



Department of **Water**
Government of Western Australia

Annual report 2007- 2008

Looking after all our water needs

Department of Water
September 2008

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Letter to the Minister

Hon Graham Jacobs

Minister for Water

I have pleasure in submitting for presentation to Parliament the annual report of the Department of Water for the period 1 July 2007 to 30 June 2008.

This report highlights the achievements of both the department and the Water and Rivers Commission. The latter was abolished on 31 January 2008 and presented its final report to Parliament for noting.

Financial and other statutory information for the Department of Water is, therefore, provided only for the period 1 February 2008 to 30 June 2008.

This report has been prepared in accordance with provisions in the *Financial Management Act 2006*.

In commending the report to you, I extend my sincere thanks to all staff who have worked so hard over the past year to ensure the sustainability of our water resources.



Kim Taylor

Director General

24 September 2008

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Report from the Director General

Historical context

In 2006, the Department of Water was established to replace the Water and Rivers Commission.

The proclamation on 31 January 2008 of the *Water Resources Legislation Amendment Act 2007* formally abolished the Water and Rivers Commission and transferred all functions to the Minister for Water Resources and the Department of Water from 1 February.

This consolidated all water-related functions performed by the commission and some other agencies under one agency to ensure a central focus for planning, management and research decisions.

The department's establishment was recognition that water had become one of the priority policy areas for state and national governments.

The successful transition from the commission to a state department was the result of significant effort by all staff. The transition included finalising financial and reporting requirements to state Parliament, as well as the sizeable human resource task associated with the winding up of the commission and the establishment of the department proper.

This report details the operational achievements for 2007–08 of both the Water and Rivers Commission and the Department of Water (hereafter both entities are referred to as 'the department'). Statutory reporting for the Department of Water is for the period 1 February 2008 to 30 June 2008.

Operational overview

The department is the state's water resource manager and its actions are founded on the sustainability principle.

Water is the state's most valuable resource. It not only provides our people with clean drinking water, but also sustains our food production and lifestyles, including recreational opportunities.

Water is also essential for Western Australia's continued industrial economic development.

Our governing charter is to ensure the overall security of the state's water resources and the adequate and equitable provision of water services.

We aim to bring greater recognition of the value of water and achieve a balance between social, environmental and economic requirements; finding ways to use water more efficiently and effectively.

Our role within the water resources portfolio carries with it great responsibility to make sound decisions and provide the best advice based on solid scientific evidence and accurate information.

We are committed to ensuring that all Western Australians have access to water services.

Water allocated for consumptive use is provided through self-supply licences or through reticulated schemes supplied by service providers. We are reviewing and developing policies and processes that govern the operation of the 29 service providers in WA so that the Economic Regulation Authority can regulate the water service industry in a robust way.

Our core business is responsibility to the government and people of Western Australia for the planning and management of all water resources contained within the state's 2 529 875 km² area; and to ensure water services are provided to all Western Australians.

We are responsible for an annual average of 50 000 gigalitres of renewable freshwater resources, including an average of 11 000 GL held in reservoirs and 37 000 GL of inflows of run-off and deep drainage.

A year of achievements

In 2007–08, the department focused attention on planning and management of Western Australia's total water resources and on reforming water legislation, policies and procedures to meet the challenges of ensuring the security and sustainability of the state's water supplies and water services.

We can point with confidence to a list of water management achievements in diverse areas, including playing a key role in state and national water reform, assessment and response to state-wide salinity and drainage issues, flood and drought planning, sustainable allocation modelling, water source protection and water industry innovation and development.

Our efforts are enabling Western Australia to respond effectively to the challenge of meeting increasing demand for water resources in a physical environment facing decreased rainfall patterns and other water security issues attributed to climate change.

As a member of the Council of Australian Governments' water reform working party, the department has both informed and participated in the national plan of action. We have identified the plan's unique challenges and ensured their acknowledgement in the national water security framework.

To meet the requirements of the new era in water security, the department has been responsible for several major initiatives during 2007–08 as a part of the state's water reform agenda. These include:

- undertaking new groundwater investigation programs
- improving modelling for water resources
- commencing the process of implementing reforms to the water entitlement system
- integrating land and water planning
- increasing self-management
- investing in water-use efficiency
- facilitating water trading
- developing new legislation for water services and water resource management
- developing and reviewing policies for the water industry and services areas.

The department continues with many of the initiatives outlined in the 2007 *State water plan 2007* and works in consultation with key stakeholders to manage complex issues, such as total water cycle management, salinity and water source allocation and protection.

The department has also undertaken comprehensive planning for priority water resources.

The first of nine regional water plans – for the South West region – was released for public comment in June 2008.

Draft water management plans were also released for the Gngangara Mound, south-west groundwater areas and the Collie basin.

Water source protection plans, drainage and floodplain plans continue to be prepared in priority areas.

The department has begun a roll-out of metering for those licensed water users that take 50 million litres or more per year. This metering will give commercial water users a better understanding of the volume of water used in their enterprises, and enable the department to monitor compliance with licence conditions.

One significant achievement has been the cross-agency collaboration essential to achieving our outcomes.

The working relationships and partnerships required to model and manage planning for the Gngangara groundwater system are groundbreaking for a modern urban aquifer – one that has a range of competing land uses affecting its health and sustainability.

Similar partnerships are involved in the assessment and management of aquifer recharge – a relatively new science, of which Western Australia is a world pioneer.

The department's expertise and strategic advice is helping the water industry develop viable options such as water recycling and desalination to aid both groundwater replenishment and supply to scheme water.

In 2007–08, the department has, among other achievements:

- developed the *Science, research and innovation plan* designed to add value to the a state water science and innovation plan (in preparation 2008), while stimulating and supporting the state's water industry to create an environment of innovation capable of developing the technological solutions required to meet the state's unique water resource challenges
- led the development of innovative engineering solutions to reverse the state's salinity problems, including making good progress with salinity recovery of the Collie and Denmark rivers
- effected the state's obligations as a signatory to the Australian Government's National Water Initiative, including progress on Indigenous access to water and the establishment of an Indigenous Services Unit.

In presenting this report, I acknowledge the outstanding and hard-working efforts of all staff, who I thank for working with diligence and intelligence to ensure a sound water future for Western Australia.

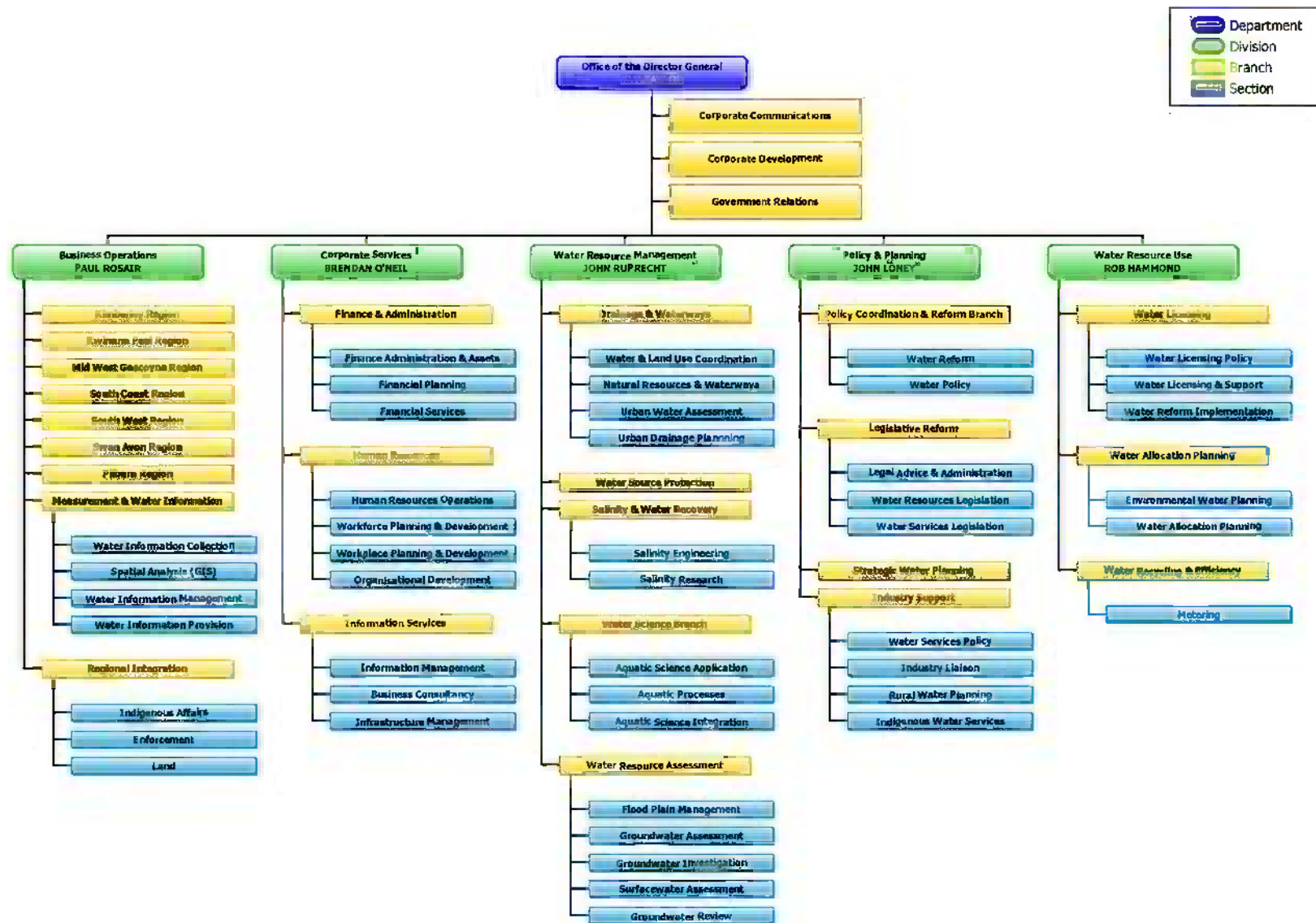


Kim Taylor

Director General

12 August 2008

Operational structure



Our desired outcomes and services

The Department of Water is responsible for the quantity, quality, use and availability of the state's water resources and ensures that all Western Australians have access to water services.

The department develops policies and processes to ensure the delivery of sustainable water services to both the public and private sectors; in doing this the department contributes to the state's economic development.

As the state's water resource manager, we conduct business under three broad areas:

- strategy and policy
- regulation, licensing and protection
- water resource management.

Our operational programs support the vision of the government's *Better planning: better futures: A framework for the strategic management of the Western Australian public sector*.

Our operations cover all five of the key goals of the framework.

Better services: Enhancing the quality of life and wellbeing of all people throughout Western Australia by providing high quality, accessible services.

Jobs and economic development: Creating conditions that foster a strong economy delivering more jobs, opportunities and greater wealth for all Western Australians.

Lifestyle and the environment: Protecting and enhancing the unique Western Australian lifestyle and ensuring sustainable management of the environment.

Regional development: Ensuring that regional Western Australia is strong and vibrant.

Governance and public sector improvement: Developing and maintaining a skilled, diverse and ethical public sector serving the government with consideration of the public interest.

These goals are delivered through an operational program structure that is comprised of five divisions with a total of 17 branches or sub-programs.

Performance indicators

Certification of Performance Indicators for the year ended 30 June 2008

Financial Management Act 2006

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Water's performance, and fairly represent the performance of the Department of Water for the financial year ended 30 June 2008.

A handwritten signature in black ink, appearing to read 'K Taylor', is positioned above the printed name.

Kim Taylor

Director General

12 August 2008

Performance framework

The performance framework below shows the relationships between government goals, agency level government desired outcomes and the agency's services.

Government goal: Protecting and enhancing the unique Western Australian lifestyle and ensuring sustainable management of the environment.

The agency delivers two desired outcomes on behalf of government:

1. **Development of water resources to support state development** relates to a series of activities that together enable the department to provide the following services:

- Develop water resource plans and policies
- Investigate and assess water resources to determine sustainable yields
- Licence and regulate water resources

The key relationships between our performance indicators and these functions are:

Effectiveness

- Number of water resources with licensed allocation within assessed sustainable yields

Efficiency

- Average cost per allocation plan or policy developed
- Average cost per water resource assessment
- Average cost per gigalitre of water licensed

2. **Protection of water resources within sustainable limits** relates to a series of activities that together enable the department to provide the following services:

- Develop water resource protection plans and guidelines
- Develop policies and strategies for drainage, floodplain, salinity and catchment management

The key relationships between our performance indicators and these functions are:

Effectiveness

- Number of contamination occurrences exceeding drinking water standards in public drinking water source areas
- The number of catchments conforming with designated targets

Efficiency

- Average cost per protection plan developed
- Average cost per km² of designated catchments where management measures are implemented
- Average cost per km of river managed in designated catchments

Note on comparisons

The information used to calculate the 2007–08 actuals were based upon seven months data from the Water and Rivers Commission and five months data from the Department of Water. The 2006–07 comparative and the 2007–08 budget target is based on data from the Water and Rivers Commission.

Summary of key performance indicators

Desired outcome: **Development of water resources to support state development**

Effectiveness indicators

| | Note | Unit | Actual 06–07 | Actual 07–08 | Target 07–08 |
|---|------|------|-----------------|-----------------|-----------------|
| Number of water resources with licensed allocation within assessed sustainable yields | A | | 499 | 511 | 575 |

Efficiency indicators

| | Note | Unit | Actual 06–07 | Actual 07–08 | Target 07–08 |
|--|------|------|-----------------|-----------------|-----------------|
| Average cost per allocation plan or policy developed | B | \$ | 1 535 351 | 888 300 | 894 515 |
| Average cost per water resource assessment | C | \$ | 157 798 | 158 815 | 103 510 |
| Average cost per gigalitre of water licensed | D | \$ | 7 012 | 7 708 | 12 731 |

Desired outcome: **Protection of water resources within sustainable limits**

Effectiveness indicators

| | Note | Unit | Actual 06–07 | Actual 07–08 | Target 07–08 |
|--|------|------|-----------------|-----------------|-----------------|
| Number of contamination occurrences exceeding drinking water standards in public drinking water source areas | E | | 0 | 0 | 0 |
| The number of catchments conforming with designated targets | F | | 7 | 8 | 13 |

Efficiency indicators

| | Note | Unit | Actual 06–07 | Actual 07–08 | Target 07–08 |
|---|-------------|-------------|-------------------------|-------------------------|-------------------------|
| Average cost per protection plan developed | G | \$ | 702 316 | 174 500 | 232 600 |
| Average cost per km ² of designated catchments where management measures are implemented | H | \$ | 613 | 535 | 1 901 |
| Average cost per km of river managed in designated catchments. | I | \$ | 40 | 42 | 51 |

Notes to the performance indicators

For the year ended 30 June 2008

A. Number of water resources with licensed allocation within assessed sustainable yields

Desired outcome: Development of water resources to support state development

Relevance to desired outcome

The department is responsible for ensuring the orderly, equitable and efficient use of water resources and ensuring that water resources are not used in a way that results in unacceptable environmental impacts. Sustainable limits for environmental, social and economic demand have been set in plans prepared by the department. The department aims to license and regulate water usage so that it does not exceed these limits.

The effectiveness of the management of the resource is reflected in whether the resource is being used in excess of management objectives, based on assessed available resources. Performance may be assessed by viewing increases in areas that over-use the source, indicating a need for improved resource management in those areas.

The indicator is relevant to the outcome because it shows how the department is managing water resources so as to ensure the long-term availability of this scarce resource. The indicator has been derived by determining the number of groundwater resources (of which there are 598 sedimentary groundwater resources in the state) that have a licensed use greater than the management objectives.

Effectiveness measure

The number of sedimentary resources has increased from 564 to 598. The total number of sedimentary resources can vary from year to year. Each year the department can proclaim new management areas and review and combine existing management areas to achieve more effective water-resource management outcomes.

Of the 598 sedimentary water resources, 511 (85.5 per cent) were within the assessed sustainable limit.

The variation between the 2007–08 actual and the budget target is due to the variation in the total number of sedimentary water resources. The total number of sedimentary water resources in 2007–08 was not as high as previously predicted, as the department undertook ongoing revisions of existing management areas for better water resources management outcomes.

B. Average cost per allocation plan or policy developed*Desired outcome: Development of water resources to support state development**Relevance to desired outcome*

The department manages and regulates Western Australia's water resources and produces management plans to achieve sustainable water allocation and development for current and future users and the protection of groundwater-dependent ecosystems.

The plans provide objectives, policies, principles and strategies that will be used to manage the resources to ensure their sustainable use for the benefit of the local community.

The plans are intended to improve certainty for existing and potential water users by aiming to protect the environment, while fostering a sound economy and social well-being for the people of the region.

Efficiency measure

| | Quantity | Expenditure | Unit cost |
|--|-----------------|--------------------|------------------|
| Average cost per allocation plan or policy developed | 10 | \$8 883 000 | \$888 300 |

The unit cost is calculated by dividing the total cost of service for allocation planning and policy development by the number of allocation plans or policies developed.

The 2007–08 actual is comparable to the budget target. The significant variation between the current year actual and the previous year actual is primarily due to a substantial increase in the number of completed allocation plans and policies.

C. Average cost per water resource assessment*Desired outcome: Development of water resources to support state development**Relevance to desired outcome*

Assessment of the state's water resources is a key component of the department's water-resource management function. This is necessary to ensure that adequate water resources are available to meet the state's development needs and to ensure that resources are not used in a way that results in unacceptable environmental impacts. This is done through a program of coordinating measurement and investigation activities, analysing information, carrying out modelling, and providing information in terms of maps and information products, including geographical information systems.

Efficiency measure

| | Quantity | Expenditure | Unit cost |
|--|-----------------|--------------------|------------------|
| Average cost per water resource assessment | 146 | \$23 187 000 | \$158 815 |

The indicator is derived by dividing the total cost of service for investigation and assessment of water resources to determine sustainable water-management regimes, divided by the total number of water-resource assessments completed. The cost per assessment reflects how comprehensive the assessments are.

There is a significant variation between the 2007–08 actual and the budget target primarily due to two factors: a review of priorities of resources that has led to an increase in resources going towards this area and additional funding from Water Smart Australia that was not included in the budget. The variance is also attributable to funds carried over from water assessment of the Yarragadee Aquifer and water accounting, which were not included in the budget.

D. Average cost per gigalitre of water licensed

Desired outcome: Development of water resources to support state development

Relevance to desired outcome

The department's internal objective is to adequately manage the state's water resources at a minimum long-term cost. This indicator illustrates the cost of administering a water-allocation licence – a key instrument in allocating water to users. As demand for water grows and the volume of licences increases, the department aims to maintain, or reduce, the average cost of administering a licence.

The licensing of water resources is a key component in ensuring that the state's water resources are managed sustainably. As part of the licensing activities the department undertakes assessment activities, compliance and enforcement activities aimed at ensuring licence conditions are being met. This indicator shows the efficiency with which the department administers water allocation licences.

Efficiency measure

| | Quantity | Expenditure | Unit cost |
|--|-----------------|--------------------|------------------|
| Average cost per gigalitre of water licensed | 2 774 | \$21 382 000 | \$7 708 |

The indicator is derived by dividing the total cost of service for water licensing and regulation by the total volume of water licensed.

The variation between the 2007–08 actual and the budget target is primarily due to two factors. First, the budget target included a grant expense, which has been excluded from the actual cost of services; and second, the budget target was calculated using only groundwater as a unit of measurement rather than groundwater and surface water. The current year actual and the previous year actual is comparable.

E. Number of contamination occurrences exceeding drinking water standards in public drinking water source areas

Desired outcome: Protection of water resources within sustainable limits

Relevance to desired outcome

A key objective of the department is to prepare drinking water source protection plans for all public drinking water sources throughout Western Australia, in order to ensure safe, good quality water supplies that need minimal treatment to meet the *Australian drinking water guidelines* and public expectations.

The task of protecting water quality is met by a number of initiatives such as the development of drinking water source protection plans; environmental guidance documents; and regulatory controls over land uses. The measurement of water quality is ultimately assessed against health criteria (based on the *Australian drinking water guidelines*) endorsed by the Department of Health.

Western Australia relies heavily on groundwater for water supply, and the generally sandy soils make the underlying groundwater highly vulnerable to groundwater contamination in this state. In addition, there is a high demand to access our surface water reservoirs and their catchments. The resultant activities can create a high contamination risk, especially from micro-organisms.

Effectiveness measure

This indicator is derived by recording the number of contamination occurrences that exceeded health requirements for drinking water at the consumer's tap, leading to closure of that drinking water supply. The aim of the indicator is to ensure that drinking water is protected to minimise the risk to public health.

This indicator is determined from the Department of Health public advisories for drinking water related to major/catastrophic contamination incidents. The continued achievement of this target reflects the department's strong commitment to protecting the state's drinking water sources.

F. The number of catchments conforming with designated targets

Desired outcome: Protection of water resources within sustainable limits

Relevance to desired outcome

A key objective of the department is to provide adequate protection of the state's waterways and catchments by undertaking research, planning, and undertaking on-the-ground works such as salinity management measures. Additionally, the department develops policy to protect waterways and catchments.

The measurement of concentrations of total nitrogen and total phosphorous in tributaries of the Swan–Canning Catchment against target levels ensures that our key waterways and catchments are managed effectively.

Effectiveness measure

The management of water catchments is a complex science with a number of resource condition targets set to assist the department in assessing its effectiveness in protecting the state's waterways and catchments. This indicator measures concentrations of total nitrogen and total phosphorous in 15 tributaries of the Swan–Canning Catchment against target levels. Both short and long-term targets have been developed to recognise the long time frames required for catchment-management initiatives to affect nutrient levels within the catchment tributaries.

There has been a slight improvement in the number of catchments meeting both their nitrogen and phosphorus targets with South Belmont Main Drain meeting both its targets for the first time. This indicates that phosphorus levels in South Belmont Main Drain have improved since last year. The variation between the target and the actual is due to the target being based upon an incorrect measure.

G. Average cost per protection plan developed

Desired Outcome: Protection of water resources within sustainable limits

Relevance to desired outcome

The development of protection plans is a key component of the department's strategy in managing the state's drinking water resources. The development of protection plans is necessary to ensure that drinking water source areas are offered maximum protection so as to ensure safe, quality water supplies that will require minimal treatment in order to meet the *Australian drinking water guidelines* and public health expectations.

The indicator is relevant to the desired outcome because it provides a measure of cost efficiency of the development of protection plans. The primary impact on the quality of our water resources result from the activities and land uses carried out in surface-water catchments and over groundwater resources. In some areas of the

state these land uses are incompatible with protection objectives and the resource itself is at risk.

Dealing with these incompatible land uses and influencing state and local government planning processes are the primary means of achieving good outcomes for the state. Western Australia's heavy reliance on groundwater for water supply, together with its generally sandy soils makes the underlying groundwater vulnerable to contamination.

At 30 June 2008, 91 of 145 protection plans have been finalised. These plans are an essential tool for guiding land-use planning and providing adequate levels of protection of drinking water sources to protect public health. New plans may be added to the list as required.

Efficiency measure

| | Quantity | Expenditure | Unit cost |
|--|-----------------|--------------------|------------------|
| Average cost per protection plan developed | 16 | \$2 792 000 | \$174 500 |

The indicator is derived by taking the total cost of service for plans and guidelines to protect the quality of water resources, divided by the number of protection plans developed.

The variation between the 2007–08 actual and the budget target is due to a review of priorities of resources that has led to a decrease in resources going towards this function. The significant variation between the current year actual and previous year actual is due primarily to the inclusion of a capital user charge in 2006–07 of \$9.6 million. The capital user charge was abolished in 2007–08.

H. Average cost per km² of designated catchments where management measures are implemented

Desired outcome: Protection of water resources within sustainable limits

Relevance to desired outcome

Dryland salinity is a widespread problem in the state. The preparation and implementation, in partnership with local communities, of salinity abatement plans, including application of land use and engineering measures, to recover and maintain water catchments from salinity is a vital tool in the management of WA's catchments and waterways.

Efficiency measure

| | Quantity | Expenditure | Unit cost |
|---|------------------------|-------------|-----------|
| Average cost per km ² of designated catchments where management measures are implemented | 12 255 km ² | \$6 555 000 | \$535 |

The unit cost is calculated by dividing the total cost of service for evaluation and implementation in designated catchments of salinity management measures, divided by the total area in which recovery catchments and engineering initiatives are in place.

The significant variation between the 2007–08 actual and the budget target is due to the budget target containing a provision of \$25 million for the Collie River Diversion project, which has been deferred until 2008–09.

The current year actual is comparable to the previous year actual. The slight variation between the current year actual and the previous year actual is due primarily to an increase in the total area with recovery catchments and engineering initiatives in place. An additional 1 040 km², was added for the Fence Road drainage scheme, upstream of Lake Dumbleyung in the Upper Blackwood River. In addition, the slight variation is also due to a review of priorities of resources that has led to a decrease in resources going towards this function in 2007–08, and the inclusion of a capital user charge in 2006–07. The capital user charge was abolished in 2007–08.

I. Average cost per km of river managed in designated catchments

Desired outcome: Protection of water resources within sustainable limits

Relevance to desired outcome

The indicator is relevant to the desired outcome because it provides a measure of cost effectiveness of the management of our waterways and catchments. The objective of this indicator is to maintain the current level of improvement in catchment and water resource standards at minimal cost.

Efficiency measure

| | Quantity | Expenditure | Unit cost |
|--|------------|--------------|-----------|
| Average cost per km of river managed in designated catchment | 567 750 km | \$23 697 000 | \$42 |

The indicator is derived by calculating the total cost of service for implementation of catchment, waterways and wetlands management plans, divided by the total area of waterways under management.

The current year actual is comparable to the previous year actual. The variation between the 2007–08 actual and the budget target is attributed to the budget target being calculated using a different unit measure.

Significant issues and trends

A drying climate, the resources boom, population growth and land-use change all continue to place significant pressures on Western Australia's water resources.

These environmental, economic and social changes have led to increased demand for access to existing water resources and heightened pressure to develop and secure new ones.

Critical environmental impacts are associated with land use and demographic growth. The salinisation of waterways, the increased risk of algal blooms and wetland acidification have continued to demand a response and solutions.

Climate change

Climate change is having an increasing impact on water resource management and planning. Through the department's partnership with the Indian Ocean Climate Initiative, we have learned much about the extent of the decline in our rainfall in the south-west of the state between April and June each year.

Among key findings are that rainfall in late autumn and early winter has decreased sharply since the mid-1970s and that, by 2030, there is likely to be a further decline in winter rainfall by as much as 20 per cent relative to the 1960–1990 baseline.

For Perth, the impact on water resources from declining rainfall has been considerable. Run-off into Perth reservoirs has been reduced by about two-thirds in the past 10 years compared with the long-term average. Last winter, although there was above average rainfall in some catchments, the resulting run-off was only 50 per cent of the 1976–2007 average inflow.

As yet, we are unable to predict reliable seasonal forecasts for the south-west – something we must be able to do if we are to plan adequately for climate change.

Improving our understanding of the effects of climate change on rivers, estuaries and aquifers; water availability; environmental water decisions; and water-use efficiency is becoming progressively more important in the management of our water resources.

Water information

Demand for security of water supply has created a need for improved collection and modelling of all water information. The gathering and processing of this information is an expanding requirement in order to ensure adequate planning to manage total water resources and water allocation.

This process requires the best possible up-to-date and ongoing analysis of the total volume of water available in order to consider the sustainability of current water sources and the impact of new technology.

Environmental unpredictability has required greater investigation of climate-independent options, including the cost-effective recycling of water as well as an increased focus on achieving water-use efficiency across all industries and sectors.

Population growth and industrial expansion are creating unprecedented demand for water – demand that is approaching sustainable limits in some areas. This is particularly noticeable in the Pilbara region with its growth in the mining sector. As the designated water resource management areas become more ‘allocated’, there is a need for new or updated water management plans that define the sustainable use of water for human purposes and the water regime necessary to sustain the environment.

Ensuring continuity and quality of water supply, together with management plans and drainage provision, are critical elements in land-use planning that is required to accommodate our burgeoning population, particularly in expanding urban areas.

Technology for the provision, protection and sustainable use of fresh-water is a growing global industry. The state government has outlined a vision for Western Australia to become a world leader in water science and innovation. This has led to the development of a science, research and innovation plan for the department and, in collaboration with the Premier’s Science and Innovation Council, a state water science plan to focus research efforts.

Water reform

The department continues to modernise the future management of water.

A total rewrite of the state’s water legislation commenced during the year. The new legislation will strengthen and improve the governance and regulation of water services and water resources management. We are developing a water industry and water services policy to assist with regulation and we are improving administration systems relating to service providers.

The water reform program is informing and updating the way the department manages the state’s water resources through:

- enhanced water planning to set sustainable water targets for the environment, consumptive and cultural use
- improved water sharing arrangements
- water accounting, reporting for water resources, water markets and water use
- progress with metering and measurement, particularly enhanced groundwater investigations

- the roll-out of metering of licensed water use
- the development of economic instruments to assist water resource management.

A significant ongoing issue is the planning and management of drainage in coastal, urban and rural areas with special regard to sound water resources management, protection of the natural environment, and provision of a well-planned urban and industrial environment.

Water for Indigenous communities

Resolution of native title issues and the implementation of native title rights relating to water sources remains an ongoing issue that requires continued negotiation and facilitation.

A federal and state focus on the health, wellbeing and industry of Indigenous communities also requires new and improved models to ensure safe, clean water supplies to these communities. Solutions are being developed to meet the state's commitments under bilateral agreements, and the state's requirements under Commonwealth legislation and native title determinations, including its obligations as a signatory to the Australian Government's National Water Initiative.

Report on operations

Water Resource Use

The Water Resource Use division manages demand for and use of water and the impact of this demand on available water resources.

Just over 140 people work on this program, with around 60 of these based in regional offices.

There are three branches in the Water Resource Use division:

- Water Allocation Planning
- Water Efficiency and Recycling
- Water Licensing.

Water Allocation Planning

Water Allocation Planning creates management plans to guide water licensing decisions for each management area. The plans set total water allocation volumes for use from each resource (based on an acceptable level of impact on the water-dependent environment) and set out the policy to manage water use in each area.

In 2007–08, three water allocation management plans were finalised – Cockburn groundwater area, the Kemerton groundwater subareas and the Carnarvon Artesian Basin; and five draft plans – Upper Collie, Rockingham, the South West, Gngangara and Whicher were released for public comment.

Investigations (funded by the Water Smart Australia program) commenced to support the next phase of allocation planning for the Gngangara, South West and Pilbara groundwater areas and the Collie surface water and groundwater areas, and an addendum to the 2006 *Ord River water management plan* is in preparation.

The significant progress in delivery of water allocation plans has been due to a review of the planning prioritisation process, updating of the divisional planning schedule, revision of internal processes and the introduction of a project management system.

In addition, development of a new policy to support future statutory plans is being developed and trialled.

Water Efficiency and Recycling

One of our key focus areas is investigating ways to improve the efficiency of water use by licence holders and the community generally. The actions being taken reflect

initiatives identified in our strategic plan, the *State water plan 2007*, the National Water Initiative, and the *Blueprint for water reform*.

With the right management, safeguards and planning, recycled water has the potential to be a significant resource for consumptive use – a resource that is climate independent.

The *State water recycling strategy* was released in June, together with an implementation plan.

The \$3 million strategy examines how recycled water can be used more efficiently. It outlines initiatives to achieve the state's target of recycling 30 per cent of wastewater by 2030, in a manner that is sustainable and supported by the community.

To assist local government to be more water-efficient, an electronic template was developed and provided to the 32 metropolitan local government authorities.

A map of the Perth region showing areas suitable and unsuitable for additional garden bores was also released to assist in better planning decisions by citizens, local government authorities and business.

The Gnangara Mound metering project – a pilot for planning and implementing a state-wide water metering program – is well advanced. During the year, an additional 120 meters were installed, making a total of 700 meters fitted across the mound's 12 key subareas. The results are providing the department with more accurate information on how much water people are using and enabling us to work with them to improve water efficiency.

Water Licensing

A critical function of the department is to issue licences and permits to take and use water for commercial use and public water supply, consistent with the requirements of the *Rights in Water and Irrigation Act 1914*. As at 30 June 2008, the water licensing program was administering some 12 400 licences and permits covering 745 groundwater resources and 215 surface-water resources. The program also develops policies to support the equitable sharing of water resources and the water licensing process.

The department also has responsibility for implementing the water licensing reforms required through the National Water Initiative and the state government's *Blueprint for water reform*.

During the year:

- The *Better business now – transforming the licensing function* strategy was developed and endorsed to guide continuous improvement of the licensing program within the department.

- Through the 2008–09 state budget, the department received \$11.8 million to undertake a range of reform work over the next four years with \$2.3 million attributed to water entitlements and trading. This funding is being used to prepare the Department of Water for a water-access entitlement and trading regime with an appropriate register built to support the new regime. The Government of Victoria’s water register is being investigated as a possible model register.
- Changes to water licence administration fees were implemented, consistent with amended regulations gazetted on 28 December 2007. Following a disallowance motion in Parliament’s Legislative Council on 8 April 2008, fees have been refunded and outstanding invoices have been cancelled. The government has indicated that the Economic Regulation Authority will be requested to provide advice on the form of future water licence administration fees.
- Work commenced on improving existing licensing and water allocation databases to streamline licensing processes and improve service delivery.

Water Resource Management

The department's Water Resource Management division assesses, protects and recovers water and waterways to best meet social, economic and environmental needs and demands.

Over the past year, approximately 230 people were employed through the division's program, with around 70 of these based in regional offices.

The division has five branches:

- Water Resource Assessment
- Drainage and Waterways
- Water Source Protection
- Water Science
- Salinity and Water Recovery.

During 2007–08, the division's branches worked discretely and jointly in the following fields and on the following sub-programs.

Water Resource Assessment

Surface water assessment

Increase in demand and a drying climate in the south-west has required development of an approach to defining sustainable diversion limits.

In 2007–08, a rapid assessment method was developed to assist in managing river diversion from streams in the south-west. This method has a critical role in contributing to achieving the balance required for sharing surface water resources between users and the environment in a sustainable way.

Work also began on assessing the impact of climate change on water resources and on a strategic review of the state's surface water monitoring network.

Groundwater assessment

Stress on groundwater systems through the drying climate and increased demand on the Gngangara and Jandakot mounds has required better infrastructure for monitoring groundwater networks to allow more accurate management objectives to be set.

Investigations into the sustainability of shallow groundwater systems on the Jandakot and Gngangara mounds continued, with the stage 2 drilling and bore installation (16 sites and 60 bores) completed in June 2008. Intense shallow groundwater systems monitoring at the new borehole sites is ongoing.

Management area reviews of both systems were also completed and published as part of the HG series – HG25 *Management area review of shallow groundwater systems on the Gngangara and Jandakot mounds*.

An assessment of declining water levels on the Gngangara Mound (HG14) and PRAMS scenario modelling for the water management of the Gngangara Groundwater Mound (HG21) were also published.

A hydrogeological report (HR 267) the *Pilbara coast water study* was completed, circulated to key stakeholders, and preparations made for publishing.

A major study of the water quality (including isotopes) of the superficial aquifer for the Perth metropolitan area is underway, with field sampling and laboratory analysis substantially completed.

Groundwater investigations

Under the State Groundwater Investigation Program, the department undertook a number of important groundwater investigations.

- The Gngangara North project was the most significant investigation in 2007–08. This project aims to understand the hydraulic connection between superficial and confined aquifers in the northern part of the Gngangara Mound and to determine the extent of a potential recharge window into the Yarragadee Aquifer. Progress on the investigation was delayed initially due to difficult drilling conditions; however, there has been good progress since March with drilling of 13 holes at five sites. The field program will be completed by October 2008.
- The Gingin Brook investigation aims to improve understanding of the groundwater contribution and the groundwater-surface water connection along the length of the brook. Planning was completed and drilling started in June 2008.
- The department undertook detailed project planning and scoping for the installation of a saltwater intrusion bore into the Yarragadee Aquifer in Bunbury and exploratory bores into the Yarragadee Aquifer near Busselton and the Lesueur Aquifer near Margaret River. During the year, bore sites were selected and approvals gained. It is proposed to start drilling in early 2009.
- The groundwater assessment of the Cowaramup groundwater subarea is nearly finalised. A hydrogeological report (HG31) was published on the hydrogeology of the Leederville Aquifer in the western Busselton–Capel groundwater area and work is continuing on determining sustainable allocation limits using a numerical groundwater model to test various abstraction scenarios.

Floodplain management

Floodplain management initiatives that were progressed during the year included:

- completing stage 1 of the Carnarvon flood mitigation works, which involved the upgrading of two floodways on the North West Coastal Highway
- completing construction of a levee that provides increased flood protection to Walkaway, near Geraldton
- completing the Exmouth floodplain management study, which recommends both structural and non-structural flood mitigation measures to lessen the impacts of major flooding. Recommendations are being progressed in collaboration with the Shire of Exmouth
- completing the Margaret River floodplain management study, with floodplain mapping and a recommended strategy for developing flood-prone land presented to the Shire of Augusta–Margaret River
- completing the Moora floodplain management study review, which was presented to the Shire of Moora
- completing 120 km of floodplain mapping of the Avon River between Toodyay and Beverley, with presentations to key stakeholders
- enhancing the state's flood forecasting and warning capabilities. Planning continued for the upgrading of the Swan–Avon River flood warning system for Perth and the Avon towns (in conjunction with the Bureau of Meteorology and the Fire and Emergency Services Authority).

National Water Initiative projects

The department progressed selected policy issues arising from the National Water Initiative (NWI), including the state's policy position on risk assignment, Indigenous water policy, and cost-recovery for water resources management and planning.

We also contributed to the National Water Commission's first biennial assessment of the initiative and reviewed Western Australia's implementation plan for NWI projects.

Projects progressed during the year under Water Smart Australia include:

- petrophysical analysis and development of the Perth regional aquifer modelling system (PRAMS) geodatabase for the Leederville Aquifer
- detailed scoping of the Pilbara groundwater investigation and assessment
- preparation for the southern Perth Basin petrophysical analysis and 3-D geological modelling
- detailed scoping for south-west superficial groundwater systems investigation (completed) and installation of bores for modelling purposes (commenced)
- detailed scoping for the Collie Basin model upgrade.

Drainage and Waterways

Urban water assessment

The *Stormwater management manual* was launched by the Minister for Water Resources in August 2007. The manual presents a comprehensive approach to the management of stormwater, based on the principle that stormwater is a resource.

A capacity-building program to help implement the practices in the manual has started. The program is aimed mainly at local government and the planning and engineering and construction industries.

In addition, a research and development program on techniques for stormwater management was started. A report was prepared that covered the critical research and development questions, including key priorities and needs and governance options. The program focuses on on-ground demonstration projects, progressing research into decision-support tools and building on existing research programs undertaken by other agencies such as the CSIRO.

A report on the potential use of stormwater in the Perth region was completed. A number of recommendations were made and these will be assessed for the potential for further work and/or implementation.

Urban drainage planning

Drainage and water management plans assist the integration of water-cycle management with urban land development. During the year, plans for three areas were advanced.

- A draft plan for Byford was released for public comment.
- A first draft of the Caversham–West Swan plan was completed.
- A scoping project for the Greater Murray plan, including a digital terrain model of the coastal plain from Gosnells to Busselton is nearing completion.

Groundwater and wetland water-level issues related to the Jandakot plan have been addressed and surface water modelling is at an advanced stage.

We began an investigation into the management of long-term nutrient enrichment of groundwater. The initial focus is on the approach taken by other jurisdictions to nutrient 'legacy' issues.

The department has worked closely with the Department of Environment and Conservation to develop an agreement on wetland responsibilities to ensure a consistent application and clarity for statutory referrals.

Water and land-use planning

The department has made substantial progress in integrating urban water planning with land-use planning and development.

We are partners with the Department for Planning and Infrastructure, the WA Local Government Association and the federal Department of the Environment, Water, Heritage and the Arts in the preparation of a framework for better urban water management.

This framework adopts a staged hierarchy of the decision-making processes involved in the state's strategic and statutory land-use planning. It describes how water resources should be considered at each planning stage.

It also identifies actions, investigations and agencies responsible for providing particular water resource information.

The framework has become a mainstream part of urban design and development. We received positive feedback following our annual water and land-use training seminar, which focused on implementation of the framework and attracted representatives from the Urban Development Institute of Australia (WA division), the Department for Planning and Infrastructure and the State Appeals Tribunal.

The department is also working with the state's land supply coordinator to improve the efficiency of the statutory referral process between other agencies and the department.

Administrative agreements with the Department for Planning and Infrastructure and the Department of Industry and Resources are currently being reviewed and standard subdivision conditions have been updated to better clarify roles and responsibilities relating to urban water issues.

Subdivision statistics for Metropolitan Perth and Peel are as follows:

| | Swan–Avon | Kwinana–Peel | Average no of days (%) |
|---|------------------|--------------|------------------------|
| Number of subdivision referrals | 278 | 137 | – |
| Ave. assessment time (days) | 21.5 | 25 | 23 (target 28) |
| Total number of conditions proposed | 106 | 177 | – |
| Number with UWMP ¹ conditions | 53 | 25 | – |
| UWMP condition clearances | 7 (5 pending) | 11 | – |
| Ave. time taken for EWMP ² (by Department of Water) including all reviews (days) | – | – | 38 (31%) |
| Ave. waiting time for requested additional info for UWMP (days) | – | – | 85 (69%) |

1 Urban water management plans

2 Environmental water management plans

This table illustrates that the department is meeting its 28-day processing time for subdivision referrals. While clearances for urban water management plans are taking, on average, 123 days – 69 per cent of this time is spent waiting for proponents to provide information requested by the department. Average processing time by the department is around 38 days. The department has now developed a clearance checklist for developers in order to facilitate the submission of clearances with the appropriate information for finalisation. We anticipate this will reduce clearance waiting times.

Waterways recovery programs

A key issue for the department has been the continued implementation of the waterways program with a focus on recovery for the priority areas of the Vasse–Wonnerup Estuary, Leschenault Estuary, Peel–Harvey Estuary, Torbay Inlet, the Blackwood River and the Hotham–Williams river system. A Peel–Harvey Estuary water quality improvement plan was also released.

We completed and published the *State waterways initiative*, completed a waterways management plan for Stokes Inlet, and finalised an environmental assessment of the Eastern Estuary.

The Avon Rivercare project run from the department's Northam office won the 2007 Premier's Award for regional development. Over the past 12 years, this project, delivered in partnership with the Avon Catchment Council, has been very successful in involving the community in restoring and managing Avon waterways. In the past year, work included effective action with riparian fencing, tree planting, removing sediment from pools, monitoring water quality and a number of other initiatives.

Water Source Protection

Protecting the water quality of surface and groundwater in public drinking water source areas is important to ensure delivery of safe, quality drinking water to consumers now and into the future.

The department has a mandate to continue to develop drinking water source protection plans.

As at June 2008, 91 of the 145 required protection plans were completed.

Drinking water source protection plans completed in 2007–08 were:

| | | |
|-----------------------|-------------------|-----------------|
| Bindoon–Chittering | Derby | Kirup |
| Bolganup | Eneabba | Kununurra |
| Brookton | Fitzroy Crossing | Leeman–Mt Peron |
| Brookton–Happy Valley | Gascoyne Junction | Logue Brook |
| Bunbury | Gibson | Nabawa |
| Condingup | Jurien | Quindalup |

Stage one (a draft) of the groundwater source capability assessment for the Karnup–Dandalup area was completed in May 2008 with a release date set for July 2008.

The department worked closely with the Water Corporation to complete land-use risk reviews for Jandakot, Gnangara and Perth Coastal groundwater scheme sources.

Those reviews concluded that, over the past decade, the application of state planning policy 2.7, in conjunction with the department's land-use compatibility policy for drinking water sources, had been instrumental in preventing proliferation of land uses that pose a significant contamination risk to groundwater.

Public drinking water source area proclamations completed in 2007–08 were:

| | |
|---|----------------|
| Bindoon–Chittering | Mundaring |
| Camballin | North Denham |
| Carnarvon | Seaview Park |
| Logue Brook | Sovereign Hill |
| Margaret River (Ten Mile Brook catchment) | |

Updated proclamations were completed for Kalbarri, Quindalup and the Gnangara underground water pollution control area (UWPCA) – including a by-law amendment to incorporate Mirrabooka and Wanneroo UWPCAs into the Gnangara control area. The proclamations allow for a statutory boundary for drinking water source areas to be established and will assist decision-making authorities in their future decisions.

Water quality protection notes prepared or updated and published covered:

- Australian drinking water guidelines – an overview
- bridle trails
- cooling tower waste management and disposal
- identification, assessment and protection of public drinking water source areas
- infrastructure corridors near sensitive water resources
- proclaimed public drinking water source areas
- tropical agriculture.

Water Science

Aquatic risk

The department continues to develop strategies to understand toxicity risk and deal with the apparent increase in harmful algae occurrences. In consultation with the Department of Health, we have developed a draft algal bloom response protocol. Monitoring of algal blooms and their toxicities is ongoing, as is the aquatic risks role in incident response, which the branch shares with the Department of Fisheries, Department of Health and the Department of Environment and Conservation.

Disturbed acid soils

The acidic, metal-rich water that drains from disturbed acid-sulfate soils may pose a threat to the ecological health of water resources in coastal catchments of the south-west.

A project to investigate this potential threat, tackling acid sulfate soils on the Western Australian coast, is currently being carried out by the department's water science branch. The project is funded through the National Heritage Trust, the federal Department of Environment, Water, Heritage and the Arts and the state Natural Resource Management Office. The project has been underway since July 2006 and is due to finish in June 2009.

Prior to this project, there was no baseline information, little understanding of potential impacts and almost no capacity within the state to manage acid sulfate drainage into aquatic environments. The objectives of the project are to:

- establish baseline conditions

- determine environmental indicators
- determine potential impacts on aquatic ecosystems
- complete a risk assessment for human-health effects
- build state technical capacity
- increase awareness of acid drainage.

A number of investigations have been undertaken, including a surveillance program to assess water and sediment quality within coastal catchments and estuaries; metal leaching tendencies from various soil types; bio-accumulation and ecotoxicity of metals; ecological impacts of acidifying wetlands; risk-assessment of human-health impacts; and a significant communication strategy, including brochure production and distribution.

Current work is focusing on analysing and reporting on the large volume of data collected as part of this project.

Support for the Swan River Trust

One of the section's important functions is to provide scientific support to the Swan River Trust, and to integrate science delivery across the Swan River catchment and estuary for the Healthy Rivers Action Plan (formerly the Swan–Canning Cleanup program).

A key project for 2007–08 was an oxygenation feasibility study in the Upper Swan estuary, near the Guildford Road Bridge. The previous technology trialled was not ideal for the warm, shallow and saline-stratified conditions that accompany the sustained low dissolved oxygen in this area. An alternative technology was sourced and installed in June 2008 and will be commissioned shortly in readiness for appropriate environmental conditions in summer/autumn.

Sediment sampling of the river by Geoscience Australia was carried out in September 2007 and May 2008 to help estimate the sediment oxygen demand and extent of the area potentially requiring oxygenation. To build a better understanding of the current condition of the Upper Swan River and assist in determining the effectiveness of the technology trialled, a climate station and three mobile monitoring buoys were installed. The mobile monitoring stations gather continuous data on the surface and bottom of the river, which is telemetered daily, and provide vital information that can be used for other purposes, including public inquiries into river health.

Other projects with the Swan River Trust include:

- supporting the drainage nutrient intervention program – monthly monitoring of the Manley Street compensation basin and Liege Street wetland is ongoing

- a comprehensive assessment of drainage-delivered contaminants, including a catchment drainage assessment and a groundwater assessment of disused landfill sites. The final reports were delivered to the trust
- support modelling of the Vasse–Geographe and Swan–Canning catchments, linking surface water and superficial groundwater with land use and practice, is continuing. The project is using SQUARE (stream quality affecting rivers and estuaries) – a complex hydrological water quality model to support water quality improvement plans for the coastal catchment initiatives. Model calibrations for nitrogen, phosphorous and sediment export and some scenario modelling were completed by June 2008.

Research and innovation

A science, research and innovation plan was developed and released to key stakeholders in April 2008. The five-year plan recognises the key role that science and research play in meeting the department's objectives. The plan framework revolves around three key strategies:

- investment for knowledge
- collaborative partnerships
- use of knowledge.

The plan's goal is 'to increase our knowledge of Western Australia's water resources and set values that govern their management'.

The plan will guide the department in ensuring the necessary capacity and operational framework to undertake a range of science activities and, importantly, to use the knowledge gained.

The department's *Science, Research and Innovation Plan* adds value to the *State Water Science and Innovation Plan* announced by the Minister for Water Resources on 29 May 2008. That plan has six main aims:

- 1 identify water science investment priorities for the next 10 years
- 2 ensure adequate water research capacity to generate the science and information needed
- 3 ensure water science information is managed, communicated and used effectively
- 4 encourage innovation in finding new approaches to water management
- 5 build capacity in key water-related professions
- 6 ensure water science is well coordinated.

Salinity and Water Recovery

The salinity and water resource recovery branch undertakes scientific investigation for water resource management in key catchments, with particular emphasis on

assessing and evaluating land use, salinity, inland waterways and climate change. The branch then implements recovery strategies for key catchments. The program has three focus areas:

- water resource recovery
- wheatbelt catchment water management
- climate, vegetation and water.

Water resource recovery

This section's program builds on the role established for the department by the 1996 *Salinity action plan*. Five south-west catchments: Collie, Denmark, Helena, Kent and Warren were identified as potential future water sources that were expected to deteriorate beyond recovery without active management. The department has made good progress on these catchments, particularly the Collie and Denmark recovery projects.

Collie

During the year, we made significant progress with plans to reduce salinity in the Collie River. Options to lower salinity in the Wellington Reservoir have been detailed and costed and include a 4.6 GL diversion of Collie River East and improved farming systems. When completed, this \$30 million project will improve water quality for irrigation, industry and, potentially, drinking water. Work is currently underway in assessing the feasibility of creating a water utility in the region by way of private-public partnerships.

Denmark

The plan for salinity recovery of the Denmark River is nearly completed. In what may be an Australian first, the plan projects that work done over a number of decades will result in the river again being fresh. In order to maintain the freshwater status of the river, the plan outlines a proactive approach to offsetting the effects of land use and climate variability.

Helena

The *Helena salinity situation statement* was released in June 2008. The salinity of the Mundaring Reservoir is, on average, below potable limits, but the salinity of the inflow to the reservoir is still of concern during low flow years. Recommendations were made to improve the salinity of the Helena River through further reforestation of remaining cleared lands in the catchment areas to bring salinity levels back from 500 mg/L to around 230 mg/L.

Kent

The *Kent salinity situation statement* was released in November 2007. While reducing the salinity levels to below 500 mg/L may not be possible in the medium term, the statement showed that due to the establishment of plantations, considerable salinity reductions have occurred and this will result in significant benefits to the riverine environment.

Warren

An evaluation of social, economic and environmental impacts of key management options to reduce salinity in the Warren River is now complete. The options were also assessed using the LUCICAT model (The LUCICAT model is a numerical water balance model developed by the Department of Water). Approximately 1600 ha of perennials have been planted as part of the \$1.5-million South West Catchments Council-funded initiative, which aims to reduce salinity to fresh water levels by 2030 in line with the targets set for Collie and Denmark in the State Salinity Recovery Plan.

Engineering evaluation initiative

The engineering evaluation initiative (EEI) is a \$4-million priority project under the *National action plan for salinity and water quality*. The project focuses on developing and demonstrating better ways to implement engineering works to tackle salinity while minimising damage to the environment. The project began in 2002.

Five EEI reports for Benyon Road, Blackboy Creek, Bodallin, Morawa and Tammin are at final draft stage and we expect to release them in late 2008. The drainage projects have shown that:

- farmers need to be clear from the start about what they want to achieve with drainage
- the effectiveness of drains varies with soil type
- downstream impacts from the discharge need to be considered
- drainage is expensive if all costs are considered.

The research indicated that drains planned and designed to suit local conditions can effectively lower water tables and allow the protection or re-establishment of vegetation or crops.

The groundwater pumping projects showed that pumping from paleochannels is a very expensive option and unless assets of high value are at risk, groundwater pumping is not recommended on a wide-scale.

Many deep drains discharge acidic groundwater, which can have an adverse impact on receiving streams and lakes. The EEI, in partnership with the Cooperative Research Centre for Landscape, Environments, Mining and Exploration has completed an *Avon catchment acid groundwater – geochemical risk* assessment

report. This report researches the origins of the acidic groundwater, maps its extent, identifies the risks involved with its discharge and investigates how acidic waters might be treated.

In partnership with the CSIRO, the EEI has also completed regional drainage evaluation projects in the Avon and Blackwood basins. These projects use the LASCAM model to evaluate various regional water management options and allow comparison of predicted salinities and flows up to 2100. Both project reports are at final draft stage.

Monitoring for four other EEI projects (Beacon, Dumbleyung, Pithara and Soils) was completed at the end of 2007 and analysis of data and report preparation is underway. Monitoring for some EEI projects will extend for another year, i.e. ecological monitoring of downstream impacts, soils rehabilitation monitoring and hydrological monitoring.

Wheatbelt catchment water management

This \$2.84-million priority project under the *National action plan for salinity and water quality* (funded jointly by the state and Australian governments) was established to extend the EEI and investigate drainage on a regional scale, undertake catchment feasibility assessments, and examine associated planning and governance issues.

Work in 2007–08 included:

- *Narembeen drain and catchment planning*: Working with stakeholders to identify options and sites for retaining drainage water within the catchment and reducing downstream impacts.
- *Kulin catchment management plan*: Establishing a consultancy to develop a catchment water management plan for the Kulin and Dudinin Creek catchment and working with the community to solve current problems with deep drains.
- *South coast regional study*: Setting up a project in partnership with the Collaborative Research Centre for Future Farming Industries to develop a catchment modelling tool (to model flows, salt, nutrients, sediment and acidity) for the Lort, Young and Dalyup catchments.
- *Yarra Yarra subcatchment monitoring*: Establishing a grant to allow for local on-ground ecological and water flow monitoring, site establishment and management of data.
- *Economic assessment*: Completed a cost-benefit analysis tool (model) and tested it for effectiveness. The model provides analysis of several existing drainage projects in the Wheatbelt to update cost-benefit analysis in order to ascertain the most cost-effective way to build drains.
- *Wetlands assessment*: Completed a classification project established to consider wetland protection and safe disposal of drainage discharge. Drafting of a protocol for the Notice of Intent to Drain (NOID) assessment process is at final draft stage.

- *Acid groundwater project:* The EEI acid groundwater project was followed up by similar work in catchments outside of the Avon Basin and by a second project that trialled treatment systems. Field work for both projects is complete and reports are being prepared.
- *Drainage handbook:* A second draft of a Wheatbelt drainage design handbook was completed.

Inland drainage initiative

Drainage governance: The department granted funds to the Yarra Yarra Catchment Regional Council and the Shire of Dumbleyung to establish and evaluate governance procedures for their respective catchment scale drainage proposals. Interim progress reports have been received.

Wheatbelt Drainage Council: The department has provided executive support to the Wheatbelt Drainage Council (established in February 2007 by the Minister for Water Resources). The council has developed draft principles for drainage assessment and a draft policy framework for inland drainage. Ten stakeholder workshops (eight in the Wheatbelt) were conducted and written submissions were sought for both the principles and the policy framework.

Climate, vegetation and water

This program undertakes scientific assessments of land-use change, vegetation and climate impacts on water resources.

Work includes assessments of bauxite mining, plantations, catchment thinning, reduced stream flow from climate change, and a sediment survey of the Ord Reservoir.

In partnership with the CSIRO, this program is responsible for delivering the Premier's Water Foundation project that is examining the impacts of climate change and vegetation on water resources. The program continues to develop modelling tools, such as water models (e.g. LUCICAT Live) that can be used to undertake these assessments.

Policy and planning

The Policy and Planning division facilitates and improves the governance of water resources and the regulation of the water industry to ensure Western Australians have equal access to water services, and that the state's water resources are managed sustainably and securely. It has four branches:

- Policy Coordination and Reform
- Legislative Reform
- Strategic Water Planning
- Industry Support.

Policy Coordination and Reform

During 2007–08, the Policy Coordination and Reform branch prepared a submission and provided advice to the Economic and Industry Standing Committee inquiry into water services and licensing. The branch also drafted the government's response to the committee's final report.

One main area of operations was to represent Western Australia's position on a national level in discussions on water management and water reform.

This included:

- participation in the urban and rural benchmarking working groups and the subsequent development of the two performance indicator reports
- negotiating with the Australian Government to secure election funding commitments and preparing draft Economic Review Committee submissions to secure matching state government funding
- scoping the review of *Western Australia's implementation plan for the National Water Initiative*
- participating in the development of the Council of Australian Governments (COAG) working group stocktake and forward work program
- coordinating representation on a range of other COAG working groups
- participation in inter-jurisdictional negotiations on the appointment of state and territory representatives to the National Water Commission.

The branch contributed to the establishment and consultation processes of inquiries undertaken or commenced by the Economic Regulation Authority (ERA). These inquiries include:

- tariffs of the Bunbury and Busselton Water Boards
- competition in the water and wastewater services sector
- developer charges of the Water Corporation

- recycled water pricing.

During 2007–08, the branch also:

- Gave evidence to the Standing Committee on Public Administration in relation to its inquiry on water governance.
- Progressed selected policy issues arising from the National Water Initiative, including:
 - undertaking background research on options for self-management
 - contributing to the state’s policy position on risk assignment through finalisation of an options paper by ACIL Tasman and consultation with key stakeholders
 - cost recovery for water resources management and planning.
- Initiated and contributed to an ERA inquiry into the water prices charged by Aqwest and the Busselton Water Board.
- Developed the terms of reference for an ERA inquiry into recycled water pricing, as recommended by the *State water recycling strategy*.
- Finalised our submission to the ERA inquiry into competition.
- Participated in the development of alternative funding arrangements for drainage works.
- Developed a strategic water policy framework to guide policy development and set criteria for prioritising future policy development.

Legislative Reform

The Legislative Reform branch of the division provides support to the state government in the drafting of legislative framework that governs water resources management and the delivery of water resources.

The *Water Resources Legislation Amendment Act 2007*, was proclaimed on 31 January 2008 as the first stage in consolidating and modernising legislation relating to water. This Act repealed the *Water and Rivers Commission Act 1995*. The commission’s powers and functions were transferred to the Minister for Water Resources and the Department of Water.

During 2007–08, the branch worked on a major overhaul of the state’s water legislation including the Water Services Bill, Water Corporation Amendment Bill, and the Water Resources Management Bill

A summary of the progress of these three bills follows.

Water Services Bill

The Water Services Bill sets the regulatory framework and powers for water service providers, such as the Water Corporation, the Bunbury and Busselton water boards and irrigation cooperatives.

The department undertook considerable internal and external consultation to develop policy positions for enactment under this new legislation. Parliamentary Council has drafted the Bill to be released for stakeholder comment during the second half of the year. The Bill is scheduled for introduction to Parliament in 2009.

Water Corporation Amendment Bill

The Water Corporation Amendment Bill repeals the *Water Boards Act 1904* and amends the *Water Corporation Act 1995* to include other water service providers. The department has been working closely with water service providers and regulators on the drafting. The Bill is scheduled for introduction into Parliament in 2009.

Water Resources Management Bill

The Water Resources Management Bill aims to consolidate water resource management legislation into one Act, as well as facilitating the implementation of the government's water reform agenda. The department's focus has been on working with internal and external stakeholders to consolidate policy positions for input into drafting instructions for the Bill. The Bill is scheduled for introduction into Parliament in 2009.

Strategic Water Planning

The Strategic Water Planning branch coordinates the department's involvement in the administration of the *State water plan 2007* and ensures it facilitates the progress of the plan. This involves the continued development of the state water planning framework, particularly links to land planning and natural resource management planning and the ability to evaluate water development options.

In 2007–08, a planning matrix was developed, which summarises water planning activity across the department. A water planning framework brochure was published and promoted internally and externally to ensure adequate public and stakeholder briefing of progress on the plan.

The department has continued to develop strategic regional-scale water plans across the state as an important step in implementing the policy objectives of the *State water plan 2007*.

The plans identify the water-management issues faced, determine a long-term vision and identify the actions required to achieve sustainable management of regional water resources and water services.

South West regional water plan

Through the South West Water Forum, the draft South West regional water plan was developed in partnership with key stakeholders in the region.

The draft plan was released for public comment on 19 June 2008. It provides a strategic overview of the major water challenges facing the South West region, together with an action plan and a five-year time frame.

The plan is designed to:

- accommodate the constraints of a variable and drying climate
- promote the wise and careful use of existing resources
- equitably manage increasing competition for available water resources
- support reasonable and efficient regional growth
- consult and communicate effectively with interested parties
- maintain the quality of the region's natural heritage.

The plan is to be reviewed every five years and updated every 10 years to ensure relevancy, particularly in respect to changes in environmental and climatic conditions, demographic growth and scientific understanding.

Water resources encompassed in the plan include waterways, groundwater and alternative water sources – such as recycled water and desalinated sea water.

Pilbara regional water plan

A Pilbara consultative committee was formed in mid-2007 to assist development of the draft Pilbara regional water plan. The committee comprised members from pastoral, environmental, Indigenous, water service provider, mining, local government and regional development interests.

Input from the committee has played a key role in setting the vision, aims and principles for the draft plan as well as recommending actions to be implemented over the next five years. The draft Pilbara plan is nearly complete and is due for release for public comment in October 2008.

Perth–Peel regional water plan

An issues scoping report for the Perth–Peel regional water plan was finalised in late 2007 and discussion papers developed for seven key issues. The draft regional water plan is being developed and is due for release for public comment in late 2008.

The plan will provide strategic direction for water management in the region well into the future. It will provide direction and context for the other strategic water planning activities in the region, for example, the Gngangara sustainability strategy and the Water Corporation's Water Forever initiative.

Kimberley regional water plan

Scoping of the Kimberley regional water plan continued. An initial meeting of key stakeholders in late 2007 led to a Kimberley regional water forum in Broome in March 2008. These meetings identified current and future pressures for the Kimberley and significantly contributed to the issues scoping phase of the project.

Great Southern regional water plan

Priorities for the Great Southern regional water plan focused on compiling regional scale assessments of water resource yields (including the impact of climate change).

Water resource development planning

In the past year, the department has been working on the development of a water demand scenario-modelling tool to evaluate projected demand against water availability in 19 regions across Western Australia. The tool is in its final stages of refinement and supports a 25-year planning horizon for strategic development of policy and plans.

A prototype of a water supply planning tool for the Pilbara was also completed and further refinement of the data structure and scoping of the model application is continuing. The tool will enable evaluation of the cost and supply reliability of existing sources and water source options in the Pilbara.

Industry Support

The Industry Support branch assists in the practical implementation of the aims of the policy and planning division. It consists of four sections – Water Services Policy, Rural Water Planning, Industry Liaison and Indigenous Water Services.

Water Services Policy

Water Services Policy section administers the 11 Acts currently in place and supports the Minister for Water Resources in discharging Ministerial responsibilities, including advising on:

- the regulation of water service providers
- appointments to regional water boards.

The section also provides a mediation service for customers who have issues with their service providers.

In 2007–08, the department's dispute resolution service section dealt with and resolved 92 customer disputes from customers of water service providers. The most common complaints were consumption disputes (38%) and leakage disputes (35%). It took an average of 21 days to resolve each complaint. Ninety-six per cent of customers had their disputes resolved within 35 working days and \$52 000 was returned to customers throughout the financial year.

The section responds to Economic Regulation Authority inquiries on water-related matters. The section worked closely with the ERA during 2007–08 to amend a number of operating licences for service providers. These changes are part of the ongoing administration of the water services industry.

Preferred policy positions have been developed on water services licence exemptions and services in greenfield sites.

The department has established monitoring and review procedures and processes for the prudential management of water service licensing, and has planned a program of policy review to assess the effectiveness of current implementations over the past year.

The initial focus of the policy review program has focused on high priority policy issues addressed in the context of the new Water Services Bill.

Rural Water Planning

The Rural Water Planning section manages and coordinates the implementation of the state's *Rural water plan*.

The plan incorporates the operation of the Farm Water Grants Scheme, the Pastoral Water Grants Scheme and the Community Water Supply program. Each of these is designed to deliver reliable quantities of farmland water suitable for livestock, domestic and general farming use to dryland parts of rural Western Australia.

During the year, 139 grants totalling \$2.6 million were awarded across the three areas.

The review of the operation of the rural water planning program was completed and provided new policy directions that will lead to greater emphasis on water management and conservation, while also broadening the industry coverage of the schemes operating under the program.

Changes are scheduled for implementation in the second half of 2008.

Emergency water supplies

The department is responsible for ensuring the availability of emergency water supplies when on-farm supplies fail due to extended periods of low rainfall and limited run-off.

The rural water planning section continued to work in partnership with local government to add to a network of reliable strategic emergency community water supplies.

During the year, the section conducted six community projects across six dryland shires to provide additional sources of strategically placed emergency farmland water supplies.

Indigenous Water Services

During 2007-08, the Indigenous Water Services section assessed ways to improve delivery of water services to Indigenous and small communities to progress the *State water plan 2007* objective of delivering services for strong and healthy communities.

Work involved developing a comprehensive database on Indigenous and small community water services. Significant work was undertaken in research and stakeholder engagement to fulfil a commitment under the strategic water policy framework to produce a policy on Indigenous and small community water services.

As a member of the Taskforce on Essential Services to Indigenous Communities, the department consulted with the Department of Housing and Works, the Department of Indigenous Affairs and the Water Corporation to develop and cost a strategy to improve water supply and wastewater services to the state's Indigenous communities.

Through submissions to the COAG Climate Change and Water Working Group and Water Sub-Group, we contributed to the identification of national issues, and a strategy to implement best practice in remote community water supply and wastewater service management.

Industry Liaison

Premier's Water Foundation

The department manages the administration of the Premier's Water Foundation.

The foundation was established in 2003 to promote and enhance water-related research and development activities and projects. The foundation has supported projects that challenge boundaries and investigate innovative ways to conserve water and maximise reuse of wastewater.

Grants were provided in two funding rounds for work where research and development gaps had been identified in the *State water strategy*. All project contracts were signed from the second and final round of funding, committing \$3.13 million of foundation funds that will leverage over \$12 million of water research.

Funding for State water strategy projects

Projects funded in 2007–08 to support the priority actions of the *State water strategy* included:

- the ICLEI (International Council for Local Environmental Initiatives) – Local Governments for Sustainability Water Campaign to create more waterwise behaviour among local governments with the aim of increasing water efficiency
- the Waterwise on the Farm program to create more waterwise behaviour in the agricultural sector with the aim of increasing water efficiency and promotion of best practice
- the Northern Australia Irrigation Futures sustainability framework to further policy and planning priority actions
- a water policy officer at the WA Conservation Council to further policy and planning priority actions
- an industry development officer for the WA branch of Irrigation Australia Ltd to assist and support the water industry in this sector
- a University of Western Australia turf research project to assist industry in furthering priority actions
- the Children’s Groundwater Festival to increase community awareness and education
- concept development for water conservation plans to further priority actions in the development of balance between consumptive and environmental use.

The Minister also approved funding for a state-wide Waterwise Councils program, following the success of the Town of Cottesloe’s groundwater restoration project and a community information campaign, which was conducted with the assistance of a *State water strategy* grant.

2007 Water Awards

The Water Awards are designed to recognise those who bring innovation to the water industry and who assist the community to adapt to our drying climate through a wide range of innovative projects.

The 2007 Water Awards gala dinner and presentations were held on 11 October at the Burswood Entertainment complex. More than 350 guests attended.

There were 15 category award winners, with the Satterley project – the Green at Brighton – receiving the Minister’s Award for Excellence.

A Lifetime Achievement Award was also presented to Mr Dan Norton, Chairman of Harvey Water.

The Water Awards will be held again in late 2008.

Forums and conferences

The department has invested significant effort in developing stakeholder relationships, particularly to ensure wider understanding of the water reform process.

The department organised two state water forums on 1 August 2007 and 19 February 2008 to ensure community participation in the water reform process.

A Water Innovation Conference on 29 May 2008 attracted more than 250 scientists, industry representatives, consultants, water providers, land developers and local and state government representatives, who heard a range of presentations about the importance of water science and innovation in Western Australia.

Gnangara sustainability strategy

The Gnangara sustainability strategy (GSS) is a multi-agency partnership led by the Department of Water. It involves the departments of Agriculture and Food WA, Environment and Conservation, Planning and Infrastructure, and representatives from the Forest Products Commission, the Water Corporation and the CSIRO. This partnership is developing water and land-use management strategies for the Gnangara groundwater system.

In 2007–08, the GSS taskforce determined the climate ranges, planning horizons and local management areas against which proposed management actions will be modelled for their effect on water balances and other environmental impacts.

A community engagement and communication strategy was prepared, stakeholder briefings were conducted and the GSS website was established. An advertising campaign was conducted during Water Week. The GSS stakeholder database currently contains more than 3000 names. These people receive monthly e-bulletins and updates.

The taskforce also conducted a series of presentations and field trips to provide information on background issues and ensure a consistent knowledge base for taskforce members.

A draft report will be presented to government in December 2008.

PRAMS version 3.2, which is able to produce local area models, was delivered in November 2007. After updated land-use change data was entered at the end of March, base case modelling began and five climate scenarios were run. Further modelling scenarios will be run according to the scenario matrix developed under the GSS.

A local area model for Lake Mariginiup was developed, primarily for testing urban development scenarios for land and water planning.

Water Resource Business Operations

The Water Resource Business Operations division manages the department's regional programs through seven regional offices. It also manages the department's Measurement and Water Information and Regional Integration sections, which includes the Indigenous Services branch and the newly formed Compliance and Enforcement branch. It also administers the department's land assets.

Its key functions are to:

- develop and manage measurement and water information activities throughout the state to support accurate and informed decision-making about water resources
- provide program and administrative support to seven regions state-wide
- encourage cross-program integration and build capacity in the regions
- manage land assets and meet the department's obligations and objectives
- establish and operate a compliance and enforcement unit to achieve improved water resource compliance and water efficiency
- engage in effective interactions with Indigenous people.

Measurement and Water Information

This branch continued to provide key measurement asset maintenance, spatial analysis, data collection, data management and data provision services to support the planning, management and use of water.

A new role of water accounting was added during the year. Pilot water accounts were developed for the Lower Gascoyne groundwater management area and the results fed back into the process for the development of national water accounting standards.

The department hosted the national Water Accounting Development Committee meeting in May 2008 and ensured that groundwater issues were strongly presented.

The department responded to 2745 data requests, which highlighted the importance of the water information collected. This data was provided to a wide range of stakeholders including mining companies, consultants, state government agencies, private companies and landowners, universities, local government and others.

We advised the Bureau of Meteorology on aspects of drafting of the Commonwealth Water Bill 2007 and continued to liaise with the bureau on the supply of data required by the regulations of the *Water Act 2007*. We are also liaising with the bureau on a wide range of issues to do with water measurement to ensure that there are sufficient water measurement professionals across Australia to meet demand.

We continued our important role in training the next generation of hydrographers, with the 2006 trainees graduating during the year. In 2007, the measurement function of the department was acknowledged in the celebration of the Year of Hydrography.

Regional Integration

This branch supports staff delivering corporate and administrative services in the regions.

During the year, Kimberley staff moved into new premises in Kununurra and construction of a new regional office in Mandurah began.

In Albany, an asbestos shed was removed and a new boat shed erected to house all boats and equipment, while renovations to both the Busselton and Manjimup regional offices were completed and additional office space was secured.

During the year, the branch undertook occupational health and safety audits of most regional facilities, with remediation actions now underway.

Land Management

The land management section of the department manages freehold land and state reserves where the land protects or contains water resources and waterways that are of significance for current or future water supply.

During the year, the department made progress with the review of its land estate to negotiate the purchase of Priority 1 water source protection land, while also commencing a review of opportunities to dispose of freehold land that no longer fits with departmental objectives.

Compliance and Enforcement

The department has established a compliance and enforcement unit funded for two years as a pilot project to enforce the legislation it administers, including but not limited to the: *Rights In Water and Irrigation Act 1914*, *Water Agencies (Powers) Act 1984*, *Waterways Conservation Act 1976* and *Country Areas Water Supply Act 1947*.

During the past year, the unit conducted investigations and provided advice in relation to breaches of statutes.

It also partnered with other government agencies to raise awareness among land holders and lessees regarding obligations under the *Rights in Water and Irrigation Act 1914* and other Acts.

The section's staff also assists in promotion and implementation of water efficiency measures.

Indigenous Services

The Indigenous Services Unit (ISU) provides cross-cultural training to all staff. During the year, 12 courses were conducted with 338 staff attending.

Topics covered included:

- beliefs and values of Aboriginal people
- communication and relating across cultures
- Aboriginal engagement in natural resource management and how to consult with Aboriginal people
- Aboriginal employment and other issues affecting the Aboriginal community
- culture and traditional practices.

The ISU also established an Indigenous training program, with five Indigenous people accepting offers of traineeships and commencing work in the regions and head office.

Office of the Director General

The Office of the Director General provides high level support services within the department and quality advice to the director general and external stakeholders. The is supported by an executive services function that has provided administrative and secretarial support to the director general and assisted in the smooth transition of the department from a series of acting directors general to the appointment of the department's first director general, Kim Taylor.

The office comprises four branches:

- Government Relations
- Executive Services
- Corporate Development
- Corporate Communications.

Government Relations

The Government Relations branch facilitates effective relationships with all stakeholders – internal and external. Key stakeholders include the Minister for Water Resources and other agencies of state.

The branch coordinates and manages communications and liaison with the Minister's office, including Cabinet and Executive Council requirements, ministerial correspondence and responses to parliamentary questions.

During 2007–08, the department managed 1468 items of ministerial correspondence – an increase of 10 per cent over the previous year.

Corporate Development

The department revised its management framework to enable a stronger focus on outcomes and to better reflect our contribution to the government's strategic outcomes outlined in the *Better planning: better futures* framework. This revised approach will improve the use of performance information for internal and external reporting.

A review of business planning and priority setting was completed and new processes endorsed for establishing priorities and allocating resources for 2008–09.

A strategic audit plan has been implemented and compliance and efficiency audits completed.

Corporate Communications

The Corporate Communications branch manages corporate events, media issues and enquiries, advertising, publications, displays, sponsorship and marketing.

To communicate objectives, priorities and departmental initiatives, the branch uses a variety of internal and external media.

In 2007–08, corporate communications provided efficient and effective communication of the department's decisions, reasons and actions through highly professional and cost-effective publications (including the department's website), issues and media management and public relations activities.

All communications were targeted accurately to relevant stakeholders, partners, interest groups and people affected by the department's activities.

The branch is well-placed to identify activities across the entire agency that further the strategic goals of government, to provide support for key priorities and to work with all divisions.

During the year, advertising campaigns were developed and implemented for departmental initiatives including the Gnamara Sustainability Strategy, farm water grants, garden-bore water restrictions and Gnamara groundwater, the *South West regional water plan – strategic directions* and the *State water recycling strategy*.

A number of departmental policies and procedures relating to improvements to communications and publishing were finalised and published (on the department's intranet site).

A review of the department's website commenced. A website developer is reviewing the existing website's functionality and developing a renovated website with a content management system.

A review has also commenced on the existing branch structure and the corporate communications business plan.

Publications

| | |
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| <i>Arrowsmith Water Reserve drinking water source protection plan</i> | July 2007 |
| <i>Assessment of the declining groundwater levels in the Gnamara groundwater mound</i> | July 2007 |
| <i>Assessment of the status of river pools in the Avon Catchment</i> | December 2007 |
| <i>Australian drinking water guidelines 6 – 2004 – an overview</i> | December 2007 |
| <i>Avon River catchment water quality and nutrient monitoring program for 2006</i> | January 2008 |
| <i>Benwenerup, A management plan for Stokes Inlet</i> | May 2008 |
| <i>Bindoon–Chittering Water Reserve drinking water source protection plan</i> | July 2007 |

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| <i>Bolganup Creek catchment area drinking water source protection plan</i> | June 2008 |
| <i>Bremer Bay Water Reserve draft drinking water source protection plan</i> | May 2008 |
| <i>Brookton Happy Valley Water Reserve drinking water source protection plan</i> | June 2008 |
| <i>Brookton Reservoir catchment area drinking water source protection plan</i> | April 2008 |
| <i>Bunbury Water Reserve drinking water source protection plan</i> | June 2008 |
| <i>Byford townsite drainage and water management plan, draft</i> | May 2008 |
| <i>Carnarvon Artesian basin water management plan</i> | December 2007 |
| <i>Coastal drainage discussion paper</i> | January 2008 |
| <i>Cockburn groundwater area water management plan</i> | December 2007 |
| <i>Collie surface water/groundwater area water management plan</i> | December 2007 |
| <i>Condingup Water Reserve drinking water source protection plan</i> | June 2008 |
| <i>Crossing creeks – stream crossings on farms – issues to consider in southern Western Australia</i> | February 2008 |
| <i>Derby Water Reserve drinking water source protection plan</i> | June 2008 |
| <i>Eneabba Water Reserve drinking water source protection plan</i> | April 2008 |
| <i>Fitzroy Crossing Water Reserve drinking water source protection plan</i> | June 2008 |
| <i>Foreshore and channel assessment of Jimperding Brook</i> | February 2008 |
| <i>Foreshore and channel assessment of the Dale River South Branch</i> | June 2008 |
| <i>Gascoyne Junction Water Reserve drinking water source protection plan</i> | February 2008 |
| <i>Gibson Water Reserve drinking water source protection plan</i> | May 2008 |
| <i>Gnangara groundwater areas water management plan, draft for public comment</i> | February 2008 |
| <i>Great Southern regional water services plan 2007</i> | December 2007 |
| <i>Helena salinity situation statement</i> | June 2008 |
| <i>Groundwater abstraction and aquifer response in the Roe palaeodrainage</i> | October 2007 |
| <i>Hydrogeology of the Dongara borehole line</i> | November 2007 |
| <i>Jurien Bay Water Reserve drinking water source protection plan</i> | May 2008 |
| <i>Kent River salinity situation statement</i> | November 2007 |
| <i>Kemerton Groundwater subareas water management plan</i> | December 2007 |
| <i>Kirup Dam catchment area drinking water source protection plan</i> | November 2007 |
| <i>Logue Brook Dam interim drinking water source protection plan</i> | April 2008 |
| <i>Lower Avon River recovery plan: Incorporating foreshore and channel assessment</i> | June 2008 |
| <i>Management area review of shallow groundwater systems on Gnangara and Jandakot mounds</i> | January 2008 |
| <i>Managing water in the Upper Collie: a status report on surface and groundwater management</i> | October 2007 |

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| <i>Mount Peron Water Reserve and Leeman (Midway) Water Reserve drinking water source protection plan</i> | February 2008 |
| <i>Nabawa Water Reserve drinking water source protection plan</i> | June 2008 |
| <i>Parkinsonia aculata management strategy</i> | May 2008 |
| <i>PRAMS scenario modelling for water management of the Gnangara Groundwater Mound</i> | March 2008 |
| <i>Protecting your drinking water sources: Serpentine Dam pipehead catchment areas</i> | July 2008 |
| <i>Quindalup Water Reserve drinking water source protection plan: Dunsborough, Yallingup and Quindalup town water supplies</i> | June 2008 |
| <i>Review of ministerial conditions on the groundwater resources of the Gnangara Mound</i> | January 2008 |
| <i>Riparian condition of the Salt River, waterways assessment in the zone of ancient drainage</i> | January 2008 |
| <i>Riparian condition of the Yilgarn River – Caroline Gap to Hines Hill</i> | February 2008 |
| <i>Risks from pathogenic micro-organisms in public drinking water source areas</i> | May 2008 |
| <i>Rockingham groundwater area water management plan, draft for public comment</i> | December 2007 |
| <i>Rural water note: development of sandplain seeps for water supplies</i> | September 2007 |
| <i>Rural water note: emergency farmland water supplies</i> | September 2007 |
| <i>Rural water note: maintaining roaded catchments</i> | September 2007 |
| <i>Rural water note: reducing farm dam evaporation</i> | September 2007 |
| <i>Rural water note: simple pumping tests for farm water bores</i> | September 2007 |
| <i>Rural water note: understanding water supply reliability</i> | September 2007 |
| <i>Science, research and innovation plan 2008–2012</i> | March 2008 |
| <i>Serpentine Dam catchment area drinking water source protection plan</i> | May 2008 |
| <i>South West groundwater areas water management plan allocation – draft for public comment</i> | February 2008 |
| <i>South West regional water plan, strategic directions, draft for public comment</i> | May 2008 |
| <i>South West regional water plan, supporting detail</i> | May 2008 |
| <i>State water recycling strategy, an overview</i> | May 2008 |
| <i>Statement of response: Carnarvon Artesian Basin water management plan</i> | December 2007 |
| <i>Statement of response: Cockburn groundwater management plan</i> | December 2007 |
| <i>Strategic plan 2007–08</i> | March 2007 |
| <i>Swan Urban Growth Corridor drainage and water management plan, including Albion, West Swan, Caversham and Whiteman Park South</i> | June 2008 |

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| <i>Upper Collie surface and groundwater allocation limits: methods and calculations</i> | February 2008 |
| <i>Upper Collie water management plan, draft for public comment</i> | December 2007 |
| <i>Water quality protection note: Bridle trails</i> | May 2008 |
| <i>Water quality protection note: Cooling towers</i> | October 2007 |
| <i>Water quality protection note: Identification, assessment and protection of public drinking water source areas</i> | October 2007 |
| <i>Water quality protection note: Infrastructure corridors</i> | November 2007 |
| <i>Water quality protection note: Outdoor events in public drinking water protection areas</i> | October 2007 |
| <i>Water quality protection note: Proclaimed public drinking water source protection areas</i> | March 2008 |
| <i>Water quality protection note: Register of drinking water catchments in each local government authority</i> | April 2008 |
| <i>Water quality protection note: Tropical agriculture</i> | October 2007 |
| <i>Whicher surface water area management plan – allocation, draft for public comment</i> | June 2008 |

Corporate Services

Corporate Services provides a range of services aimed at the effective and efficient management of our finances, human resources, information and assets.

Corporate reforms

Planning and implementation of shared service reforms continued during the year. The department reviewed key policy and information systems to commence alignment with the Office of Shared Services business systems. We continue our active role in working on OSS risk management, executive and specialist committees as part of our commitment to the reform process. The current roll-in date for the department is scheduled for April 2010.

Finance

New budget and resource proposals were completed successfully during the year, and a new fleet policy and reporting system is being implemented progressively, with 50 per cent of the project completed by May 2008.

A project to publish procurement policies on the department's intranet was also completed. The department will continue to develop i-procurement and other initiatives aimed at improving procurement planning, acquisitions and asset management.

Human resources

A human resources blueprint and identification of key priorities was finalised in June 2008 and will be implemented over the next year. The department has focused on improving attraction and retention strategies, together with actions to improve integration of our functional areas.

New full-time equivalent (FTE) management and utilisation reporting processes have also been developed across the department and further refinements continue to be implemented.

Staff training

High priority was given to identifying training opportunities and enhancing staff skills in relation to specific work responsibilities and in a broader context of staff development. Key areas of employee development include: general leadership and team management; project management; health and wellness; information management and computing; innovation and intellectual property; and financial management.

Recruitment

To improve monitoring and reporting on recruitment processes, new reporting and tracking systems were developed. A review of the existing recruitment contract was completed in June 2008.

Performance targets have also been established for monitoring performance with departmental recruitment processes. Benchmarking with government and industry standards will commence in 2008–09.

Specified callings

The consent order of 13 March 2008 by the WA Industrial Relations Commission provides for amendment to the Public Service Award 1992 and the Government Officers' Salaries Allowances and Conditions Award 1989 pursuant to the *Industrial Relations Act 1979*, to set new levels and salary rates to specified calling (SC) positions.

The department is preparing a case to the Department of Consumer and Employment Protection on existing broadband level 2 to 6 positions it considers should be approved as SC positions (levels 1 to 3) under the new provisions. The majority of existing broadband level 7 and 8 positions do not meet the implementation guidelines established by the Department of Consumer and Employment Protection to enable them to be designated as SC positions. The department is working with the Department of Environment and Conservation and the Department of Agriculture and Food WA to determine whether a cross-agency approach to the Department of Consumer and Employment Protection is appropriate for the level 7 and 8 broadband situation.

Information services

The Information Services branch supports the business of the department by providing information management services, tools and technologies, including communications and other infrastructure.

In 2007–08, the branch reviewed its service delivery model and, in 2008–09, plans to realign services with a particular focus on industry best-practice and the introduction of a service level agreement and associated reporting. Improving the quality of information services is central to supporting the department in its delivery of water reform.

Major achievements during the year include:

- strengthening of information governance, methodologies and tools to enhance investment decisions and improve performance
- implementing disaster recovery for the VOIP phone system and core infrastructure services. Procedures were developed for all infrastructure and

business systems to ensure the timely and secure recovery of all business systems in the event of a disaster

- improving data links from Geraldton, Bunbury and Albany to Atrium head office to increase information timeliness
- domain migration, including an upgrade to our server and exchange infrastructure and implementation of Oracle 10g database migration to maintain currency of software and operating systems with other government entities and our stakeholders
- implementing TRIM Context (electronic document and records management system) to further enhance records and information management within the department and ensure compliance with the *State Records Act 2000*
- upgrading and extending CallManager (VOIP) to the Welshpool office to improve information transfers and reduce communication costs.

Disclosures and legal compliance

Legislation administered by the Department of Water as at 30 June 2008:

- *Country Areas Water Supply Act 1947*
- *Country Towns Sewerage Act 1948*
- *Land Drainage (Validation) Act 1996*
- *Land Drainage Act 1925*
- *Metropolitan Water Supply, Sewerage, and Drainage Act 1909*
- *Metropolitan Water Authority Act 1982*
- *Rights in Water and Irrigation Act 1914*
- *Water Agencies (Powers) Act 1984*
- *Water and Rivers Commission Act 1995*
- *Water Boards Act 1904*
- *Water Services Licensing Act 1995*
- *Water Supply, Sewerage, and Drainage Act 1912*
- *Waterways Conservation Act 1976*

Ministerial directives

There were no ministerial directives in 2007–08.

Governance disclosures

The department continues to strive for effective and efficient use of resources to achieve our agreed outcomes. A governance framework supported by ethical behaviours is central to good management. We continue to review our business processes and performance management systems that support decision-making. Corporate planning and reporting processes continued to embrace risk management principles.

With the creation of the Department of Water, we have undertaken a review of our roles and responsibilities and statutory delegations.

Education remains a key strategy to ensure directors, senior managers and all staff are aware of their responsibilities.

Freedom of Information

Under sections 94–96 of the *Freedom of Information Act 1992*, the department is required to maintain and publish an up-to-date Freedom of Information Statement on the following matters:

- legislation administered by the department
- structure and decision-making functions of the department
- consultation and public participation in the department's decision-making process
- availability and accessibility of information held by the department.

The former Water and Rivers Commission's *Information Statement for 2007* was prepared and submitted to the Information Commissioner in December 2007 and published on the commission's website.

The commission received 87 freedom of information applications, all of which were non-personal applications. No applications were fully transferred to other agencies and no application requests were withdrawn.

The major areas of interest were property enquiries and water and discharge licences.

The Department of Water received and processed 220 freedom of information applications, of which 34 were brought forward from the previous reporting period. This represents an increase of more than 100 per cent on 2006–07.

The department complied with its legislative obligations under the *Freedom of Information Act 1992*, by processing most requests within the 45-day statutory time limit. (Note that there are occasions where an application is large and/or complex, in which case an extension of time is negotiated with the applicant.)

A large number of the freedom of information requests in 2007–08 were from legal firms and environmental consultants. They related to specific property queries that cover a wide range of matters such as water allocation, licensing, flood management and drainage.

A focus in 2008–09 will be providing freedom of information training to staff in other areas of the agency to improve understanding of the legislation.

Other legal requirements

Advertising

In compliance with section 175ZE of the *Electoral Act 1907*, the department is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations. The report is as follows:

Report on expenditure as required under section 175E of the *Electoral Act 1907* for the Waters and Rivers Commission and Department of Water

| Class of expenditure | Water & Rivers Commission expenditure July 1 2007 to Jan 31 2008 (\$) | Department of Water expenditure 1 February 2008 to June 30 2008 (\$) | Agency | Purpose | Total expenditure 2007–08 (\$) |
|---------------------------------|---|--|-------------------------|--------------------------------------|--------------------------------|
| Advertising agencies | 189 127 | 19 303.05 | Linc Integrated | General artwork and proofing | 208 430.05 |
| Media advertising organisations | 376 104 | 84 424.59 | Marketforce Productions | Employment and tender advertisements | 103 727.64 |
| | — | 17 630.57 | Media Decisions WA | Employment and tender advertisements | 17 630.57 |
| | — | 28 026.41 | Verossity Pty Ltd | Employment and tender advertisements | 28 026.41 |
| | — | 11 205.16 | Impact Communications | | 11 205.16 |
| Totals | 565 231 | 160 589.78 | | | 3690 019.83 |

Note: There was no expenditure on market research, direct mailing or polling. Expenses under 'advertising agencies' and 'media advertising organisations' include the printing of information leaflets and brochures, production of Internet information, public display material, information signage and posters, and instructional manuals. It also includes job vacancy advertising, the calling of tenders and the preparation and communication of public information.

Disability access and inclusion plan outcomes

The department continues to address access issues for people with disabilities. Changes to the department's city and regional office accommodation were made in

accordance with access principles and protocols. Ongoing upgrades to buildings to meet the required standard are included in the department's capital works program.

The web content team improved access to our Internet and intranet as part of the continual upgrade program. Currently the text size can be enlarged easily without compromising the integrity of the site and both sites are style-sheet independent.

Staff involved in web content design have undertaken training to understand the needs of, and potential access barriers to people with disabilities. This has resulted in the identification of accessibility issues and the implementation of necessary strategies.

The department continually reviews public written information to eliminate any potential impediments for people with disabilities. This includes providing the ability for individuals to request information in alternative formats or request information where they have specific accessibility needs. Where requested, we provide information in other languages or in alternative formats.

Equal employment opportunity outcomes

The government has introduced a new client-focused initiative on substantive equality for the provision of services to the diverse multicultural communities of Western Australia.

The objective of the government's *Policy framework for substantive equality* is to assist the public sector to move from formal equality, to achieving substantive equality for all Western Australians with a focus on meeting the needs of different Indigenous and ethnic groups.

The department has completed its policy and governance framework and identified key pilot projects from which substantive equality principles and practices can be established.

The department has an equity and diversity plan and, in 2007–08, many projects were completed to meet the objectives in that plan. The performance objectives in the government's Equity and Diversity Plan are designed to achieve an improvement in the representation and distribution of each EEO group (people with a disability, Indigenous Australians, people from culturally-diverse backgrounds, women and youth) in the public sector. Progress towards achieving these objectives is monitored through both the annual reporting process of the Office of Equal Employment Opportunity and public sector workforce demographics.

The table below compares the department's current profile of diversity groups against the government's objectives.

Equity and diversity plan targets

| % Representation | | | | | | | | |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2006 | | 2007 | | 2008 | | 2009 | |
| | Sector | Agency | Sector | Agency | Sector | Agency | Sector | Agency |
| Women in tier 2 and 3 combined | 32 | 14.3 | 32.4 | 21.2 | 41 | 25 | 44 | 30 |
| People from diverse backgrounds | 8.1 | 7.5 | 7.9 | 7.1 | 11.75 | 8 | 13 | 9 |
| Indigenous Australians | 2.5 | 0.6 | 2.3 | 0.6 | 3 | 1 | 3.2 | 2 |
| People with a disability | 1.5 | 1.4 | 1.5 | 1.3 | 3.6 | 1.5 | 3.7 | 2 |
| Youth | 5.7 | 7.8 | 5.9 | 7.3 | 7.5 | 8 | 8 | 9 |
| Distribution – Equity Index* | | | | | | | | |
| | 2006 | | 2007 | | 2008 | | 2009 | |
| | Sector | Agency | Sector | Agency | Sector | Agency | Sector | Agency |
| Women | 56 | 56.0 | 56 | 59.7 | 74 | 65 | 78 | 70 |
| People from diverse backgrounds | 133 | 85.4 | 155 | 91.2 | 100 | 95 | 100 | 100 |
| Indigenous Australians | 36 | 76.1 | 38 | 80.0 | 42 | 90 | 45 | 100 |
| People with a disability | 93 | 171.9 | 102 | 152.9 | 100 | 100 | 100 | 100 |

Note: As its representation is higher than the public service, Youth is not a specific focus of this plan and there are not specific initiatives to target that group. This plan focuses on Indigenous employment and people with disabilities; women and people from culturally diverse backgrounds will be the focus of the next plan.

*The equity index is a measure of 'compression' – the extent to which a given occupational group is primarily to be found at the lower classification levels. The calculation is usually performed for women as their numbers are such that a meaningful index can be calculated. Equity indices can be calculated for other groups if their representation is sufficient.

Further information and definitions can be found on the Office of Equal Employment Opportunity website at www.oeeo.wa.gov.au.

The department has an equity and diversity plan and, in 2007–08, many projects were completed to meet the objectives in that plan.

Recruitment and selection policies and guidelines have been reviewed and accurately reflect our commitment to equity and diversity and to ensuring all potential

applicants have equitable access to employment opportunities. This includes people with disabilities.

Internally, the department remains committed to improving outcomes in relation to women in management through leadership development programs.

The department has committed to initiatives to meet our youth employment objectives. Through partnerships with universities, we have targeted recruitment of students during vacation periods to provide them with work experience in their chosen fields.

The department recognises the importance of youths and graduates, particularly given current labour market pressures. Strategies have focused on developing appropriate career and development structures to enable the department to recruit younger people in our business. We continue to work with the Australian Water Association and other bodies on developing strategies to encourage and support graduates and young people within the water and environment industry.

The department is reviewing workplace initiatives dealing with balancing work/life pressures that are of interest to working mothers. Results from the 2008 staff survey clearly show the impact that positive work/life balance initiatives have on staff. More than 86 per cent of staff surveyed indicated that the department provided the capacity to balance work and home life demands. A similar result was achieved in employee perception of the department as an equal opportunity employer.

The department continues to maintain a grievance contact officer network, which provides local workplace officers to assist staff deal with equity issues in the organisation, including harassment and bullying.

Safety, health and injury management

In order to progress health, safety and wellness within the department, we have focused on proactive initiatives and risk mitigation strategies to enable the department to deliver a safe and healthy workplace. Key initiatives include:

- The continued development of the safety management system (SMS) with tasks given priorities according to compliance requirements and high-risk areas. The SMS provides guidance for managing accidents, near misses and hazards, together with initiatives aimed at improving staff knowledge and commitment to safe and healthy work practices.
- Safety and health representative workplace committees continue to meet regularly.
- Health programs, including staff health assessments, health awareness seminars and brochures on improving personal health and wellbeing. There is also a focus on diet and reducing health issues associated with diabetes, cholesterol, smoking and obesity.

- Wellness activities aimed at improving personal health and fitness, including lunchtime sessions focusing on yoga, aerobic exercise and Pilates.

Occupational safety and health report

Plus what is there:

The Department of Water's commitment to occupational safety and health (OSH) and injury management is shown in the *Occupational safety and health policy* and the *Workers' compensation and injury management policy*. Both policies can be found on the OSH intranet site.

The formal mechanism for consultation with employees on OSH matters within the department is via the OSH committees.

The *Workers' compensation and injury management policy* and procedure, along with the department's *Return to work* form and procedure, demonstrate the department's compliance to the *Workers' Compensation and Injury Management Act*. The policy and procedures have been approved by RiskCover, the department's insurer.

The departments performance reporting rates are:

| | |
|---------------------------------|---------|
| Average lost time severity rate | 18.2857 |
| Lost time injury frequency rate | 14583.3 |
| Lost time injury incidence rate | 1.23023 |

Information governance

In 2007–08, the department continued its drive to improve planning, management and use of information to meet business needs and stakeholder demands. Key achievements included:

- the development of a strategic information plan which provides a framework for information investments required to support delivery of water reform initiatives
- the establishment of policies and procedures relating to information management
- the establishment of an information and communications technology governance model.

Records and information management

Implementation activities associated with compliance with the *State Records Act 2000* include the development of a record-keeping plan.

In accordance with Standard 2 (Principle 6) of the record-keeping plan:

Record-keeping systems are being reviewed as part of a general upgrade of the department's records management system. This includes the potential to incorporate existing in-house developed technologies wherever possible into a centralised application to improve overall information efficiency.

A record-keeping awareness training program has been introduced and has achieved a rate of approximately 94 per cent (completed and or in progress) response rate to date. The course will be delivered to new staff on an on-going basis.

The efficiency and effectiveness of the record-keeping awareness program is assessed periodically through participant feedback received either in person or on-line.

The department conducts an on-line training program to assist staff induction. The course includes staff roles and responsibilities relating to obligations under the *State Records Act 2000*.

Information systems

The department continues to enhance its business systems and work with other government agencies to provide accurate and timely information to the community.

The challenge for the department will be to continue to work towards excellence in the delivery of tools and services that support our information requirements. The major focus of activities will centre on providing support and tools for the implementation of the water reform program and requirements of the new federal water legislation.

Government policy requirements

Ethics and corruption prevention

During 2007–08, the department continued to develop and implement initiatives to improve staff awareness and understanding of good governance and ethics. The department reviewed and updated its code of conduct to incorporate information on corruption prevention and on issues such as conflicts of interest, pecuniary interests and fraud prevention and ethical decision-making.

Staff awareness sessions were conducted and will continue throughout 2008–09 to ensure all staff are aware of their obligations and understanding of ethics. Reviews of committees and relationships with external partnering groups were undertaken as part of establishing the new Department of Water and winding up the Water and Rivers Commission.

Awareness sessions have been conducted with external groups and regional staff to improve decision-making and governance arrangements.

The department also developed a new complaints management system, which defines the internal processes for managing general complaints through to potential corruption concerns.

A software package was purchased to handle the new complaints system. This enables the department to record, monitor, analyse and report on complaint data so that any systemic issue(s) can be identified and dealt with in accordance with statutory obligations.

Supporting documents have been drafted to provide guidance and instruction to senior staff on managing, investigating and responding to complaints.

Public interest disclosures

The department did not receive any public interest disclosures during 2007–08.

Sustainability

Sustainable use and disposal of resources

The department continues to communicate the importance of reducing our impact on the environment by promoting to all staff the significance of our ecological footprint. We achieve this by setting specific targets in areas such as stationery, energy consumption, the purchase of goods and services and the use of road transport.

The department is also committed to reducing energy consumption and costs and strives for improvement through the monitoring and reporting of energy use in accordance with targets set by the Sustainable Energy Development Office. Additionally, the department continued to support environmentally, economically and socially sustainable transport systems by purchasing LPG vehicles or hybrid electric cars and/or four-cylinder vehicles where these meet our requirements.

The department was formally recognised with an award from the Sustainable Energy Development Office for its significant improvement in energy efficiency.

Sustainable procurement

The department encourages the purchase of environmentally friendly goods and services.

We continued to improve our guidelines and evaluation criteria for purchasing officers to use when procuring goods or services. Our evaluation criteria considers the relevance of the product or service to sustainability, a whole-of-life-cycle analysis, such as the energy used in purchasing, manufacturing, using, transporting, re-use or recycling potential and disposal, accessibility of the item and cost..

Independent audit opinion



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

DEPARTMENT OF WATER FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE PERIOD 1 FEBRUARY TO 30 JUNE 2008

I have audited the accounts, financial statements, controls and key performance indicators of the Department of Water.

The financial statements comprise the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity, Cash Flow Statement, Schedule of Income and Expenses by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the period 1 February to 30 June 2008, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Director General's Responsibility for the Financial Statements and Key Performance Indicators

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the *Financial Management Act 2006* and other relevant written law.

Summary of my role

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based

on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer <www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>.

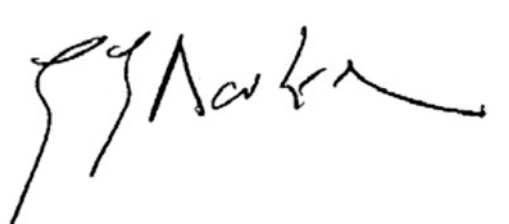
An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term “reasonable assurance” recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

Department of Water Financial Statements and Key Performance Indicators for the period 1 February to 30 June 2008

Audit opinion

In my opinion,

- 1 the financial statements are based on proper accounts and present fairly the financial position of the Department of Water at 30 June 2008 and its financial performance and cash flows for the period 1 February to 30 June 2008. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer’s Instructions
- 2 the controls exercised by the Department provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions
- 3 the key performance indicators of the Department are relevant and appropriate to help users assess the Department’s performance and fairly represent the indicated performance for the period 1 February to 30 June 2008.



GLEN CLARKE

ACTING AUDITOR GENERAL

22 September 2008

Financial statements

The accompanying financial statements of the Department of Water have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the period 1 February 2008 to 30 June 2008 and the financial position as at 30 June 2008.

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



Brendan O'Neil
Reporting Officer
12 August 2008



Kim Taylor
Director General
12 August 2008

Income statement

| | Note | Feb – Jun 2008 \$'000 |
|---|------|--------------------------|
| Cost of services | | |
| Expenses | | |
| Employee benefits expense | 5 | 18 564 |
| Supplies and services ^(a) | 6 | 16 056 |
| Depreciation expense | 7 | 2253 |
| Accommodation expenses | 8 | 1354 |
| Grants and subsidies | 9 | 9394 |
| Loss on disposal of non-current assets | 14 | 213 |
| Other expenses | 10 | 664 |
| Total cost of services | | 48 498 |
| Income | | |
| Revenue | | |
| User charges and fees | 11 | 18 |
| Commonwealth grants and contributions | 12 | 3930 |
| Other revenue | 13 | 5961 |
| Total revenue | | 9909 |
| Total income other than income from state government | | 9909 |
| Net cost of services | | 38 589 |
| Income from state government | 15 | |
| Service appropriation | | 27 311 |
| Initial recognition of assets | | 181 |
| Resources received free of charge | | 84 |
| Total income from state government | | 27 576 |
| Surplus/(deficit) for the period | | (11 013) |

See also the 'schedule of income and expenses by service'

^(a) Includes administrative expense

The income statement should be read in conjunction with the accompanying notes.

Balance sheet

| | Note | Jun 2008 \$'000 |
|--------------------------------------|--------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 25 | 13 979 |
| Restricted cash and cash equivalents | 16, 25 | 74 |
| Receivables | 17 | 3982 |
| Amounts receivable for services | 18 | 3373 |
| Total current assets | | 21 408 |
| Non-current assets | | |
| Restricted cash and cash equivalents | 16, 25 | 382 |
| Amounts receivable for services | 18 | 6191 |
| Property, plant and equipment | 19, 20 | 200 958 |
| Total non-current assets | | 207 531 |
| Total assets | | 228 939 |
| Liabilities | | |
| Current liabilities | | |
| Payables | 21 | 3022 |
| Provisions | 22 | 7953 |
| Other current liabilities | 23 | 782 |
| Total current liabilities | | 11 757 |
| Non-current liabilities | | |
| Provisions | 22 | 3231 |
| Other non-current liabilities | 23 | 74 |
| Total non-current liabilities | | 3305 |
| Total liabilities | | 15 062 |
| Net assets | | 213 877 |

| | Note | Jun 2008 |
|-------------------------------|-------------|-----------------|
| | | \$'000 |
| Equity | 24 | |
| Contributed equity | | 224 038 |
| Reserves | | 852 |
| Accumulated surplus/(deficit) | | (11 013) |
| Total equity | | 213 877 |

The balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

| | Note | Feb – Jun 2008 \$'000 |
|---|------|--------------------------|
| Balance of equity at start of period | | – |
| Contributed equity | 24 | |
| Balance at start of period | | – |
| Capital contribution | | 1653 |
| Other contributions by owners | | 222 385 |
| Balance at end of period | | 224 038 |
| Reserves | | |
| Asset revaluation reserve | 24 | |
| Balance at start of period | | – |
| Gains from asset revaluation | | 852 |
| Balance at end of period | | 852 |
| Accumulated surplus | 24 | |
| Balance at start of period | | – |
| Surplus for the period | | (11 013) |
| Balance at end of period | | (11 013) |
| Balance of equity at end of period | | 213 877 |
| Total income and expense for the period ^(a) | | (10 161) |

^{a)} The aggregate net amount attributable to each category of equity is: deficiency of \$11 013 000 plus gains from asset revaluation of \$852 000.

The statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement

| | Note | Inflows (Outflows) \$'000 |
|---|-----------|---------------------------------|
| Cash flows from state government | | |
| Service appropriation | | 25 561 |
| Capital contributions | | 1 653 |
| Holding account drawdowns | | 1 308 |
| Net cash provided by state government | | 28 522 |
| Utilised as follows: | | |
| Cash flows from operating activities | | |
| Payments | | |
| Employee benefits | | (19 428) |
| Supplies and services | | (16 048) |
| Accommodation | | (1 351) |
| Grants and subsidies | | (6 000) |
| GST payments on purchases | | (2 719) |
| GST Payments to ATO | | – |
| Other payments | | (682) |
| Receipts | | |
| User charges and fees | | 1 126 |
| Commonwealth grants and contributions | | 4 774 |
| GST receipts on sales | | 1 033 |
| GST receipts from ATO | | 1 689 |
| Other receipts | | 5 484 |
| Net cash (used in) operating activities | 25 | (32 122) |
| Cash flows from investing activities | | |
| Proceeds from sale of non-current physical assets | | – |
| Purchase of non-current physical assets | | (3 449) |
| Net cash (used in) investing activities | | (3 449) |

| | Note | Inflows (Outflows) \$'000 |
|---|------|---------------------------------|
| Cash flows from financing activities | | |
| Refund of developer bonds ^(a) | | (32) |
| Net cash (used in) financing activities | | (32) |
| Net increase/(decrease) in cash and cash equivalents | | (7081) |
| Cash and cash equivalents at the beginning of period | | – |
| Cash and cash equivalent transfers from Water and Rivers Commission | | 21 516 |
| Cash and cash equivalents at the end of period | 25 | 14 435 |

^(a) Refund of amounts paid for by developers and held in trust for which the amount is refunded on completion of works as per an agreed contract.

The cash flow statement should be read in conjunction with the accompanying notes.

Schedule of income and expenses by service

| Service | Water resources plans and policies | Investigation & assessment of water resources | Water licensing and regulation | Water protection plans and guidelines | Drainage, floodplain, salinity and catchment management | Total |
|--|------------------------------------|---|--------------------------------|---------------------------------------|---|---------------|
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| Cost of services | | | | | | |
| Expenses | | | | | | |
| Employee benefits expense | 2323 | 3954 | 5022 | 769 | 6496 | 18 564 |
| Supplies and services | 1463 | 3572 | 3325 | 401 | 7295 | 16 056 |
| Depreciation | 93 | 1,605 | 240 | 37 | 278 | 2253 |
| Accommodation expenses | 164 | 352 | 369 | 52 | 417 | 1354 |
| Grants and subsidies | 638 | 67 | 2014 | 90 | 6585 | 9394 |
| Loss on disposal of non-current assets | 23 | 50 | 60 | 9 | 71 | 213 |
| Other expenses | 389 | 89 | 56 | – | 130 | 664 |
| Total cost of services | 5093 | 9689 | 11 086 | 1358 | 21 272 | 48 498 |
| Income | | | | | | |
| User charges and fees | – | 1 | 13 | – | 4 | 18 |
| Commonwealth grants and contributions | 17 | 1949 | 480 | – | 1484 | 3930 |
| Other revenue | 134 | 236 | 1022 | 31 | 4538 | 5961 |

| Service | Water resources plans and policies | Investigation & assessment of water resources | Water licensing and regulation | Water protection plans and guidelines | Drainage, floodplain, salinity and catchment management | Total |
|---|---|--|---------------------------------------|--|--|-----------------|
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| Total income other than income from state government | 151 | 2186 | 1515 | 31 | 6026 | 9909 |
| Net cost of services | 4942 | 7503 | 9571 | 1327 | 15 246 | 38 589 |
| Income from state government | | | | | | |
| Service appropriation | 3529 | 5714 | 2867 | 1056 | 14 145 | 27 311 |
| Initial recognition of assets not previously recognised | – | 181 | – | – | – | 181 |
| Resources received free of charge | 9 | 20 | 24 | 4 | 27 | 84 |
| Total income from state government | 3538 | 5915 | 2891 | 1060 | 14 172 | 27 576 |
| Surplus/deficit for the period | (1404) | (1588) | (6680) | (267) | (1074) | (11 013) |

The schedule of income and expenses by service should be read in conjunction with the accompanying notes.

Summary of consolidated account appropriations and income estimates

| | Estimate \$'000 | Actual \$'000 | Variance \$'000 |
|--|--------------------|------------------|--------------------|
| Delivery of services | | | |
| Item 58 net amount appropriated to deliver services | 28 699 | 27 223 | (1476) |
| Section 25 transfer of service appropriation | – | – | – |
| Amount authorised by other statutes | | | |
| - <i>Salaries and Allowances Act 1975</i> | 88 | 88 | – |
| Total appropriations provided to deliver services | 28 787 | 27 311 | (1476) |
| Capital | | | |
| Item 148 capital contribution | 1653 | 1653 | – |
| Administered transactions | | | |
| Item 59 administered grants, subsidies and other transfer payments | – | – | – |
| Total administered transactions | – | – | – |
| Grand total | 30 440 | 28 964 | (1476) |
| Details of expenses by service | | | |
| Water resources plans and policies | 5500 | 5093 | (407) |
| Investigation and assessment of water resources | 7427 | 9689 | 2262 |
| Water licensing and regulation | 11 806 | 11 086 | (720) |
| Water protection plans and guidelines | 1658 | 1358 | (300) |
| Drainage, floodplain, salinity and catchment management | 25 211 | 21 272 | (3939) |
| Total cost of services | 51 602 | 48 498 | (3104) |
| Less total income | (20 975) | (9909) | 11 066 |
| Net cost of services | 30 627 | 38 589 | 7962 |
| Adjustments | (1840) | (11 278) | (9438) |
| Total appropriations provided to deliver services | 28 787 | 27 311 | (1476) |

| | Estimate | Actual | Variance |
|---|-------------|-------------|----------|
| | \$'000 | \$'000 | \$'000 |
| Capital expenditure | | | |
| Purchase of non-current physical assets | 1653 | 3449 | 1796 |
| Adjustments for other funding sources | – | (1796) | (1796) |
| Capital contribution (appropriation) | 1653 | 1653 | – |
| Details of income estimates | | | |
| Income disclosed as administered income | – | – | – |

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Notes to the financial statements for the period 1 February 2008 to 30 June 2008

This is the department's first financial report, covering the first five months of operation from 1 February to 30 June 2008. It is prepared in accordance with the provisions of the *Financial Management Act 2006*. The department replaced the Water and Rivers Commission on 1 February 2008 pursuant to the *Water Resources Legislation Amendment Act 2007*. All assets and liabilities of the commission were transferred to the department.

1 Departmental mission and funding

The department was created to ensure that the state's water resources are planned and managed to meet community requirements, now and into the future.

The department is mainly funded by Parliamentary appropriation, and is supplemented by funds received from other sources to provide specialist related services

Australian equivalents to international financial reporting standards

General

The department's financial statements for the year ended 30 June 2008 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the department has adopted, where relevant to its operations, new and revised standards and interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early adoption of standards

The department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. No standards and interpretations that have been issued or amended but are not yet effective have been early adopted by the department for the reporting period ended 30 June 2008.

2 Summary of significant accounting policies

(a) General statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared in accordance with Accounting Standard AAS 29 *Financial Reporting by Government Departments* on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land, buildings and infrastructure which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars rounded to the nearest thousand dollars (\$'000).

The judgements that have been made in the process of applying the department's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at note 3 *Judgements made by management in applying accounting policies*.

(c) Reporting entity

The reporting entity comprises the department and the related bodies listed at note 35 *Related bodies*.

The department administers assets, liabilities, income and expenses on behalf of government which are not controlled by, nor integral to the function

of the department. These administered balances and transactions are not recognised in the principal financial statements of the department but schedules are prepared using the same basis as the financial statements and are presented at note 32 *Administered expenses and income* and note 33 *Administered assets and liabilities*.

(d) *Contributed equity*

UIG Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions to be designated by the government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions (appropriations) have been designated as contributions by owners by TI 955 *Contributions by Owners Made to Wholly Owned Public Sector Entities* and have been credited directly to contributed equity.

Transfer of net assets to/from other agencies are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 24 *Equity*.

(e) *Income*

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser and can be measured reliably.

Rendering of services

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

Service appropriations

Service appropriations are recognised as revenues in the period in which the department gains control of the appropriated funds. The department gains control of appropriated funds at the time those funds are deposited into the department's bank account or credited to the holding account held at Treasury. See note 15 *Income from state government* for further detail.

Net appropriation determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the department. In accordance with the determination specified in the 2007-2008 budget statements, the department retained \$9.909 million in 2008 from the following:

- proceeds from fees and charges
- specific grants from other state government agencies
- Commonwealth specific purpose grants and contributions
- other departmental revenue.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the department obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the balance sheet date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

(f) Property, plant and equipment

Capitalisation/expensing of assets

Items of property, plant and equipment and infrastructure costing \$5000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$5000 are immediately expensed direct to the income statement (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment and infrastructure are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

Subsequent measurement

After recognition as an asset, the revaluation model is used for the measurement of land, buildings and measurement sites and the cost model for all other property, plant and equipment. Land, buildings and measurement sites are carried at fair value less accumulated depreciation on buildings and measurement sites and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Where market-based evidence is not available, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is dependent on using the depreciated replacement cost, the gross carrying amount and the accumulated depreciation are restated proportionately.

Independent valuations of land and buildings are provided annually by Landgate and are recognised with sufficient regularity to ensure that the carrying amount does not materially differ from the asset's fair value at the reporting date.

Fair value for measurement sites has been determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset. This depreciated replacement cost method is used as the measurement sites are specialised and no market-based evidence of value is available. The gross carrying amount and the accumulated depreciation have been restated proportionately.

When the measurement sites are revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Refer to note 19 *Property, plant and equipment* for further information on revaluations.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment and infrastructure, any revaluation reserve relating to that asset is retained in the asset revaluation reserve.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Land and Capital Works in Progress are not depreciated. Depreciation on other assets is calculated on the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

| | |
|--|-------------|
| Buildings | 20 years |
| Infrastructure | 20 years |
| Plant and equipment | 5–20 years |
| Computer equipment (software and hardware) | 3–5 years |
| Furniture and fittings | 7–10 years |
| Leasehold improvements | 20 years |
| Measurement sites | 20–40 years |
| Works of art | 60 years |

Works of art controlled by the department are classified as property, plant and equipment. They are anticipated to have very long lives, and are depreciated at 1.67 per cent per annum.

(g) Impairment of assets

Property, plant and equipment and infrastructure are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and it is written down to the recoverable amount and an impairment loss is recognised. As the department is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of the asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each reporting date.

See note 20 *Impairment of assets* for the outcome of impairment reviews and testing.

See note 2(m) *Receivables* and note 17 *Receivables* for impairment of receivables.

(h) Leases

Finance lease rights and obligations are initially recognised at the commencement of the lease term as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments determined at the inception of the lease. The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the department is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge

and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

The department holds operating leases for head office and a number of branch office buildings. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(i) Financial instruments

In addition to cash, the department has two categories of financial instrument:

- loans and receivables
- financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

- Financial assets:
 - cash and cash equivalents
 - restricted cash and cash equivalents
 - receivables
 - amounts receivable for services.
- Financial liabilities
 - payables
 - other borrowings.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is immaterial.

(j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(k) Accrued salaries

The accrued salaries suspense account (see note 16 *Restricted cash and cash equivalents*) consists of amounts paid annually into a suspense account over a period of ten financial years to largely meet the additional cash outflow

in each eleventh year when 27 pay days occur in that year instead of the normal 26. No interest is received on this account.

Accrued salaries (see note 23 *Other liabilities*) represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The department considers the carrying amount of accrued salaries to be equivalent to its net fair value.

(l) *Amounts receivable for services (holding account)*

The department receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (holding account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

See also note 15 *Income from state government* and note 18 *Amounts receivable for services*.

(m) *Receivables*

Receivables are recognised and carried at original invoice amount less any provision for uncollectible amounts (impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The provision for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 30 *Financial instruments* and note 17 *Receivables*.

(n) *Payables*

Payables are recognised when the department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See note 30 *Financial instrument* and note 21 *Payables*.

(o) *Provisions*

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date. See note 22 *Provisions*.

(i) Employee benefits

Annual leave and long service leave

The liability for annual and long service leave expected to be settled within 12 months after the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

A liability for long service leave is recognised after an employee has completed four years of service. An actuarial assessment of long service leave undertaken by PriceWaterhouseCoopers Actuaries in 2007 determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the department does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Sick leave

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the income statement for this leave as it is taken.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The department has no liabilities for superannuation charges under the pension or the GSS schemes as the liability has been assumed by the Treasurer.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS schemes became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESB). Both of these schemes are accumulation schemes. The department makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESB schemes.

The GESB makes all benefit payments in respect of the Pension and GSS schemes, and is recouped by the Treasurer for the employer's share.

See also note 2(p) *Superannuation expense*.

(ii) *Provisions – other*

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of other expenses and are not included as part of the department's employee benefits expense. The related liability is included in employment on-costs provision. See note 10 *Other expenses* and note 22 *Provisions*.

Warranties

Provision is made for the estimated liability on all products still under warranty at the reporting date. The amount of the provision is the present value of the estimated cash outflows expected to settle the warranty obligations, having regard to the warranty experience over the last five years and the risks of the warranty obligations.

Restoration costs

A provision is recognised where the department has a legal, equitable or constructive obligation to undertake restoration work. Estimates are based on the present value of expected future cash outflows.

(p) *Superannuation expense*

The following elements are included in calculating the superannuation expense in the income statement:

- a defined benefit plans – change in the unfunded employer's liability (i.e. current service cost and actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that scheme to the Gold State Superannuation Scheme (GSS)
- b defined contribution plans – employer contributions paid to the GSS (concurrent contributions), the West State Superannuation Scheme (WSS) and the GESB Superannuation Scheme.

Defined benefit plans – in order to reflect the true cost of services, the movements (i.e. current service cost and actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses. As these liabilities are assumed by the Treasurer, a revenue titled *Liabilities assumed by the Treasurer* equivalent to the expense is recognised under income from state government in the income statement. See note 15 *Income from state government*.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided in the current year.

Defined contribution plans – in order to reflect the department's true cost of services, the department is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the consolidated account.

The GSS Scheme is a defined benefit scheme for the purposes of employees and whole of government reporting. However, apart from the transfer benefit, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the agency to GESB extinguishes the agency's obligations to the related superannuation liability.

(q) *Resources received free of charge or for nominal cost*

Resources received free of charge or for nominal value that can be reliably measured are recognised as revenues and as assets or expenses as appropriate, at fair value.

(r) *Comparative figures*

Comparative figures have not been provided. The reporting period is for the first five months of the department's operations. Comparatives would be meaningless.

3 Judgements made by management in applying accounting policies

The judgements that have been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements pertain to the revaluation of measurement sites. The department revalued its measurement sites assets on the gross basis of revaluation as per AASB 116 *Property, plant and equipment*.

4 Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The department has applied the following Australian Accounting Standard effective for the reporting period beginning on 1 February 2008 that impacted on the department:

AASB 7 Financial Instruments: Disclosures (including consequential amendments in AASB 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]). This standard requires new disclosures in relation to financial instruments and while there is no financial impact, the changes resulted in increased disclosures, both quantitative and qualitative, of the department's exposure to risks, including enhanced disclosure regarding components of the authority's financial position and performance, and changes to the way of presenting certain items in the notes to the financial statements.

Future impact of Australian Accounting Standards not yet operative

The department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and other pronouncements*. Consequently, the department has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the department but are not yet effective.

Where applicable, the department plans to apply these standards and interpretations from their application date:

| Title | Operative for reporting periods beginning on or after |
|--|--|
| ASB 101 <i>Presentation of financial statements</i> (September 2007). This standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The department does not expect any financial impact when the standard is first applied. | 1 January 2009 |
| <p>Review of AAS 27 <i>Financial Reporting by Local Governments</i>, 29 <i>Financial reporting by government departments</i> and 31 <i>Financial reporting by governments</i>. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:</p> | |
| AASB 1004 <i>Contributions</i> (December 2007). | 1 July 2008 |
| AASB 1050 <i>Administered items</i> (December 2007). | 1 July 2008 |
| AASB 1051 <i>Land under roads</i> (December 2007). | 1 July 2008 |
| AASB 1052 <i>Disaggregated disclosures</i> (December 2007). | 1 July 2008 |
| AASB 2007-9 <i>Amendments to Australian Accounting Standards</i> arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137] (December 2007). | 1 July 2008 |
| Interpretation 1038 <i>Contributions by owners made to wholly-owned public sector entities</i> (December 2007). | 1 July 2008 |

The existing requirements in AAS27, AAS 29 and AAS 31 have been transferred to the above new and existing topic-based standards and interpretation. These requirements remain substantively unchanged. The new and revised standards make some modifications to disclosures, otherwise there will be no financial impact.

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5 Employee benefits expense

| | |
|--|---------------|
| Wages and Salaries ^(a) | 15 916 |
| Superannuation - defined contribution plans ^(b) | 1064 |
| Superannuation - defined benefits plans ^{(c) (d)} | 456 |
| Annual Leave ^(e) | 259 |
| Long Service Leave ^(e) | 534 |
| Other related expenses | 335 |
| Total employee benefits expense | 18 564 |

- (a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component
- (b) Defined contribution plans include WestState, Gold State and GESB schemes (contributions paid)
- (c) Defined benefit plans are the Pension Scheme and Gold State Scheme (pre-transfer benefit)
- (d) An equivalent notional income is also recognised (see note 15 *Income from state government*)
- (e) Includes a superannuation contribution component.

Employment on-costs such as workers-compensation insurance are included at note 10 *Other expenses*. The employment on-costs liability is included at note 22 *Provisions*.

6 Supplies and services

| | |
|--------------------------------------|------|
| Communications | 892 |
| Consultants and contractors | 9519 |
| Consumables | 964 |
| Recoups to other departments | 93 |
| Materials | 93 |
| Vehicle lease and hire | 986 |
| Minor plant, machinery and equipment | 1112 |
| Plant, machinery and equipment lease | 55 |
| Chemical analysis expense | 607 |
| Other staff related expenses | 642 |
| Travel | 553 |

| | 2008 Feb – Jun |
|------------------------------------|----------------|
| | \$'000 |
| Other | 540 |
| Total supplies and services | 16 056 |
| | |
| 7 Depreciation | |
| Furniture and fittings | 5 |
| Buildings | 163 |
| Infrastructure | 12 |
| Plant and equipment | 150 |
| Computing equipment | 495 |
| Leasehold improvements | 21 |
| Measurement sites | 1407 |
| Total depreciation | 2253 |
| | |
| 8 Accommodation expenses | |
| Lease rentals | 835 |
| Repairs and maintenance | 96 |
| Power and water consumption | 162 |
| Security | 21 |
| Rates and taxes | 143 |
| Cleaning | 97 |
| Total accommodation expense | 1354 |
| | |
| 9 Grants and subsidies | |
| Recurrent | 9394 |
| | |
| 10 Other expenses | |
| Employment on-costs ^(a) | - |
| Bad and doubtful debts expense | 28 |
| Equipment repairs and maintenance | 37 |
| Other | 599 |
| Total other expenses | 664 |

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(a) Includes workers' compensation insurance and other employment on-costs.

11 User charges and fees

| | |
|--------------|----|
| User charges | 18 |
|--------------|----|

12 Commonwealth grants and contributions

| | |
|---|-------------|
| Attorney General Department | 308 |
| Bureau of Meteorology | 1311 |
| Bureau of Rural Science | 27 |
| Department of the Environment, Water, Heritage & the Arts | 129 |
| Land & Water Australia | 16 |
| National Land & Water Resources Audit | 16 |
| National Water Commission | 1457 |
| Natural Heritage Trust | 666 |
| Total Commonwealth grants and contributions | 3930 |

13 Other revenue

| | |
|--|-------------|
| Alcoa | 37 |
| Avon Catchment Council | 612 |
| Lease of commercial land and buildings | 101 |
| Other grants | 770 |
| Other miscellaneous revenues | 264 |
| Recoups from other private/commercial agencies | 56 |
| Recoups from other state government agencies | 22 |
| South Coast Natural Resource Management Inc | 236 |
| South West Catchments Council | 703 |
| State grants | 2925 |
| Swan Catchment Council | 235 |
| Total other revenue | 5961 |

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| | | |
|-----------|---|-----|
| 14 | Net loss on disposal of non-current assets | |
| | Costs of disposal of non-current assets | |
| | Plant and equipment | 213 |
| | Proceeds from disposal of non-current assets | |
| | Plant and equipment | – |
| | Net loss | 213 |

See also note 19 *Property, plant and equipment*.

| | | |
|-----------|--|---------------|
| 15 | Income from state government | |
| | Appropriation received during the year: | |
| | Service appropriation ^(a) | 27 311 |
| | The following liabilities have been assumed by the Treasurer during the financial year: | |
| | Superannuation ^(b) | – |
| | Initial recognition of assets not previously recognised | |
| | Infrastructure assets ^(d) | 181 |
| | Resources received free of charge ^(c) | 84 |
| | Determined on the basis of estimates provided by agencies: | |
| | Total revenues from government | 27 576 |

(a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(b) The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme (the notional superannuation expense is disclosed at note 6 *Employee benefits expense*).

(c) Where assets or services have been received free of charge or for nominal cost, the department recognises revenues equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values

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shall be recognised as assets or expenses, as applicable. The exception occurs where the contribution of assets or services are in the nature of contributions by owners, in which case the department makes the adjustment direct to equity).

- (d) Infrastructure assets not previously recognised in prior year financial statements and which the department had control of during the reporting period is taken up as revenue in 2008. Infrastructure assets not previously recognised in prior year financial statements and for which the department had control of during the reporting periods were taken up as revenue in 2007.

16 Restricted cash and cash equivalents

Current

Developer bonds ^(a) 74

Non-current

Accrued salaries suspense account ^(b) 382

(a) The cash held in this account is to be used in repaying bond monies.

(b) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

17 Receivables

Current receivables 3132

Allowance for impairment of receivables (34)

GST receivable 251

Total receivables before prepayments 3349

Prepayments 633

Total current receivables 3982

Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of year 67

Doubtful debts expense recognised in the income statement 32

Amounts written off during the period (41)

Amounts recovered during the period (24)

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| | |
|--------------------------|----|
| Balance at end of period | 34 |
|--------------------------|----|

Credit risk

Ageing of receivables past due, but not impaired based on the information provided to senior management, at the reporting date:

| | |
|---|-------------|
| Not more than 3 months | 3088 |
| More than 3 months but not less than 6 months | 4 |
| More than 6 months but less than 1 year | 31 |
| More than 1 year | 10 |
| Total | 3133 |

Receivables individually determined as impaired at the reporting date:

| | |
|---|----------|
| Carrying amount, before deducting any impairment loss | – |
| Impairment loss | – |
| Total | – |

The department does not hold any collateral as security or other credit enhancements relating to receivables.

See also note 2(m) *Receivables*

18 Amounts receivable for services

| | |
|--|-------------|
| Current | 3373 |
| Non-current | 6191 |
| Total amounts receivable for services | 9564 |

Represents the non-cash component of service appropriations (see note 2(l) *Amounts receivable for services (holding account)*). It is restricted in that it can only be used for asset replacement or payment of leave liability.

19 Property, plant and equipment

| | |
|--|----------------|
| Freehold land at fair value ^(a) | 140 868 |
| | <u>140 868</u> |

| | 2008 Feb – Jun |
|--|-----------------------|
| | \$'000 |
| Buildings at fair value ^(a) | 6288 |
| Accumulated depreciation | (56) |
| | <u>6232</u> |
| Infrastructure at cost | 117 |
| Accumulated depreciation | (12) |
| | <u>105</u> |
| Computing equipment at cost | 1203 |
| Accumulated depreciation | (495) |
| | <u>708</u> |
| Furniture and fittings at cost | 28 |
| Accumulated depreciation | (5) |
| | <u>23</u> |
| Measurement sites at fair value/cost | 118 709 |
| Accumulated depreciation | (72 051) |
| | <u>46 658</u> |
| Plant and equipment at cost | 2989 |
| Accumulated depreciation | (148) |
| | <u>2841</u> |
| Leasehold improvements at cost | 497 |
| Accumulated depreciation | (21) |
| | <u>476</u> |
| Capital works in progress at cost | <u>3047</u> |
| | <u>3047</u> |
| Total property, plant and equipment | 200 958 |

^(a) Freehold land and buildings were revalued as at 1 July 2007 by Landgate. The

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valuations were performed during the year ended 30 June 2008 and recognised at 30 June 2008.

Valuation Services, the Office of the Auditor General and the Department of Treasury and Finance assessed the valuations globally to ensure that the valuations provided (as at 1 July 2007) were compliant with fair value at 30 June 2008.

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out below.

| February to June 2008 | Capital works in progress | Furniture and fittings | Computer equipment | Plant and equipment | Buildings | Leasehold improvements | Measurement sites | Infrastructure | Freehold land | Total |
|---|---------------------------|------------------------|--------------------|---------------------|-----------|------------------------|-------------------|----------------|---------------|---------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Carrying amount at start of year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-reciprocal transfer from the Water and Rivers Commission ^(a) | 4,347 | 28 | 904 | 808 | 5,248 | 497 | 46,483 | 117 | 140,868 | 199,300 |
| Additions | 2,215 | - | 299 | 320 | 258 | - | 181 | - | - | 3,273 |
| Disposals | - | - | - | (11) | - | - | (204) | - | - | (215) |
| Reclassification | - | - | - | - | - | - | - | - | - | - |
| Transfers in/(out) | (3,515) | - | - | 1,874 | 889 | - | 752 | - | - | - |
| Revaluation increments/(decrements) | - | - | - | - | - | - | 853 | - | - | 853 |
| Depreciation | - | (5) | (495) | (150) | (163) | (21) | (1,407) | (12) | - | (2,253) |
| Carrying amount at end of year | 3,047 | 23 | 708 | 2,841 | 6,232 | 476 | 46,658 | 105 | 140,868 | 200,958 |

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- (a) On 1 February 2008, all assets transferred from the Water and Rivers Commission to the Department of Water are recorded at fair value, as required by Treasurer's Instruction 955.

20 Impairment of assets

There were no indications of impairment of property, plant and equipment as at 30 June 2008.

The department held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

All surplus assets at 30 June 2008 have either been classified as assets held for sale or written off.

| | | 2008 Feb – Jun |
|-----------|---|-----------------------|
| | | \$'000 |
| 21 | Payables | |
| | Current | |
| | Trade payables | – |
| | Accrued expense | 2129 |
| | Accrued salaries | 893 |
| | Accrued fringe benefits tax | – |
| | | <u>3022</u> |
| | | |
| 22 | Provisions | |
| | Current | |
| | Annual leave ^(a) | 4159 |
| | Long service leave ^(b) | 3794 |
| | Total Current Provisions | 7953 |
| | Non-current | |
| | Employee benefits provision | |
| | Long service leave ^(b) | 3231 |
| | Total non-current provisions | 3231 |
| | | |
| | (a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlements will occur as follows: | |
| | – within 12 months of balance date | 3535 |
| | – more than 12 months of balance date | 624 |
| | | <u>4159</u> |
| | | |
| | (b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlements will occur as follows: | |
| | – within 12 months of balance date | 3794 |
| | – more than 12 months of balance date | 3231 |
| | | |
| 23 | Other liabilities | |
| | Current | |
| | Revenue received in advance | 775 |

| | 2008 Feb – Jun |
|--|----------------|
| | \$'000 |
| Stale cheque holding account | 7 |
| Total Current Other Liabilities | 782 |
| Non-current | |
| Developer bonds | 74 |
| Total non-current other liabilities | 74 |

24 Equity

Equity represents the residual interest in the net assets of the department. The government holds the equity interest in the department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

Contributed equity

| | |
|--|----------------|
| Balance at start of reporting period | - |
| Contributions by owners | |
| Capital contribution | 1653 |
| Net assets transferred to the Department of Water from the Water and Rivers Commission | 222 385 |
| Total contributions by owners | 224 038 |
| Balance at end of reporting period | 224 038 |

Reserves

| | |
|--|----------------|
| Asset revaluation reserve: | |
| Balance at start of reporting period | - |
| Net revaluation increments/(decrements): | |
| Measurement sites | 852 |
| Balance at end of reporting period | 852 |
| Accumulated surplus | |
| Balance at start of reporting period | - |
| Result for the period (deficit) | (11 013) |
| Balance at end of reporting period | (11 013) |
| Total equity | 213 877 |

2008 Feb – Jun
\$'000

25 Notes to the cash flow statement

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

| | |
|---|--------|
| Cash and cash equivalents | 13 979 |
| Restricted cash and cash equivalents (refer to note 16 <i>Restricted cash and cash equivalents</i>) | 456 |
| | 14 435 |

Reconciliation of net cost of services to net cash flows provided by operating activities

| | |
|----------------------|----------|
| Net cost of services | (38 589) |
|----------------------|----------|

Non-cash items:

| | |
|--|------|
| Depreciation expense | 2253 |
| Net loss on disposal of non-current assets | 213 |
| Resources received free of charge | 84 |

(Increase)/decrease in assets:

| | |
|--------------------------|------|
| Current receivables | 472 |
| Other current assets | 3253 |
| Other non current assets | - |

Increase/(decrease) in liabilities:

| | |
|-------------------------------|--------|
| Current payables | 3022 |
| Current provisions | 632 |
| Other current liabilities | (3568) |
| Non-current provisions | 83 |
| Other non-current liabilities | - |

| | |
|-----------------------------|----|
| Net GST receipts/(payments) | 39 |
|-----------------------------|----|

| | |
|---|------|
| Change in GST in (receivables)/payables | (16) |
|---|------|

| | |
|--|-----------------|
| Net cash used in operating activities | (32 122) |
|--|-----------------|

Non-cash financing and investing activities

2008 Feb – Jun

\$'000

During the financial year, there were no assets/liabilities transferred/assumed from other government agencies not reflected in the cash flow statement.

At the reporting date, the department had fully drawn on all financing facilities, details of which are disclosed in the financial statements.

26 Resources provided free of charge

During the period resources were provided to other agencies free of charge for functions outside the normal operations of the department.

| | |
|---|---|
| Amount determined on the basis of estimates provided by agencies: | 6 |
|---|---|

27 Commitments

Lease commitments

Commitments in relation to leases contracted for at the balance sheet date but not recognised as liabilities, are payable as follows:

| | |
|--|--------|
| Within 1 year | 4031 |
| Later than 1 year and not later than 5 years | 9362 |
| Later than 5 years | 11 298 |
| | <hr/> |
| | 24 691 |
| | <hr/> |
| Representing: | |
| Cancellable operating leases | – |
| Non-cancellable operating leases | 24 691 |
| | <hr/> |
| | 24 691 |
| | <hr/> |

These commitments are all inclusive of GST.

28 Contingent liabilities and contingent assets

Contingent Liabilities

In addition to the liabilities incorporated in the financial statements, the department has the following contingent liability:

Litigation in progress

Claim for compensation in relation to taking by consent of portion of Lot 187 and 188 Yunderup for purpose of public recreation and drainage - Section 248 *Land Administration Act 1997*.

The financial effect of this claim is estimated to be \$742 000.

Contaminated sites

Under the *Contaminated Sites Act 2003*, the department is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of risk to human health, the environment and environmental values. Where sites are classified as contaminated – remediation required or possibly contaminated - investigation required, the department may have a liability in respect of investigation or remediation expenses.

The department has reported one suspected contaminated site to DEC. It is yet to be classified. To date there has been no evidence of contamination found however scientific investigation is required before concluding whether or not a level of contamination exists. The department is unable to access the likely outcome of the classification process, and accordingly, it is not practicable to estimate the financial effect or to identify the uncertainties relating to the amount or timing of any of the outflows. While there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the department may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

Contingent assets

The department has no contingent assets at 30 June 2008.

29 Explanatory statements

Significant variances between actual results for 2007 and the period February to June 2008

This is the first report for the Department of Water, and covers operations for the five months February to June 2008. The current accounting period is five months, and the previous accounting period for the Water and Rivers Commission was 12 months, hence variance comparison is meaningless.

Significant variations between estimates and actual results for the reporting period

Details and reasons for significant variations between actual results and budget for the period February to June 2008 are not included. The current accounting period is five months, and the budget for the Water and Rivers Commission is for 12 months, hence variance comparison is meaningless.

30 Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the department are cash and cash equivalents, loans and receivables and payables. The department has limited exposure to financial risks. The department's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the department's receivables defaulting on their contractual obligations resulting in financial loss to the department. The department measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at note 30(c).

The department trades only with recognised, creditworthy third parties. The department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis resulting in the department's minimal exposure to bad debts. There are no significant concentrations of credit risk.

Liquidity risk

The department is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the department is unable to meet its financial obligations as they fall due.

The department has appropriate procedures to manage cash flows including draw downs of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

The department does not trade in foreign currency and is not exposed to other price risks. The department is not exposed to interest rate risk because apart from minor amounts of restricted cash, all other cash and cash equivalents and restricted cash are non-interest bearing and have no borrowings.

(b) Categories of financial instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the reporting date are as follows:

| | 2008 Jun \$'000 |
|--|--------------------|
| Financial assets | |
| Cash and cash equivalents | 13 979 |
| Restricted cash and cash equivalents | 456 |
| Loans and receivables ^(a) | 12 662 |
| | 27 097 |
| Financial liabilities | |
| Financial liabilities measured at amortised cost | 3022 |
| Developer bonds held in trust | 74 |
| | 3096 |

^(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).

*(c) Financial instrument disclosures**Credit risk, liquidity risk and interest rate risk exposure*

The following table details the department's maximum exposure to credit risk and the exposure to liquidity risk and interest rate risk as at the reporting date. The table is based on information provided to senior management of the department. The contractual maturity amounts in the table are representative of the discounted amounts at the reporting date. An adjustment for discounting has been made where material.

The department does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

The department does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

| JUNE 2008 | Fixed interest rate maturities | | | | | | | Total \$'000 |
|---------------------------------|--|--|-----------------------------------|-------------------------------|---------------------------|--------------------------------|---|-----------------|
| | Weighted average effective interest rate % | Variable Interest Rate \$'000 | Non-Interest Bearing \$'000 | Less than 1 Year \$'000 | 1 to 5 Years \$'000 | More than 5 Years \$'000 | | |
| Financial Assets | | | | | | | | |
| Cash assets | | - | 13,979 | - | - | - | - | 13,979 |
| Restricted cash assets | | - | 456 | - | - | - | - | 456 |
| Receivables | | - | 3,098 | - | - | - | - | 3,098 |
| Amounts receivable for services | | - | 9,564 | - | - | - | - | 9,564 |
| | | - | 27,097 | - | - | - | - | 27,097 |
| Financial Liabilities | | | | | | | | |
| Payables | | - | 3,022 | - | - | - | - | 3,022 |
| Developer bonds | | - | 74 | - | - | - | - | 74 |
| | | - | 3,096 | - | - | - | - | 3,096 |

The department's financial assets and liabilities at the reporting date are not effected by interest rate sensitivity.

Fair values

The carrying amounts of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

31 Remuneration of members of senior officers

The number of senior officers, other than senior officers reported as members of the department, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

| | 2008 Jun \$'000 |
|-----------------|--------------------|
| \$ | |
| 50 001 – 60 000 | 2 |
| 60 001 – 70 000 | 4 |

The total remuneration of senior officers is: 373

The total remuneration includes the superannuation expense incurred by the department in respect of senior officers other than senior officers reported as members of the department.

No senior officers are members of the Pension Scheme.

| | 2008 Jun |
|--|----------|
| | \$'000 |
| 32 Administered expenses and revenues | |
| Expenses | |
| Grants and subsidies | – |
| Revenues | |
| Administered funds | – |
| 33 Administered assets and liabilities | |
| Cash assets | 65 |
| Payables owing to the Department of Treasury and Finance | 9 |
| 34 Remuneration of auditor | |
| Remuneration to the Auditor General for the financial year is as follows: | |
| Auditing the accounts, financial statements and performance indicators | 45 |
| 35 Related and affiliated bodies | |
| The department currently does not provide any assistance to other agencies which would deem them to be regarded as related or affiliated bodies under the definitions included in Treasurer's Instruction 951 <i>Related and affiliated bodies</i> . | |
| 36 Supplementary financial information | |
| Write offs | |
| Public property written-off by the Minister during the financial year | – |
| Losses through theft, defaults and other causes | |
| The department had no losses through theft, defaults and other causes during the financial year. | |
| Gifts of public property | |
| The department had no gifts of public property during the financial year. | |