue Green Algae Dam specific emergency and monitoring plans developed and implemented. EMS developed and being reviewed with the assistance of GHD consultants and members of the Customer Consultative Panel. Involvement with Bass Coast Municipal Emergency Management Planning Committee. Internal procedures developed and updated for sewer contingencies. | Plan incorporated in local MEMPC system. |
| To collaborate with those organisations that will assist us or who we can assist in the development of the region. | Communication lines with the community are improved. | The Customer Consultative Panel have been utilised to assist in providing information and obtaining feedback from the community. Regular releases of Authority's achievement and issues are publicised in the local media | |
| | Understanding at all levels of our business is improved. | In the development of the Hardship Policy the Authority consulted with the Bass Coast Shire Council and involved the Customer Consultative Panel throughout the process of policy development. Assisted a member of the Customer Consultative Panel to attend the EWOV Conference Getting Connected. Conducted a Customer Satisfaction Survey. | |

Objectives & Achievements

| ECONOMIC OBJECTIVES | OUTCOMES 2001/2002 | ACHIEVEMENT | COMMENT |
|--|--|--|---|
| <p>To collaborate with those organisations that will assist us or who we can assist in the development of the region. (Continued)</p> | <p>Demonstrated resource sharing initiatives have been undertaken.</p> | <p>Training initiatives, service provision and technical issues have been shared between neighbouring water authorities and the local Shire Council.</p> | |
| | <p>Participation in local forums has occurred.</p> | <p>The Authority has participated in the community foundation, infrastructure and economic development forums.</p> | |
| | <p>The Minister is kept up to date on issues as required.</p> | <p>Members and the Chief Executive Officer met with the Minister's advisors in relation to the Authority's work on assisting the provision of other utility infrastructure initiatives in the region during the year.</p> | |
| | <p>Local politicians are kept up to date with issues as required.</p> | <p>Several meetings with local Members of Parliament have taken place during the year to address regional, resource or service delivery issues.</p> | |
| <p>The Board will lead the Authority by maintaining a high level of clear and effective governance practices.</p> | <p>The Board's committees have continued to meet as required.</p> | <p>Remuneration Committee met 6 times. Audit Committee met 4 times. Building Committee met 7 times.</p> | |
| | <p>The new Board has been successfully inducted into Westernport Water.</p> | <p>The Board has completed an extensive induction program.</p> | |
| | <p>The Board has considered the issue of open meetings.</p> | <p>Considered and resolved to continue to operate meetings on an invitation basis.</p> | |
| | <p>The Board has developed performance indicators.</p> | <p>The Board has reported on its performance to the Minister.</p> | <p>A detailed performance plan is in place for 2002/2003.</p> |
| | <p>The Board has attended training and conferences as required.</p> | <p>All Members attended governance training seminars presented by Vic Water. Four Members attended the Vic Water annual conference in Geelong. Specialists in regulatory processes have been invited to Board meetings to provide advice to Members.</p> | |
| | <p>The Board has prioritised and responded to the recommendations of the Internal Auditor and the Auditor-General.</p> | <p>The Board has prioritised and responded to recommendations of the Internal Auditor and the Auditor-General.</p> | |
| <p>Ensure information technology and communication systems are continuously developed and operating effectively to meet the requirements of employees and the organisation to deliver our services effectively and efficiently.</p> | <p>The Customer Relations Management System is complete.</p> | <p>Implemented 2001. Integrated with telephone system and property meter system. Extensive staff training.</p> | |

| ECONOMIC OBJECTIVES | OUTCOMES 2001/2002 | ACHIEVEMENT | COMMENT |
|--|--|---|---|
| <p>Ensure information technology and communication systems are continuously developed and operating effectively to meet the requirements of employees and the organisation to deliver our services effectively and efficiently. (Continued)</p> | A computerised Records Management System is in place. | Implemented June 2002 with extensive staff training sessions. | |
| | An intranet and internet are in place. | Internet site upgraded. | Intranet reprioritised for implementation in 2002/2003. |
| | Secure and robust information technology systems are in place. | Continued review of systems and processes. IT review completed by Internal Auditor. | Remaining audit issues will be addressed by move to new computer friendly premises. |
| | Widespread confident use of information technology and communication within the organisation. | Email access expanded for internal and external communications. Extensive staff training in new systems. | |
| | The digital divide is reduced for our employees. | Train the trainer philosophy adopted with any new system implementation to encourage peer to peer education. Electronic delivery of work requests to field staff introduced. | |
| <p>To develop an effective asset management system.</p> | Asset Management Improvement Plan is complete. | Asset Management Improvement Plan is complete. | |
| | There is an increased focus on whole of life decisions when purchasing assets. | Business case and capital works assessment process in place. | |
| | Assets that are inherited meet the Authority's standards. | Achieved. | |
| ENVIRONMENTAL OBJECTIVES | OUTCOMES 2001/2002 | ACHIEVEMENT | COMMENT |
| <p>To conduct our business in a manner which balances the need for economy with the need to care for the environment. To do this we shall endeavour to observe the principles of sustainable development.</p> | Participated in the Phillip Island wildlife corridor project where it traverses our properties. | Planting of over 900 trees at the Cowes Wastewater Treatment Plant. | |
| | New infrastructure has been designed and constructed in accordance with "environmental best value" principles. | The Authority's new administrative complex has been designed with significant ecologically sustainable development initiatives. | |
| | The management of our water supply catchment is improved. | <p>Total of 3,200 metres of fencing was constructed, 17,900 trees planted, 12 hectares of creek was fenced off.</p> <p>The major project was along 4 kilometres of Tennent Creek and conducted in partnership with Lance Creek/Candowie Catchment Management Group, West Gippsland Catchment Management Authority, AXA and three landowners. The major project in spring 2001 involved 2,200 metres of fencing and the planting of 12,900 trees and the trees were planted by 150 volunteers.</p> | |

Objectives & Achievements

| ENVIRONMENTAL OBJECTIVES | OUTCOMES 2001/2002 | ACHIEVEMENT | COMMENT |
|---|---|---|--|
| <p>To conduct our business in a manner which balances the need for economy with the need to care for the environment. To do this we shall endeavour to observe the principles of sustainable development. (Continued)</p> | <p>National Water Week activities have been undertaken.</p> | <p>National Water Week activities aimed at involving the community in protecting and conserving our precious water resources. Activities included a community bus tour that focussed on partnerships such as Landcare and the Candowie/Lance Creek Catchment Management Group and our work within the catchment. Local primary schools looked at the water cycle, Candowie Reservoir catchment, the issues faced by the Authority within the catchment and the solutions. The focus for the Primary School Poster Competition was "Water and Health".</p> | |
| | <p>The Environmental Management System is complete and implemented into our operations.</p> | <p>System completed and being reviewed and training provided.</p> | |
| | <p>Demonstrated energy efficiencies.</p> | <p>LPG conversion of fleet is 50% complete. Estimated cost savings are \$15,000 per year from this process.</p> | |
| | <p>Demonstrated waste and pollution reductions.</p> | <p>Recycling in the office and depot continues. Alternate clean energy sources being investigated.</p> | |
| | <p>Demonstrated increase in sustainable efficient re-cycling.</p> | <p>Trial hemp crop at King Road indicated that there were possibilities for this crop in this region</p> | |
| | <p>Water Conservation strategy is complete and implemented.</p> | <p>In progress, Customer Consultative Panel providing input.</p> | <p>Due for completion by June 2003</p> |
| SOCIAL OBJECTIVES | OUTCOMES 2001/2002 | ACHIEVEMENT | COMMENT |
| <p>To conduct our business in a manner, which balances the need for economy with the need to recognise that we are a major business in the region and should lead and assist in the region's social well being.</p> | <p>Demonstrated community engagement has been undertaken.</p> | <p>In the development of the Hardship Policy the Authority consulted with the Bass Coast Shire Council and involved the Customer Consultative Panel throughout the process of policy development.</p> <p>Assisted a member of the Customer Consultative Panel to attend the EWOV Conference Getting Connected. Conducted a Customer Satisfaction Survey.</p> | |

| SOCIAL OBJECTIVES | OUTCOMES 2001/2002 | ACHIEVEMENT | COMMENT |
|--|--|---|---|
| <p>To conduct our business in a manner, which balances the need for economy with the need to recognise that we are a major business in the region and should lead and assist in the region's social well being. (Continued)</p> | <p>There has been proactive involvement in development of the region.</p> | <p>The Authority is participating in regional infrastructure forums. The Authority assists the regional major international sporting event, the Motorcycle Grand Prix by providing increased service levels at the time of the event.</p> | |
| | <p>There has been demonstrated assistance to local community groups.</p> | <p>The Authority has participated with Landcare and its Catchment Management Group to improve water conservation, wildlife and water quality. The Authority has provided inkind assistance to the Phillip Island Aquatic Centre Fund Inc committee.</p> | |
| | <p>There has been increased participation in charity fundraising activities.</p> | <p>The Authority participated in Jeans for Genes Day, Leukemia Bandana Day and raised approximately \$400.</p> | <p>It appears that an unintended consequence of the Privacy Act is that the Red Cross is not able to remove stamps from letters the Authority receives.</p> |
| <p>To communicate effectively and provide support for our customers.</p> | <p>Our image is clear and recognisable. A clear understanding of what our customers want or need has been developed. A clear understanding of who our customers are has been achieved.</p> | <p>Image and marketing sub-committee formed. Workshop conducted with consultant to review our image, essence of being and values. Key customers identified. Forward vision established.</p> | <p>The image and marketing process will continue through 2002/2003.</p> |
| | <p>A computerised customer relations management system has been installed.</p> | <p>Implemented 2001. Integrated with telephone system and property meter system. Extensive staff training.</p> | |
| | <p>Report on customer research survey is adopted.</p> | <p>Linqage survey presented to the Board.</p> | |
| | <p>A higher level of customer satisfaction than in 2000/2001 has been achieved.</p> | <p>Satisfaction rose from 57% to 58.8% in 2001.</p> | <p>Price of services remains by far the highest area of dissatisfaction for our customers.</p> |
| | <p>An electronic service delivery position has been developed and adopted.</p> | <p>Implementation of Customer Relations Management and Records Management Systems are complete. Alternate electronic payment options introduced during the reporting period.</p> | |

Additional Achievements

ADDING VALUE TO THE REGION

The Board at its February meeting resolved to undertake a more proactive role in the achievement of service delivery within its region. In considering the region's needs, possible significant synergies were recognised between the Authority's business and other utility service providers.

The Authority has embarked on a Regional Infrastructure Study to identify and quantify these synergies, in particular for the region's highest infrastructure priority, reticulated natural gas. The study's initial report is due in October 2002.

RE-USE INITIATIVES

The Authority continues to expand the quality and quantity of effluent that is re-used.

A trial industrial hemp crop was planted at the King Road Wastewater Treatment Plant which indicated that it has potential as a crop that can add value.

The Authority substituted effluent for potable water in several stages of its treatment processes at its Cowes Wastewater Treatment Plant. The cost of effluent is approximately 30% of the cost of potable water providing operational cost savings for the wastewater business.

The Authority has designed a 120ML/annum re-use system for the King Road Wastewater Treatment Plant. This system will irrigate a variety of crops in the short term.

CUSTOMER CONSULTATIVE PANEL

Westernport Water is committed to building partnerships with its customer base and the community. It is keen to incorporate community expertise and advice into its service planning and decision making process. To this end, Westernport Water established a Customer Consultative Panel. The Panel members represent the interests of all water users. They provide a community voice.

Examples of the involvement of the Customer Consultative Panel in development of Authority policy include the completed:

- Hardship Policy; and
- Water Restriction By-law

The Panel is currently involved in:

- Customer Charter review;
- Corporate image and marketing review;
- 'Every Little Drop' Water Conservation Policy;
- Environment Management System; and
- Main to Meter Policy

Currently there are 7 Panel members: George Mortimer, Neil Beddoe, Gwen McRae, Anne Westwood, Roy Turner, John Mumford and Phil Dixon. During the year, Reg Baker retired from the Panel after three years of service.

NATIONAL WATER WEEK

National Water Week 2001 focused on local issues by promoting partnerships and work happening within the Candowie Reservoir catchment.

Thirty-five representatives from twenty-six community groups participated in a tour showcasing the work of the Candowie/Lance Creek Catchment Management Group – a partnership between the farmers in the two local catchments Westernport Water and South Gippsland Water. Participants visited a site along the Tennent Creek and viewed first hand the re-vegetation works carried out during the year.



The operators at the Ian Bartlett Water Purification Plant and the King Road Wastewater Purification Plant demonstrated the basic processes involved and answered questions from community members.

The aim of these tours is to provide our customers with authoritative information about Westernport Water's business operations. One of the most appreciated features of this tour was the fact that the staff participated in the tour and were available for questions at any time.

National Water Week is now a regular occurrence for schools in our district and a presentation on our reservoir and its catchment has been developed.

BIODIVERSITY AND THE ENVIRONMENT

The Authority has been working in partnership with Phillip Island Landcare to develop a weed and pest management plan for its properties and their environment. To compliment this work Phillip Island Landcare has been commissioned to prepare a biodiversity asset register for each property. The register will include listings of rare or threatened species and specific practices and procedures for undertaking works. They also have been engaged to provide training for Authority employees for each of the practices.

The Authority has prepared plans for its King Road Wastewater Treatment Plant to be part of a wildlife corridor for the area. This is similar to the corridor nearing completion at the Cowes Wastewater Treatment Plant.

The Authority, in partnership with the Candowie Lance Creek Catchment Management Group, West Gippsland Catchment Management Authority and a landowner participated in the willow removal and re-vegetation of .5km of Tennent Creek upstream of Candowie Reservoir. The willows have been removed and the creek fenced off from cattle and sheep. Re-vegetation will occur in late winter/early spring 2002 for optimum survival rate.



ORGANISATION DEVELOPMENT PROJECT

The impending changes in both economic and technical regulations, the requirements of the Water Services Agreement and the expectation of our customers required Westernport Water to plan a path forward so that it continues to be the provider of quality and sustainable essential services to the region.

The management team attended a two day facilitated workshop to map the way forward for the organisation. The team delivered an Organisation Development Plan to the Board for adoption at its December meeting.



The Year Ahead

In preparing for the 2002/2003 year the Authority developed a comprehensive Corporate Plan addressing the requirements of stakeholders, regulatory and service level requirements of customers. A brief summary of the major requirements and plans to achieve them are:

WATER SERVICES AGREEMENT

Westernport Water and the Minister for Environment and Conservation have signed an Agreement outlining the water related services to be provided in the region serviced by Westernport Water.

COMMUNITY ENGAGEMENT

The Authority intends to build upon its initiative for community engagement in 2002/2003. Specifically it will:

- Further develop the Customer Relations Management System to ensure customer response is timely, consistent and satisfying,
- Provide customers with relevant information on the Authority's activities, legislative requirements and water conservation;
- Use customer focus groups to ensure that water quality meets their requirements.

CONSULTATIVE PANEL

Utilise the Customer Consultative Panel's customer perspective for developing draft policy and practice reforms. In the year ahead Panel members will be involved in the review of essential authority documents including the Customer Charter and the Environmental Management Strategy.

They will assist in the customer survey and attend Authority information sessions. They will also continue their valuable input into the development of "Every Little Drop", the Authority's water conservation plan.

Information is the key to improving customer services.

The customers of Westernport Water will be able to access our services more effectively with the proposed implementation of new communication systems, regular updating of our web page and the fine tuning of our customer requests system.

Staff training will also be a core feature of our program towards offering better service.

ADDING VALUE TO THE REGION

Westernport Water as a major corporate citizen in the region has considered the issue of reticulated natural gas and is of the opinion that the Authority can offer substantial synergies to enhance the viability of the provision of reticulated natural gas. The Board considers that the provision of an affordable and clean alternative source of energy will boost the region's competitive position and attract needed investment.

The Authority has undertaken a significant amount of preliminary work on this project. It has wide support in the community, business forums and the region's Local Authorities.

ESSENTIAL SERVICES COMMISSION

The lead up to the price determination process under the Essential Services Commission will be part of the focus of the Authority in 2002/03. The Authority's Corporate Plan has resourced this process.

ORGANISATION DEVELOPMENT

The Board adopted an Organisation Development Plan at its February meeting which aims at ensuring it remains a customer focused, asset driven and risk managed Authority. The specific initiatives were:

- Well organised, capable and resourced organisation – ensuring the organisation can deliver services in accordance with the needs of its customers

- Customer Engagement – having clear and effective customer engagement mechanisms that ensures the decisions of the Authority can best meet their needs
- Engaging Stakeholders – pro-actively creating working relationships with Government, Regulators, Industry, regional Government Business Enterprises and local groups to ensure high level of communication and understanding of issues that affect the Authority
- Employee Retention Strategy – providing the development needs and work satisfaction for employees to maximise employee retention
- Knowledge Management – ensuring the systems and procedures are in place to retain and disseminate to all employees, the Authority's workplace knowledge
- Asset Management – having in place essential knowledge of the life-cycle costs and performances of the assets within the Authority
- High Performance Organisation – providing resources, skills and systems to the Authority's departments to measure, benchmark with other organisations and develop performance improvements for the delivery of services
- Better Teams – ensuring adequate resources and delegations are available for teams to be able to improve their performance
- Sustainability Strategy – this includes the sharing of resources with other Authorities and the development of initiatives that add value to the region.

ENTERPRISE AGREEMENT

Negotiations for the Authority's second Enterprise Agreement will commence in time to ensure certification of the Agreement by June 2003. The Agreement is expected to build on the goals of the current Enterprise Agreement which are delivery of the Corporate Plan, Employee Relations, Customer Service, Performance Measurement and Outcomes Sharing, Communication, and Human Resource Practice.

CORPORATE IMAGE AND MARKETING

The Board has established a Corporate Image and Marketing working party comprising Board Members, management, employees and Customer Consultative Panel members. It will address the image of Westernport Water and how we present ourselves to customers and the wider community and how we are perceived by these groups. With the combining of office and depot facilities onto the one site it is seen as timely to review our corporate identity.

DEBT AND INVESTMENT

Debt

The Authority expects to have a debt of \$6.9m by 30 June 2003. This will mean the Authority's gearing will be 7.6%.

Capital Works

A \$7,224,000 capital works program is planned for 2002/2003. The major projects include:

- Upgrade to the Ian Bartlett Water Purification Plant
- Extension of the Lance Creek Reservoir Pipeline (dependent upon receipt of grants and developer contributions)
- Completion of the Tenby Point Sewerage Scheme
- Upgrading the Cowes Wastewater Treatment Plant
- Upgrade and augmentation of the King Road effluent irrigation system
- Western Port Eastern Entrance Effluent Re-use Scheme
- Office and depot complex at Newhaven.



The Year Ahead

DRINKING WATER QUALITY

Continued improvements in drinking water quality is a focus for the Authority which aims for 100% compliance with WHO (1984). The introduction of Power Activated Carbon dosing has reduced taste and odour compounds and chlorine dosing requirements. Monitoring to determine the need for additional disinfection stations is ongoing.

REGIONAL SEWERAGE SCHEMES

The Regional sewerage schemes program in the Water Services Agreement will be completed when the Tenby Point scheme is commissioned in early 2002/2003. These schemes will provide a platform for the continuation of the region's growth as well as benefiting the environment and the community's health.

ASSET MANAGEMENT

The Asset Management Strategic Plan completed in 2001/2002 outlines the work required to reach "best value" in asset management. Resources have been made available for the Authority to achieve the "best value" goal.

EFFLUENT RE-USE

The 2002/2003 year will see the Authority increase its partnerships and direct investment in effluent re-use.

The partnerships include:

- A 20MI/year industrial hemp trial at the King Road Wastewater Treatment Plant
- Irrigation using tertiary treated effluent at various sporting facilities in Cowes.

The direct investment includes:

- A 120MI/year irrigation system at the King Road Wastewater Treatment Plant
- A 5MI/year tree plantation at the Cowes Wastewater Treatment Plant.

WATER CONSERVATION

The Authority's "Every Little Drop" water conservation policy is being developed with input from the Authority's Customer Consultative Panel. The policy is holistic in its approach to water conservation and deals with the key areas of:

- education and community awareness
- pricing and incentives
- reticulation leakage and unmetered water
- water efficiency appliances
- rainwater tanks
- outdoor use
- potable water substitution
- public authority water use.

Performance Measures & Indicators

| | Target | Actual | Variance % | Explanation for variance |
|--|---------------|---------------|---------------|--|
| Financial Performance Indicators | | | | |
| Long Term Profitability | 4.6% | 1.8% | -60.9% | Target was incorrectly calculated. Had the target been correctly calculated the variance would have been 35.7%. This variance was due to lower than expected surplus, higher operating costs partly offset by lower than expected financial expenses |
| Basis of Calculation | | | | |
| $\frac{\text{Total Surplus (Deficit) before interest \& taxes}}{\text{Average written down value of assets}} \times 100$ | | | | |
| Owner's Investment | 4.4% | 1.3% | -69.4% | Target was incorrectly calculated. Had the target been correctly calculated the variance would have been 41.4%. This variance was due to a lower than expected surplus, higher operating costs slightly offset by higher equity resulting from the increase in the asset revaluation reserve |
| Basis of Calculation | | | | |
| $\frac{\text{Total Surplus (Deficit) before interest \& taxes}}{\text{Average total equity}} \times 100$ | | | | |
| Long Term Financial Viability | 12.8% | 5.8% | -55.0% | Actual lower than anticipated due to lower new borrowing |
| Basis of Calculation | | | | |
| $\frac{\text{Interest bearing debt at year end}}{\text{total equity at year end}} \times 100$ | | | | |
| Liquidity & Debt Servicing | 635.7% | 322.4% | -49.3% | Target was incorrectly calculated. Had the target been correctly calculated the variance would have been 15.1%. This variance was due to lower than expected surplus, partly offset by lower than expected financial expenses |
| Basis of Calculation | | | | |
| $\frac{\text{Total Surplus (Deficit) before Interest \& Taxes}}{\text{Interest}} \times 100$ | | | | |

Performance Measures & Indicators

| | Target | Actual | Variance % | Explanation for variance |
|---|----------------|----------------|---------------|--|
| Operating Efficiency | | | | |
| Water Supply Bulk | \$257 | \$228 | -11.4% | Lower costs due to no supplementary water purchases and no blue-green algae events |
| Basis of Calculation $\frac{\text{Operation, Maintenance and Administration Expenses}}{\text{Volume Water transported}}$ | | | | |
| Water Supply Reticulation | \$1,184 | \$1,205 | 1.8% | |
| Basis of Calculation $\frac{\text{Operation, Maintenance and Administration Expenses}}{\text{Volume Water transported}}$ | | | | |
| Water Supply Treatment | \$257 | \$228 | -11.4% | Lower costs due to no supplementary water purchases and no blue-green algae events |
| Basis of Calculation $\frac{\text{Operation, Maintenance and Administration Expenses}}{\text{Volume Water transported}}$ | | | | |
| Wastewater Reticulation | \$1,534 | \$1,532 | -0.2% | |
| Basis of Calculation $\frac{\text{Operation, Maintenance and Administration Expenses}}{\text{Volume Wastewater collected}}$ | | | | |
| Wastewater Treatment | \$455 | \$543 | 19.2% | Treatment costs increased due to major maintenance requirements |
| Basis of Calculation $\frac{\text{Operation, Maintenance and Administration Expenses}}{\text{Volume Wastewater collected}}$ | | | | |
| Reliability of Supply – Urban Water Supplies | | | | |
| Properties Interrupted Ratio | 37.0% | 41.3% | 11.5% | More unplanned interruptions than anticipated |
| Basis of calculation $\frac{\text{Number of properties that experienced a service interruption}}{\text{total number of properties}} \times 100$ | | | | |
| Interruptions Restored Ratio | 98.6% | 98.9% | 0.4% | Low time due to improvements in work practices. |
| Basis of calculation $\frac{\text{Number of unplanned interruptions restored within 5 hours}}{\text{total number unplanned interruptions}} \times 100$ | | | | |
| Interruption Time | 1.5 hrs | 1.0 hrs | -33.3% | |
| Basis of calculation Average interruption time spent | | | | |

| | Target | Actual | Variance % | Explanation for variance |
|---|--------|--------|------------|--|
| Reliability of Wastewater Collection Services | | | | |
| King Road | 0.0 | 7.3 | 100% | Target for no overflows was not achieved. |
| Cowes | 0.0 | 9.7 | 1900% | Target for only one overflow was not achieved. |
| Dalyston/Kilcunda | 0.0 | 0.0 | 0.0% | |
| Basis of calculation | | | | |
| Total number of overflows from system per 100km sewerage mains | | | | |
| Bacteriological Quality of Potable Water Supplied | | | | |
| | 100.0% | 97.0% | -3.0% | |
| Basis of calculation | | | | |
| $\frac{\text{Number of samples with zero E.coli and zero coliforms}}{\text{Total number of samples}} \times 100$ | | | | |
| Physio-Chem Quality of Water Supplied | | | | |
| Turbidity | | | | |
| | 100.0% | 100.0% | 0.0% | |
| Basis of calculation | | | | |
| $\frac{\text{Number of samples meeting guidelines for Turbidity}}{\text{Total number of samples tested}} \times 100$ | | | | |
| Colour | | | | |
| | 100.0% | 100.0% | 0.0% | |
| Basis of calculation | | | | |
| $\frac{\text{Number of samples meeting guidelines for Colour}}{\text{Total number of samples tested}} \times 100$ | | | | |
| pH | | | | |
| | 100.0% | 100.0% | 0.0% | |
| Basis of calculation | | | | |
| $\frac{\text{Number of samples meeting guidelines for pH}}{\text{Total number of samples tested}} \times 100$ | | | | |
| Quality of Wastewater Disposal | | | | |
| Cowes (annual compliance) | | | | |
| | 100.0% | 100.0% | 0.0% | |
| Cowes (short term compliance) | | | | |
| | 100.0% | 100.0% | 0.0% | |
| Basis of calculation | | | | |
| $\frac{\text{Number of individual tests meeting EPA licence conditions}}{\text{Total number of sets of routine samples tested}} \times 100$ | | | | |
| King Road (annual compliance) | | | | |
| | 100.0% | 85.7% | -14.3% | All sets of samples failed the water quality objective parameter for pH set in the EPA Licence. This limit is not economically achievable due to site specific conditions. Discussions are taking place with the EPA with a view to having this requirement amended. |
| King Road (short term compliance) | | | | |
| | 100.0% | 0.0% | -100.0% | |
| Basis of calculation | | | | |
| $\frac{\text{Number of individual tests meeting EPA licence conditions}}{\text{Total number of samples}} \times 100$ | | | | |

Performance Measures & Indicators

| | Target | Actual | Variance % | Explanation for variance |
|---|---------------|--------------|---------------|---|
| Waste Management of liquids: Cowes | 7.0% | 3.1% | -55.5% | Less effluent used for irrigation due to wet and mild spring and summer periods |
| $\frac{\text{Volume of effluent re-used/recycled}}{\text{Total volume of effluent produced}} \times 100$ | | | | |
| Waste Management of liquids: King Road | 44.1% | 33.7% | -23.7% | Less effluent used for irrigation due to wet and mild spring and summer periods |
| Basis of calculation $\frac{\text{Volume of effluent re-used/recycled}}{\text{Total volume of effluent produced}} \times 100$ | | | | |
| Waste Management of sludge: Cowes | 224.6% | 33.7% | -23.7% | Sludge digester completely emptied Sludge being stockpiled for future use on tree plantation. |
| Basis of calculation $\frac{\text{Volume of sludge re-used/recycled}}{\text{Total volume of sludge produced}} \times 100$ | | | | |
| Waste Management of sludge: King Road | 0% | 0% | 0% | |
| Basis of calculation $\frac{\text{Volume of sludge re-used/recycled}}{\text{Total volume of sludge produced}} \times 100$ | | | | |
| Customer Service Performance Indicators | 1.0 | 0.8 | -22.4% | * |
| Water quality complaints | | | | |
| Basis of calculation $\frac{\text{Number of water quality complaints}}{\text{Number of water customers}} \times 1000$ | | | | |
| Water supply reliability complaints | 1.4 | 0.4 | -70.4% | * |
| Basis of calculation $\frac{\text{Number of water supply reliability complaints}}{\text{Number of water customers}} \times 1000$ | | | | |
| Sewerage service quality & reliability complaints | 0.5 | 0.54 | 6.4% | * |
| Basis of calculation $\frac{\text{Number of sewerage service quality & reliability complaints}}{\text{Number of sewerage customers}} \times 1000$ | | | | |
| Affordability complaints | 2.0 | 1.2 | 6.4% | * |
| Basis of calculation $\frac{\text{Number of affordability complaints}}{\text{Number of water customers}} \times 1000$ | | | | |
| Other complaints | 2.1 | 3.0 | 4.6% | * |
| Basis of calculation $\frac{\text{Number of all other complaints}}{\text{Number of water customers}} \times 1000$ | | | | |

* Customer complaint measures were introduced for the first time in 2001/2002. As the data for these measures had not been previously collected there was no benchmark available to establish the target.

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| 9.2.3 (iv) (e) | Employee superannuation funds | 46 |
| 9.2.3 (iv) (f) | Assets received without adequate consideration | 36 |
| 9.4.2 | Transactions with responsible persons and their related parties | 46 |
| 9.7.2 | Motor vehicle lease commitments | N/A |
| 9.10 | Consistency of Budget and Departmental Reporting [Departments only] | |

Statutory Information

BULK ENTITLEMENT

The Authority's bulk entitlement from Candowie Reservoir is 2,911ML with 2,013.97 ML used from 1 July 2001 to 30 June 2002.

The rate of extraction from Candowie Reservoir may not exceed 50ML per day with 16.577 ML being the maximum volume taken from the Reservoir in any one day in this period.

WATER QUALITY

Testing of the reticulation system at randomly allocated sites is, at a minimum, carried out monthly.

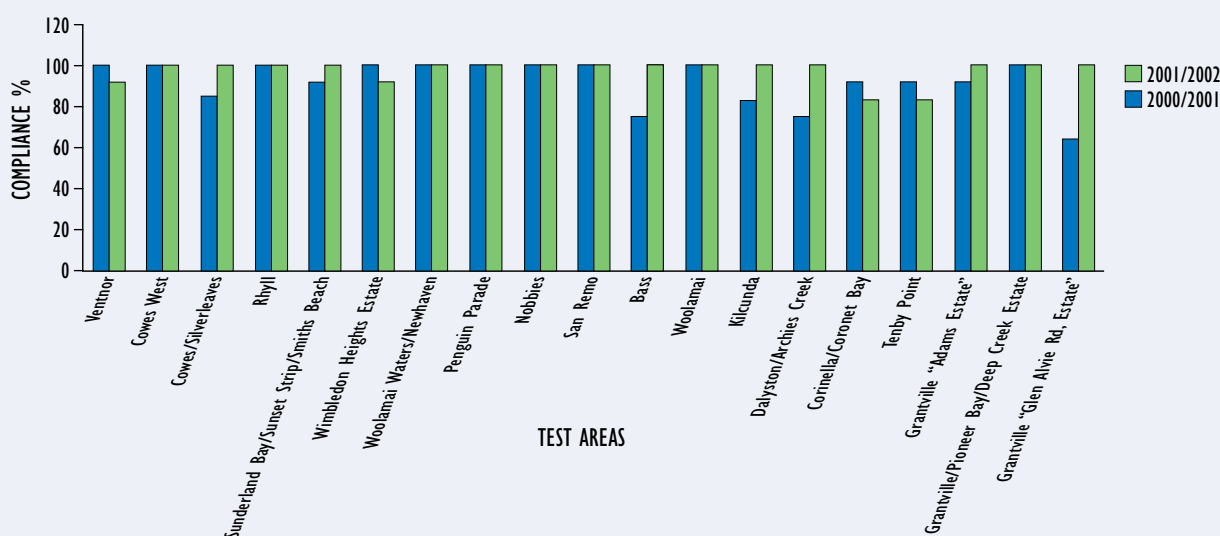
The Department of Human Services has advised that the presence of total coliform bacteria in well managed water supply systems does not necessarily mean that the quality of water supplied is harmful to health as many species of coliform bacteria occur naturally in the environment.

WATER CONSUMPTION

Actual Annual Consumption (ML) and Number of Assessments (No.)

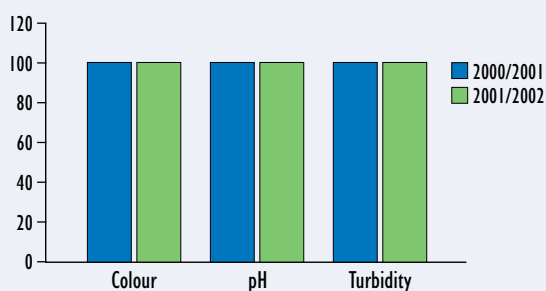
| Water District | Retail Urban-Residential | | Retail Urban-Non Residential | | Unaccounted Water | Production Loss | Total Annual Consumption | Five Year Average Annual Demand | Actual Annual Consumption/Average Annual Demand |
|--------------------|--------------------------|-------|------------------------------|-----|-------------------|-----------------|--------------------------|---------------------------------|---|
| | ML | No. | ML | No. | | | | | |
| Westernport Region | 1121 | 11047 | 527 | 829 | 307 | 59 | 2014 | 1966 | 102 |

% COMPLIANCE WITH WHO GUIDELINES



Statutory Information

WATER QUALITY COMPLIANCE, COLOUR, pH AND TURBIDITY



DROUGHT RESPONSE

Westernport Water was not required to invoke its Drought Response Plan during the reporting period.

EQUAL EMPLOYMENT OPPORTUNITY (MERIT & EQUITY PRINCIPLES)

Westernport Water has adopted a policy of Equal Employment Opportunity.

It is illegal under Victorian Equal Opportunity legislation for any employee, or potential employee, to be discriminated against on such grounds as sex, race, disability, age, religion, pregnancy, potential pregnancy, marital status, HIV/Aids or homosexuality.

The Authority, through its Equal Employment Opportunity Program, will ensure all current and future staff are given an equal chance when they apply for employment, promotion or training. The Authority will monitor its performance to ensure its personnel, recruitment and training procedures remain non-discriminatory. All staff will be selected on their merits.

Discrimination because of an attribute of a relative or associate is also unlawful.

In order to promote a culture of tolerance and the acceptance of diversity within the Authority, ongoing Equal Employment Opportunity information will be communicated to staff via work-site visits and induction programs, thereby maintaining and communicating to all staff Equal Employment Opportunity principles and practices that assist in creating a discrimination free workplace and encourages and embraces the highest standards of professionalism.

MULTI CULTURAL STATEMENT

Westernport Water is aware of Government policies for the delivery of culturally appropriate services and consider no special requirements are necessary at this time to communicate with our customers.

OCCUPATIONAL HEALTH & SAFETY

Westernport Water's Occupational Health and Safety policies reflect the responsibility of the Board, management and employees to work co-operatively to minimise the incident of injury and illness within the workplace.

Ongoing training in areas identified by both employees and management is provided to ensure safe operating practices remain relevant to the work environment. Contractors engaged by the Authority are required to adhere to safety procedures with both project risk assessments and site inspections occurring.

The Occupational Health and Safety Committee holds a minimum of 4 meetings per year and comprises 5 employee representatives, 2 management representatives and the Authority's Safety Officer. The Committee considers safety issues and reviews current operating procedures to ensure timely modification to maintain safety.

Lost time injuries numbered 3 resulting in 56 days lost in 2001/2002.

WORKFORCE DATA

Westernport Water had a workforce of 39 at 30 June 2002. The number of equivalent full time staff members at 30 June 2002 and the comparative figure for 2001 is detailed in the table below:

| Area | 2002 | 2001 |
|--------------------------|------|------|
| Governance | 3 | 3 |
| Corporate Services | 9 | 8 |
| Technical | 6 | 6 |
| Operations & Maintenance | 17 | 16 |
| Information Technology | 4 | 4 |

COMPLIANCE WITH THE BUILDING ACT 1993

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

AUTHORITY INFORMATION

Information required in accordance with Section 9.1.3(iv) of the Financial Management Act is available to the Minister, Members of Parliament and the public on request.

NATIONAL COMPETITION POLICY

Westernport Water has developed and will continue to develop policies to ensure compliance with the Victorian Government requirements for the National Competition Policy.

FREEDOM OF INFORMATION

No Freedom of Information requests were received by Westernport Water during the 2001/2002 financial year.

Members of the public wishing to obtain access to Authority documents are required to make their request in writing and pay a \$20.00 fee. The FOI Officer is the Manager Corporate Services.

WHISTLEBLOWERS PROTECTION ACT

The Whistleblowers Protection Act 2001 came into effect on 1 January 2002. The Act is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters.

Section 104 of the Act requires that public bodies provide the following statistical information.

- A copy of Westernport Water's Whistleblowers Policy is included with this report
- Nil disclosures were made to the public body since the commencement of the Act (in January 2002).
- Nil disclosures were referred to the Ombudsman (to determine whether they are public interest disclosures)
- Nil disclosures were referred to the public body by the Ombudsman
- Nil disclosures were referred by the public body to the Ombudsman to investigate
- Nil investigations of disclosures were taken over by the Ombudsman from the public body
- Nil requests were made by complainants to have their disclosure investigated by the Ombudsman due to their dissatisfaction with the way the public body is investigating the matter. (The circumstances are set out in section 74 of the Act)
- There were nil disclosures that the public body declined to investigate
- There were nil disclosed matters that were substantiated on investigation and the action taken on completion of the investigation
- Nil recommendations were made by the Ombudsman that relate to the public body.

Statutory Information

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

Stephen Chambers, Protected Disclosure Coordinator
Westernport Region Water Authority
PO Box 40, Cowes, Victoria 3922.
Telephone: (03) 5952 8111 Facsimile: (03) 5952 3115
Email: schambers@westernportwater.com.au

- or -

The Ombudsman Victoria
Level 22, 459 Collins Street, Melbourne Vic 3000.
Telephone: (03) 9613 6222 Toll free: 1800 806 314

CONSULTANCIES

Consultancies in excess of \$100,000

| Consultant | Project | Expenditure to 30 June 2002 | Total Commitment | Total Outstanding Commitment |
|--------------|-------------------------------------|--------------------------------|---------------------|---------------------------------|
| Brown & Root | Cowes Wastewater Treatment Plant | \$188,752 | \$267,392 | \$78,640 |

Consultancies under \$100,000

| Number of Consultants | Expenditure to 30 June 2002 | Total Commitment | Total Outstanding Commitment |
|--------------------------|--------------------------------|---------------------|---------------------------------|
| Total of six consultants | \$244,936 | \$330,261 | \$85,325 |

OVERSEAS TRAVEL

No overseas travel was undertaken by employees or Directors of Westernport Water during 2001/2002.

Financial Summary

Charges

| | 2001/02 | 2000/01 | 1999/00 | 1998/99 |
|---|------------|------------|------------|------------|
| Water Supply | | | | |
| Base Service charge | \$175.20 | \$171.00 | \$171.00 | \$171.00 |
| Peak charge per kilolitre | \$1.03 | \$1.00 | \$1.00 | \$1.00 |
| Off peak charge per kilolitre | \$0.61 | \$0.60 | \$0.60 | \$0.60 |
| Headworks charge | \$2,750.00 | \$2,500.00 | \$2,250.00 | \$2,000.00 |
| Wastewater Disposal | | | | |
| Base service charge – house | \$315.00 | \$306.00 | \$306.00 | \$306.00 |
| Base service charge – land | \$180.00 | \$201.00 | \$201.00 | \$202.00 |
| Cistern charge (<i>per cistern for more than two</i>) | \$114.00 | \$111.00 | \$111.00 | \$113.00 |
| Outfall charge | \$2,250.00 | \$1,900.00 | \$1,750.00 | \$1,500.00 |

Statement of Financial Performance

for the year ended 30 June 2002

| | Notes | 2002 \$'000 | 2001 \$'000 |
|---|-------|----------------|----------------|
| Revenue from ordinary activities | | | |
| Operating revenue | | 7,995 | 7,724 |
| Income for capital purposes | | 1,448 | 1,520 |
| Interest revenue | | 220 | 347 |
| Proceeds from asset sales | | 604 | 158 |
| Other revenue | | 330 | 255 |
| Total revenue | 2(a) | 10,597 | 10,004 |
| Expenses from ordinary activities | | | |
| Direct expenses | | 4,521 | 4,219 |
| Administration expenses | | 2,279 | 1,758 |
| Written down value of assets sold | | 425 | 235 |
| Discount on schemes | | 280 | - |
| Borrowing costs | | 510 | 732 |
| Total expenses | 2(b) | 8,015 | 6,944 |
| Profit from ordinary activities before tax | | 2,582 | 3,060 |
| Income tax expense | 3 | - | - |
| Net result for the reporting period | 11(b) | 2,582 | 3,060 |
| Net increase in asset revaluation reserve | 11(a) | 9,149 | - |
| Total movements directly recognised as equity | | 9,149 | - |
| Total changes in equity other than those resulting from transactions with the Victorian Government as owner | | 11,731 | 3,060 |

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2002

| | Notes | 2002 \$'000 | 2001 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| Current assets | | | |
| Cash assets | 4 | 1,572 | 3,175 |
| Receivables | 5 | 1,578 | 1,512 |
| Inventories | | 234 | 214 |
| Total current assets | | 3,384 | 4,901 |
| Non-current assets | | | |
| Receivables | 5 | 349 | 862 |
| Property, plant and equipment | 6 | 89,825 | 80,477 |
| Works under construction | 6 | 2,572 | 1,609 |
| Total non-current assets | | 92,746 | 82,948 |
| TOTAL ASSETS | | 96,130 | 87,849 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 7 | 993 | 769 |
| Interest bearing liabilities | 8 | 3,384 | 3,172 |
| Provisions | 9 | 302 | 167 |
| Total current liabilities | | 4,679 | 4,108 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 8 | 1,784 | 5,150 |
| Provisions | 9 | 99 | 93 |
| Total non-current liabilities | | 1,883 | 5,243 |
| TOTAL LIABILITIES | | 6,562 | 9,351 |
| NET ASSETS | | | |
| Contributed capital | 10 | 50,988 | 15,680 |
| Reserves | 11(a) | 36,888 | 27,850 |
| Accumulated surplus | 11(b) | 1,692 | 34,968 |
| EQUITY | | 89,568 | 78,498 |

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2002

| | | 2002 \$'000 | 2001 \$'000 |
|--|-------|----------------------|-----------------------|
| | Notes | Inflows (Outflow) | Inflows (Outflows) |
| Cash Flows from Operating Activities | | | |
| <i>Receipts:</i> | | | |
| Tariffs, fees & charges | | 7,871 | 7,662 |
| Interest | | 253 | 391 |
| Refund of goods and services tax | | 464 | 325 |
| Other revenues | | 425 | 360 |
| <i>Payments:</i> | | | |
| Employees | | (1,862) | (1,977) |
| Suppliers (inclusive of GST) | | (2,929) | (2,141) |
| Borrowing costs | | (546) | (765) |
| Net Cash from Operating Activities | 12(b) | 3,676 | 3,855 |
| Cash Flows from Investing Activities | | | |
| Payments for property, plant & equipment | | (4,058) | (2,889) |
| Income for capital purposes | | 2,013 | 1,083 |
| Proceeds from sale of non-current assets | | 604 | 158 |
| Net Cash used in Investing Activities | | (1,441) | (1,648) |
| Cash Flow from Financing Activities | | | |
| Repayment of borrowings | | (3,154) | (2,966) |
| Proceeds from government contribution | | 340 | 614 |
| Increase (Decrease) in contract deposits | | (23) | 44 |
| Dividends paid | | (1,001) | (998) |
| Net Cash used in Financing Activities | | (3,838) | (3,306) |
| Net Decrease in Cash | | (1,603) | (1,099) |
| Opening Cash | | 3,175 | 4,274 |
| Closing Cash | 12(a) | 1,572 | 3,175 |

The accompanying notes form part of these financial statements

Notes to the Financial Report

for the year ended 30 June 2002

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

General

This financial report of Westernport Water Region Authority is a general purpose financial report that consists of a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash Flows and notes accompanying these statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group and Consensus Views and the requirements of the Financial Management Act 1994 and applicable Directions issued thereunder.

This financial report has been prepared on accrual and going concern bases.

The financial report has also been prepared under the historical cost convention except where specifically stated in note 1(d).

Accounting policies

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

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 Authority's operational cycle.

Rounding

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

(b) Revenue recognition

Water and wastewater charges

Water and wastewater service charges are recognised as revenue when levied or determined. Water volume charges are recognised as revenue when the water is provided.

Services acquired for no cost

The value of services received free of charge are recognised as revenue when received.

Developer contributions

Fees paid by developers to connect new developments to the Authority's existing water supply and wastewater systems are recognised as revenue when the contributions are received.

Assets received from developers

When infrastructure assets are provided to the Authority free of charge, the fair value of those assets is recognised as revenue when the assets are controlled.

Government contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established whichever is the sooner, and disclosed in the Statement of Financial Performance as Government Contributions. However, grants and contributions received from the Victorian State Government which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Agriculture and Resources have indicated are in the nature of owners' contributions are accounted for as Equity – Contribution Capital.

Sale of assets

The profit or loss on sale of an asset is determined when control has passed to the buyer. In accounting for the sale of non-current assets, gross proceeds from the sales are included as other revenue and the written down value of the assets sold is disclosed as an operating expense.

Interest and rents

Interest and rentals are recognised as revenue when earned or the service provided.

(c) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, and comprise interest on borrowings.

(d) Recognition and measurement of assets

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition.

Notes to the Financial Report

for the year ended 30 June 2002

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

Assets acquired at no cost by the Authority are recognised at fair value at the date of acquisition.

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

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.

Operating leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by the Authority.

Recoverable amount

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of the asset exceeds the recoverable amount, the asset is written down to the lower amount.

The recoverable amount of an asset is the amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. The carrying amount of the Authority's assets does not exceed the estimated recoverable amount.

Revaluation

Subsequent to the initial recognition of assets, land, buildings and infrastructure assets are measured at fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. Equipment and motor vehicles are measured at cost.

At balance date, the Authority reviews the carrying value of assets within the property, plant and equipment classification to ensure that the carrying value approximates fair value. Where the carrying value materially differs from the fair value the carrying value is written down to its fair value.

The Authority has revalued all land, building and infrastructure assets as at 1 July 2001 in accordance with the now superseded Department Treasury and Finance guideline Recognition & Valuation of Non-Current Physical Assets and as allowed by ARF Bulletin No 42, Application of Victorian Government Policy 'Revaluation of Non-Current Physical Assets'. These assets were measured on the existing revaluation basis, being written down replacement cost. It is considered that this basis of measurement approximates fair value. The carrying amount does not exceed the estimated recoverable amount.

The revaluation was carried out by the following independent valuers.

Infrastructure Assets:

Meritec Pty Ltd: Russell Smith B E (Civil) (Hons)

Maunsell Australia Pty Ltd: Michael Protsis B E

Land & Buildings:

urbis: Malcolm Collins Ass. Diploma of Valuations, Grad Dip of Property

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluations decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

(e) Depreciation of non-current assets

Property, infrastructure, plant and equipment assets having limited useful lives are systematically depreciated over their useful lives to the Authority in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on an annual basis with major asset classes reassessed annually.

Where assets have separate identifiable components that have distinct useful lives and/or residual values a separate depreciation rate is determined for each component.

Straight line depreciation is charged based on the residual useful life as determined each year. Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

| | 2002 | 2001 |
|---------------------------|----------------|----------------|
| <i>Buildings</i> | | |
| Buildings | 40 years | 25 years |
| <i>Infrastructure</i> | | |
| Water Infrastructure | | 10 - 150 years |
| - Storage | 50 years | |
| - Distribution network | 50 years | |
| - Treatment plants | 50 years | |
| Wastewater Infrastructure | | 10 - 100 years |
| - Storage | 50 years | |
| - Distribution network | 50 years | |
| - Pump Stations | 25 years | |
| - Treatment plants | 20 years | |
| <i>Other assets</i> | | |
| Equipment | 5 - 10 years | |
| Machinery | 5 - 10 years | |
| Furniture & computers | 2.5 - 13 years | |

(f) Cash assets

For the purposes of the Statement of Cash Flows, cash assets include cash on hand and highly liquid investments with short periods to maturity that are readily convertible to cash on hand at the Authority's option and are subject to insignificant risk of changes in values.

(g) Receivables

Trade debtors are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for doubtful debts. A provision is made for doubtful debts based on a review of all outstanding receivables at balance date. Bad debts are written off in the period in which they are recognised.

(h) Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are valued at the lower of cost and net realisable value using the average cost method of assigning costs.

(i) Payables

Liabilities are recognised for amounts payable in the future for goods and services received, whether or not billed to the Authority.

(j) Employee entitlements

Wages and salaries and sick leave

Liabilities for wages and salaries, and rostered days off, are recognised and are measured as the amount unpaid at balance date. Entitlements include on-costs is calculated using employee remuneration rates as at balance date. Non-vesting sick leave is not expected to exceed current and future sick leave entitlements, and accordingly, no liability has been recognised.

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date, having regard to current rates of pay and on-costs. Annual leave entitlements are provided for at their nominal value.

Long service leave

Long service leave entitlements payable are assessed at balance date having regard to current employee remuneration rates, employment related on-costs and other factors including accumulated years of employment, future remuneration levels, and experience of employee departure per year of service. Long service leave expected to be paid in the next 12 months is recorded as a current liability in the Statement of Financial Position at its nominal value. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these entitlements and recorded as a non-current liability. Commonwealth Bond Rates are used for discounting future cash flows.

Superannuation

The purpose of a superannuation scheme is to accumulate assets to meet members' benefits as they accrue. The Authority contributes in respect of its employees to a number of superannuation schemes. These contributions are recognised in the financial statements of the Authority.

(k) Segment information

Segment information is reported on the basis of business segments, as the Authority's risks and returns are affected predominantly by differences in the products and services provided through those segments.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties.

Segment revenues, expenses and results include transfers between segments. These transfers are priced on an arms length basis and are eliminated on consolidation.

Notes to the Financial Report

for the year ended 30 June 2002

(l) Reporting lines of business

The financial report includes a note reporting the two main lines of business of the Authority, a wholesale headworks bulk water business and a retail water distribution business in accordance with the requirements of a Ministerial Direction under Section 51 of the Financial Management Act 1994.

(m) Changes in accounting policy

Contributed capital

For the reporting period ending 30 June 2002, the Authority has deemed all its accumulated surplus of \$34,968,000 to be contributed capital. This accounting treatment is to comply with UIG Abstract 38 Contributions by Owners made to Wholly-Owned Public Sector Entities, AFRB 39 Accounting for Contributed Capital and AFRB 40 Establishment of Opening Balances and Formal Designation for Contributed Capital.

The change in accounting policy has resulted in the recognition in the Statement of Financial Position as at 1 July 2001 of an opening balance, after transfer of \$34,968,000, of \$50,648,000 as contributed capital (1 July 2000 - \$15,066,000) and \$0 amount for the accumulated surplus (1 July 2000 - \$32,906,000).

Tax Equivalence

The National Competition Policy agreed to by the Victorian Government has resulted in the Authority being subject to the Victorian tax equivalent system, which provides for the payment by Government businesses of taxes as if they were a private sector company, as from the 1 July 2001.

Asset Revaluation

In previous reporting periods up to 30 June 2001, equipment was measured on a revaluation basis. In changing from a revaluation basis to the cost basis, the carrying amount for equipment at 1 July 2001 was deemed to equal the cost of those assets. Accordingly, the change in accounting policy for equipment and motor vehicles has had no impact on either the current year statement of financial performance or opening accumulated surplus.

(n) Dividend policy

The Authority is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the Public Authorities (Dividend) Act 1983, based on a prescribed percentage of the previous years' adjusted net profit.

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Treasurer has determined that the dividend payable for the year ended 30 June 2002 is \$1,001,000 (30 June 2001 - \$998,000).

(o) Goods and services tax

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

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Note 2 Statement of financial performance – disclosures

(a) Revenue

Operating revenue

Service charges

Volume charges

Other

Total

Income for capital purposes

Headworks charges

Developers' cost of works

Owners' contributions

Total

| | 2002 \$'000 | 2001 \$'000 |
|--------------|----------------|----------------|
| | 6,424 | 6,065 |
| | 1,495 | 1,589 |
| | 76 | 70 |
| Total | 7,995 | 7,724 |
| | 938 | 615 |
| | 403 | 135 |
| | 107 | 770 |
| Total | 1,448 | 1,520 |

| | 2002 \$'000 | 2001 \$'000 |
|-----------------------------------|----------------|----------------|
| <i>Interest Revenue</i> | | |
| Interest tariffs | 64 | 45 |
| Interest schemes | 29 | 49 |
| Interest investments | 127 | 253 |
| Total | 220 | 347 |
| <i>Proceeds from asset sales</i> | | |
| Proceeds from asset sales | 604 | 158 |
| Total | 604 | 158 |
| <i>Other Revenue</i> | | |
| Information statements | 68 | 69 |
| Tapping & connection fees | 188 | 141 |
| Government grant | 33 | - |
| Miscellaneous | 41 | 45 |
| Total | 330 | 255 |
| (b) Expenses | | |
| <i>Direct expenses</i> | | |
| <i>Water</i> | | |
| Catchment & Reservoir | 112 | 121 |
| Purification | 333 | 435 |
| Distribution | 594 | 513 |
| <i>Wastewater</i> | | |
| Collection | 610 | 479 |
| Treatment & Disposal | 461 | 267 |
| Re-use | 75 | 19 |
| <i>Other</i> | | |
| Depreciation | 2,189 | 2,086 |
| Miscellaneous | 147 | 299 |
| Total | 4,521 | 4,219 |
| <i>Administration Expenses</i> | | |
| Corporate Governance | 470 | 269 |
| Audit fees | 30 | 15 |
| Technical Services | 309 | 233 |
| Systems | 364 | 243 |
| Corporate Services | 833 | 695 |
| Bad debts written off | 20 | 3 |
| Depreciation | 253 | 300 |
| Total | 2,279 | 1,758 |
| Written down value of assets sold | 425 | 235 |
| Total | 425 | 235 |
| Discount on schemes | 280 | - |
| Total | 280 | - |

In accordance with government policy, property owners participating in new town sewerage schemes may elect to pay their contribution over twenty years or make an upfront discounted payment. The Authority allowed property owners sixty days from the date of the account to elect to pay the discounted contribution. The discount allowed in 2001/2002 relates to schemes invoiced in 2000/2001.

Notes to the Financial Report

for the year ended 30 June 2002

| | 2002 \$'000 | 2001 \$'000 |
|--|----------------|----------------|
| <i>Borrowing costs</i> | | |
| Interest on loans | 510 | 732 |
| Total | 510 | 732 |
| Note 3 Income Tax | | |
| The Authority has recorded tax losses of \$2,334,000. As there is not virtual certainty of the Authority recovering these tax losses within a reasonable period of time an asset or liability has not been brought to account. | | |
| Note 4 Cash Assets | | |
| Cash at bank and on hand | 96 | 673 |
| At call | 1,476 | 1,526 |
| Term deposit | - | 976 |
| Total | 1,572 | 3,175 |
| Note 5 Receivables | | |
| <i>Current</i> | | |
| Trade Debtors | 1,099 | 1,063 |
| Less provision for doubtful debts | (130) | (130) |
| Accrued Income | 609 | 579 |
| Total | 1,578 | 1,512 |
| <i>Non-current</i> | | |
| Debtors | 349 | 862 |
| Total | 349 | 862 |
| Note 6 Property, Plant and Equipment | | |
| (a) Classes of property, plant and equipment | | |
| <i>Land</i> | | |
| At cost | - | 68 |
| At valuation | - | 1,090 |
| At fair value | 3,165 | - |
| Total | 3,165 | 1,158 |
| <i>Buildings</i> | | |
| At valuation | - | 384 |
| Less accumulated depreciation | - | (65) |
| At fair value | 330 | - |
| Less accumulated depreciation | (8) | - |
| Total | 322 | 319 |
| <i>Water Infrastructure</i> | | |
| At cost | - | 2,396 |
| Less accumulated depreciation | - | (198) |
| At valuation | - | 33,045 |
| Less accumulated depreciation | - | (3,833) |
| At fair value | 34,797 | - |
| Less accumulated depreciation | (773) | - |
| Total | 34,024 | 31,410 |

| | 2002 \$'000 | 2001 \$'000 |
|--|----------------|----------------|
| <i>Wastewater Infrastructure</i> | | |
| At cost | - | 4,591 |
| Less accumulated depreciation | - | (139) |
| At valuation | - | 46,215 |
| Less accumulated depreciation | - | (3,939) |
| At fair value | 52,570 | - |
| Less accumulated depreciation | (1,392) | - |
| Total | 51,178 | 46,728 |
| <i>Equipment and motor vehicles</i> | | |
| At cost | 1,782 | 1,149 |
| Less accumulated depreciation | (646) | (378) |
| At valuation | - | 491 |
| Less accumulated depreciation | - | (400) |
| Total | 1,136 | 862 |
| Total Property, plant and equipment | 89,825 | 80,477 |
| Works under construction | 2,572 | 1,609 |
| Total | 2,572 | 1,609 |

| | Opening WDV | Additions | Disposals | Revaluation | Depreciation | Closing WDV |
|--|---------------|--------------|--------------|--------------|----------------|---------------|
| (b) Movements during the reporting period | | | | | | |
| Land | 1,158 | - | (230) | 2,237 | - | 3,165 |
| Buildings | 319 | 26 | (52) | 38 | (9) | 322 |
| Water Infrastructure | 31,410 | 270 | - | 3,117 | (773) | 34,024 |
| Wastewater Infrastructure | 46,728 | 2,085 | - | 3,757 | (1,392) | 51,178 |
| Equipment and Motor Vehicles | 862 | 685 | (143) | - | (268) | 1,136 |
| Total | 80,477 | 3,066 | (425) | 9,149 | (2,442) | 89,825 |
| Works under construction | 1,609 | 3,641 | (2,678) | - | - | 2,572 |

Notes to the Financial Report

for the year ended 30 June 2002

| | 2002 \$'000 | 2001 \$'000 |
|--|----------------|----------------|
| (c) Depreciation charge for the year | | |
| Buildings | 9 | 20 |
| Water Infrastructure | 773 | 1,016 |
| Wastewater Infrastructure | 1,392 | 1,030 |
| Equipment and Motor Vehicles | 268 | 320 |
| Total | 2,442 | 2,386 |
| Note 7 Payables | | |
| Trade creditors | 404 | 400 |
| Deposits and retentions | 113 | 136 |
| Payments in advance | 413 | 93 |
| Accrued interest | 41 | 77 |
| Other creditors | 22 | 7 |
| Total | 993 | 713 |
| Note 8 Interest-bearing Liabilities | | |
| <i>Current</i> | | |
| Bank loan | 3,085 | 2,890 |
| Treasury Corporation of Victoria loan | 299 | 282 |
| Total | 3,384 | 3,172 |
| <i>Non-Current</i> | | |
| Bank loan | - | 3,067 |
| Treasury Corporation of Victoria loan | 1,784 | 2,083 |
| Total | 1,784 | 5,150 |
| Note 9 Provisions | | |
| <i>Current</i> | | |
| Annual Leave | 214 | 145 |
| Long Service Leave | 42 | 22 |
| Accrued salaries and wages | 46 | 56 |
| Total | 302 | 223 |
| <i>Non-Current</i> | | |
| Long Service Leave | 99 | 93 |
| Total | 99 | 93 |
| No of equivalent full time employees as at 30 June | 39 | 37 |

| | 2002 \$'000 | 2001 \$'000 |
|--|----------------|----------------|
| Note 10 Contributed Capital | | |
| Opening balance | 15,680 | 15,066 |
| Transfer from accumulated surplus | 34,968 | - |
| Capital contributions | 340 | 614 |
| Closing balance | 50,988 | 15,680 |
| Note 11 Reserves and accumulated surplus | | |
| (a) Asset revaluation reserve | | |
| Opening balance | 27,850 | 27,850 |
| Revaluation increment on non-current assets | 9,149 | - |
| Transfer of revaluation component of assets sold | (111) | - |
| Closing balance | 36,888 | 27,850 |
| (b) Accumulated surplus | | |
| Opening balance | 34,968 | 32,906 |
| Transfer to contributed capital | (34,968) | - |
| Transfer of revaluation component of assets sold | 111 | - |
| Profit from ordinary activities | 2,582 | 3,060 |
| Dividends | (1,001) | (998) |
| Closing balance | 1,692 | 34,968 |
| Note 12 Cash flow disclosures | | |
| (a) Cash as shown in the Statement of Cash Flows, reconciled to related items | | |
| Cash at bank and on hand | 96 | 673 |
| At call | 1,476 | 1,526 |
| Term deposit | - | 976 |
| Total | 1,572 | 3,175 |
| The Authority has no short term financing facility | | |
| (b) Reconciliation of net cash provided by operating activities to operating result | | |
| Operating result | 2,582 | 3,060 |
| <i>Non Cash Flows included in operating surplus:</i> | | |
| Depreciation | 2,442 | 2,386 |
| Bad debts written off | 20 | 3 |
| Proceeds from sale of fixed assets | (604) | (158) |
| Income for capital purposes, net of discount | (1,168) | (1,520) |
| Write-off of fixed asset | - | (78) |
| Written down value of fixed assets sold | 425 | 235 |

Notes to the Financial Report

for the year ended 30 June 2002

| | 2002 \$'000 | 2001 \$'000 |
|---|----------------|----------------|
| <i>Change in operating assets and liabilities:</i> | | |
| (Increase) Decrease in debtors and accrued income | (115) | (18) |
| (Increase) Decrease in prepayments | - | 5 |
| (Increase) Decrease in stock | (20) | (5) |
| Increase (Decrease) in creditors and accruals | (27) | (7) |
| Increase (Decrease) in employee entitlements | (141) | 48 |
| Net cash from (used in) operating activities | 3,676 | 3,855 |

Note 13 Reporting by Segments

(a) Separate Reporting of Wholesale and Retail Operations

The following financial information on the Authority's wholesale and retail operations is provided in accordance with the Ministerial Direction of the Minister for Agriculture and Resources dated 29 June 1998, issued pursuant to Section 51 of the Financial Management Act 1994

It is the policy of the Authority that the Wholesale Operation breaks even.

| | Wholesale Operations | | Retail Operations | | Eliminations | | Total | |
|-----------------------------|----------------------|----------------|-------------------|----------------|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| <i>Revenue</i> | | | | | | | | |
| Bulk water sales | 676 | 755 | - | - | (676) | (755) | - | - |
| Retail service charges | - | - | 6,500 | 6,135 | - | - | 6,500 | 6,135 |
| Retail volume charges | - | - | 1,495 | 1,589 | - | - | 1,495 | 1,589 |
| Other revenue | 2 | 4 | 1,152 | 756 | - | - | 1,154 | 760 |
| Income for capital purposes | - | - | 1,448 | 1,520 | - | - | 1,448 | 1,520 |
| Total Revenue | 678 | 759 | 10,595 | 10,000 | (676) | (755) | 10,597 | 10,004 |
| <i>Expense</i> | | | | | | | | |
| Operations & maintenance | 445 | 463 | 2,563 | 2,497 | (676) | (755) | 2,332 | 2,205 |
| Depreciation | 187 | 222 | 2,255 | 2,164 | - | - | 2,442 | 2,386 |
| Administration & finance | 46 | 74 | 3,195 | 2,279 | - | - | 3,241 | 2,353 |
| Total Expenses | 678 | 759 | 8,013 | 6,940 | (676) | (755) | 8,015 | 6,944 |
| Operating Surplus | - | - | 2,582 | 3,060 | - | - | 2,582 | 3,060 |

| | Wholesale Operations | | Retail Operations | | Eliminations | | Total | |
|---|----------------------|----------------|-------------------|----------------|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Assets | | | | | | | | |
| Cash assets | - | - | 1,572 | 3,175 | - | - | 1,572 | 3,175 |
| Fixed assets | 8,337 | 7,968 | 84,060 | 74,118 | - | - | 92,397 | 82,086 |
| Other assets | - | - | 2,161 | 2,588 | - | - | 2,161 | 2,588 |
| Total Assets | 8,337 | 7,968 | 87,793 | 79,881 | - | - | 96,130 | 87,849 |
| Liabilities | | | | | | | | |
| Total Borrowings | 394 | 763 | 4,774 | 7,559 | - | - | 5,168 | 8,322 |
| Cash Flow Statement | | | | | | | | |
| Capital Flows from Investing Activities | (12) | (78) | (1,429) | (1,570) | - | - | (1,441) | (1,648) |
| Capital Flows from Financing Activities | (371) | (207) | (3,467) | (3,099) | - | - | (3,838) | (3,306) |

(b) Financial information on retail services

The following financial information on the water and wastewater segments of the Authority's retail operations is provided in accordance with the Ministerial Direction of the Minister for Agriculture and Resources dated 25 July 1996, issued pursuant to Section 51 of the Financial Management Act 1994.

| | Water | | Wastewater | | Eliminations | | Total | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Revenue | | | | | | | | |
| Sales - external | 4,112 | 4,114 | 3,883 | 3,610 | - | - | 7,995 | 7,724 |
| Other revenue | 547 | 352 | 605 | 404 | - | - | 1,152 | 756 |
| Income for capital purposes | 724 | 400 | 724 | 1,120 | - | - | 1,448 | 1,520 |
| Total Revenue | 5,383 | 4,866 | 5,212 | 5,134 | - | - | 10,595 | 10,000 |
| Operating surplus from retail operations | 1,880 | 1,482 | 702 | 1,578 | - | - | 2,582 | 3,060 |

Note 14 Responsible Persons Disclosures

(a) Responsible Persons

The names of persons who were Responsible Persons of the Westernport Region Water Authority during the financial year are:

| | |
|------------------------------|---|
| The Hon. Sherryl Garbutt MLA | Minister for Environment & Conservation |
| Pamela Cameron | Chairperson |
| Clyde Paterson | Deputy Chairperson |
| Anthea Dacy | Director |
| Eric (Tim) Ealey | Director |
| Ian Purbrick | Director |
| Susan Walpole | Director |
| Philip Westwood | Director |
| Michael (Mike) Paine | Chief Executive Officer |

Notes to the Financial Report

for the year ended 30 June 2002

(b) Remuneration of Responsible Persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet.

Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

| | | |
|---|------------------------------|------------------------------|
| Remuneration received, or due and receivable, from the Authority in connection with the management of the Authority, including accrued entitlements paid on retirement and employer contributions for superannuation. | 2002 \$'000 | 2001 \$'000 |
| | 248 | 280 |

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

| \$'000 | 2002 | 2001 |
|---------------|-------------|-------------|
| 0 - 10 | - | 1 |
| 10 - 20 | 6 | 3 |
| 20 - 30 | 1 | 1 |
| 70 - 80 | - | 1 |
| 120 - 130 | - | 1 |
| 130 - 140 | 1 | - |

There were no amounts paid by the Authority in connection with the retirement of Responsible Persons of the Authority during the financial year.

There were no loans in existence by the Authority to Responsible Persons or related parties at the date of this report.

There were no other transactions between the Authority and Responsible Persons and their related parties during the financial year.

(c) Remuneration of Executive Officers

There were no executive officers other than Responsible Persons whose total remuneration was greater than \$100,000.

Note 15 Superannuation

The Authority makes contributions to the following superannuation funds in respect of its employees in accordance with the requirements of the Superannuation Guarantee (Administration) Act 1992.

Accumulation Benefits

Westernport Water makes employer contributions to various superannuation funds in respect of employees who commenced employment with the Authority after 31 December 1993. Employer contributions are calculated as a percentage of employee earnings. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the funds.

Defined Benefits

Westernport Water makes employer contributions to the defined benefits category of the Local Authorities Superannuation Fund (the Fund) in respect of employees who commenced employment with the Authority before 1 January 1994. Employer contributions are calculated as a percentage of eligible remuneration at rates determined by the Fund's Trustee.

In addition, Westernport Water reimburses the Fund for the difference between resignation and retrenchment benefits paid to employees retrenched by them during the year. There were no retrenchments during 2001/2002. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

As at 30 June 2002 Westernport Water has no past service liability to the Fund.

Westernport Water has an ongoing obligation to the Fund. Favourable or unfavourable variations may arise should the experience of the Fund differ from the assumptions made by the Fund's actuary in estimating the Fund's accrued benefits liability. As a consequence Westernport Water may, in the future, either receive a refund or be required to make further contributions.

The most recent full actuarial review of the Fund was completed as at 30 June 2000. It was determined that the net assets of the Fund were more than sufficient to meet the accrued benefits of the defined benefit category members.

As at balance date there were no outstanding contributions, payable to the above funds and no balances repayable in respect of loans made to the Authority from any fund.

| Scheme | Type | Contribution Rate | 2002 \$'000 | 2001 \$'000 |
|---------------|--------------------|-------------------|----------------|----------------|
| LASB | Defined Benefits | 9.25% | 37 | 36 |
| LASPLAN | Accumulation Fund | 8.00% | 74 | 60 |
| Other Schemes | Accumulation Funds | 8.00% | 65 | 29 |
| Total | | | 176 | 125 |

Note 16 Capital Commitments

The value of commitments entered into by the Authority for the supply of works, services and materials as at the balance date, and not otherwise brought to account in the Financial Statements, is as follows. All commitments are likely to be paid in full within one year.

| | |
|--------------|--------------|
| 3,321 | 1,026 |
|--------------|--------------|

Note 17 Lease Commitments

(a) Leased Authority land

The Authority leases land for the San Remo works depot. The leases are operating leases and payments are charged as an expense in the year to which they apply. The following lease commitment applies:

| | | |
|--|---|---|
| Not later than 1 year | 4 | 4 |
| Later than 1 year and not later than 5 years | 4 | 6 |

(b) Property leased by the Authority

The Authority leases land, which is not currently required for its operations, for farming purposes. The leases are operating leases and revenue is recognised in the year to which it applies. The value of the leased land is \$317,000. Expected future receipts are:

| | | |
|--|----|---|
| Not later than 1 year | 38 | - |
| Later than 1 year and not later than 5 years | - | - |

Note 18 Events Occurring after Balance Date

At the date of reporting, the Authority is unaware of any subsequent events that will effect the financial position disclosed (2000/01 – Nil).

Note 19 Contingent Liabilities

Legal action has been initiated against the Authority for unspecified damages. The Authority will be defending this matter. The extent of the potential liability is yet to be determined.

Notes to the Financial Report

for the year ended 30 June 2002

Note 20 Financial Instruments

(a) Accounting policy, terms and conditions

The Authority's accounting policies including the terms and conditions of each class of financial asset, liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

| Recognised Financial Instruments | Notes | Accounting Policies | Terms and Conditions |
|--|-------|---|--|
| <i>(l) Financial Assets</i> | | | |
| Cash Assets | 4 | Cash Assets are carried at the nominal amount of the balance. | Interest is earned at a variable rate on the daily balance. The Authority has no overdraft facility on the bank account. |
| Receivables - Current Debtors | 5 | Current debtors are carried at the nominal amounts due less any provision for doubtful debts. A doubtful debts provision is made for any amounts which are considered unlikely to be collectable. | Credit is allowed for a 28 day term for tariff debtors and a 30 day term for sundry debtors. Interest is charged on overdue accounts at a rate of 9%. Property owners required to meet the cost of works may pay by instalments over 10 years at an interest rate of 9% on the outstanding balance. Property owners required to meet the cost of works in eligible new town sewerage schemes may pay by instalments over 20 years. |
| Receivables - Non-Current Debtors | 5 | Non-current debtors are carried at the nominal amounts due less any provision for doubtful debts. A doubtful debts provision is made for any amounts which are considered unlikely to be collectable. | Property owners required to meet the cost of works may pay by instalments over 10 years at an interest rate of 9% on the outstanding balance. Property owners required to meet the cost of works in eligible new town sewerage schemes may pay by instalments over 20 years. |
| Fixed & Variable Interest Bearing Deposits | 4 | Fixed and variable interest bearing deposits are carried at the lower of costs and net realisable value. Interest revenue is recognised in the operating statement when it is earned | Fixed and variable interest bearing deposits have an average maturity of 88 days and effective interest rates of 4.20% to 6.62%. |

Recognised Financial Instruments

| Notes | Accounting Policies | Terms and Conditions |
|-----------------------------------|--|--|
| (ii) <i>Financial liabilities</i> | | |
| Payables | 7 Creditors and accruals are recognised for future amounts to be paid in respect of goods and services received, whether or not billed to the authority. | Settlement of creditors is normally effected within a 30 day term. No interest is payable on these amounts. |
| Interest-bearing liabilities | 8 Credit Foncier Loans are carried at the principal amounts. Interest is charged as an expense as it accrues | The credit foncier loans are repayable in equal instalments over 10 year terms. Interest rates range from 5.795% to 7.550% Details of the security over these bank loans is set out in Note 8. |

(b) Interest rate risk

The Authority's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

| Financial Instruments | Floating Interest Rate | | Fixed Interest maturing in: | | | | | | Non-interest Bearing | | Total Carrying Amount per Statement of Financial Position | | Weighted Average Effective Interest Rate | |
|------------------------------------|------------------------|----------------|-----------------------------|----------------|-------------------|----------------|-------------------|----------------|----------------------|----------------|---|----------------|--|----------------|
| | | | 1 year or less | | over 1 to 5 years | | more than 5 years | | | | | | | |
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| <i>Financial Assets</i> | | | | | | | | | | | | | | |
| Cash assets | 1,572 | 3,175 | - | - | - | - | - | - | - | - | 1,572 | 3,175 | 4.3% | 5.3% |
| Receivables | - | - | 200 | 228 | 94 | 187 | - | - | 1,024 | 1,380 | 1,318 | 1,795 | 9.0% | 9.0% |
| Accrued Income | - | - | - | - | - | - | - | - | 609 | 579 | 609 | 579 | | |
| Total financial assets | 1,572 | 3,175 | 200 | 228 | 94 | 187 | - | - | 1,633 | 1,959 | 3,499 | 5,549 | | |
| <i>Financial Liabilities</i> | | | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | 993 | 713 | 993 | 713 | | |
| Interest bearing liabilities | - | - | 3,384 | 3,172 | 1,385 | 2,785 | 399 | 2,365 | - | - | 5,168 | 8,322 | 6.8% | 7.1% |
| Total financial liabilities | - | - | 3,384 | 3,172 | 1,385 | 2,785 | 399 | 2,365 | 993 | 713 | 6,161 | 9,035 | | |

Notes to the Financial Report

for the year ended 30 June 2002

(c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

| | Total Carrying Amount per Statement of Financial Position | | Aggregate Fair Value | |
|------------------------------------|--|----------------|----------------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| <i>(i) Financial Assets</i> | | | | |
| Cash Assets | 1,572 | 3,175 | 1,572 | 3,175 |
| Receivables | 1,318 | 1,795 | 1,221 | 1,524 |
| Accrued Income | 609 | 579 | 609 | 579 |
| Total Financial Assets | 3,499 | 5,549 | 3,402 | 5,278 |
| <i>(ii) Financial Liabilities</i> | | | | |
| Payables | 993 | 713 | 993 | 713 |
| Interest bearing liabilities | 5,168 | 8,322 | 5,408 | 8,811 |
| Total Financial Liabilities | 6,161 | 9,035 | 6,401 | 9,524 |

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

Recognised Financial Instruments

Cash, Cash Equivalents and Short-term Investments

These financial instruments have a short term to maturity. Accordingly it is considered that carrying amounts reflect fair values.

Receivables and payables

Carrying amounts of current receivables and payables reflect fair values.

The fair value of non-current receivables is estimated using discounted cash flow analysis, based on current rates for 10 year bonds. It is intended to hold these receivables to maturity.

Long-term interest-bearing liabilities

The fair value of these interest-bearing liabilities is estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements. The borrowings will be repaid in accordance with the agreed terms.

Unrecognised Financial Instruments

There are no unrecognised financial instruments.

(d) Credit risk exposures

The Authority's maximum exposure to credit risk at balance date for each class of recognised financial assets is the carrying amount of those assets as disclosed in the statement of financial position.

Compliance Certificate

WESTERNPORT REGION WATER AUTHORITY

CERTIFICATION TO THE FINANCIAL REPORT

We hereby certify that the financial report of the Westernport Region Water Authority, comprising an operating statement, statement of financial position, statement of cash flows and notes to the financial report, has been prepared in accordance with the Financial Management Act 1994, applicable Australian Accounting Standards and other mandatory professional reporting requirements.


In our opinion, the financial report presents fairly the financial transactions for the year and the financial position of the Authority as at 30 June 2002.

At the date of signing, we are not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.

Signed in accordance with a resolution of the Board dated 16 August 2002.



Pamela Cameron
Chairperson



Michael Paine
Accountable Officer

Signed at Cowes on 30 September 2002

Auditor General's Certificate



AUDITOR GENERAL
VICTORIA

AUDITOR-GENERAL'S REPORT

To the Members of the Parliament of Victoria, responsible Ministers and the Members of the Board of Westernport Region Water Authority

Audit Scope

The accompanying financial report of Westernport Region Water Authority for the financial year ended 30 June 2002, comprising a statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements, has been audited. The Members of the Board are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, responsible Ministers and the Members of the Board as required by the *Audit Act 1994*.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of Westernport Region Water Authority as at 30 June 2002, and its financial performance and cash flows for the year then ended.

MELBOURNE
2 / 10 / 2002


J.W. CAMERON
Auditor-General

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Years of Auditing in the Public Interest



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Auditor General Victoria

By agent

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Bankers

National Australia Bank

