

Annual report 2008-2009

Looking after all our water needs

Department of Water

September 2009

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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 2008 to 30 June 2009.

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.

A handwritten signature in black ink, appearing to read 'K Taylor', is centered on the page. The signature is fluid and cursive, with a large initial 'K' and a long, sweeping tail.

Kim Taylor

Director General

21 September 2009

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Report from the Director General

Western Australia faces some complex challenges in guaranteeing water resource security while simultaneously ensuring the adequate and equitable provision of water services throughout the state.

We are a state that relies heavily on groundwater systems which have had falling levels since the early 1970s - primarily from declining rainfall. Western Australia, like other parts of Australia, is experiencing changing climactic conditions including a drying climate in the southern half of the state.

The department recognises that ecological and social systems do change over time and that it is important to respond with resilience. We are acknowledging the effects of population and economic growth coupled with predicted greater rainfall declines increasing pressure on the state's water resources. We advocate an adaptive land and water management approach and are on the front foot to ensure the sustainable use of groundwater for drinking, development and commercial purposes, and to protect the environment into the future.

The department is mindful that with the uncertainty of drying climate and increasing demand for water to feed population growth, urbanisation and expanding mining, industrial and agriculture sectors, over-allocation could threaten our water security.

The complexities of water management (planning, metering, licensing, allocation and drinking water source protection) in Western Australia due to the geography of the state and the diversity of water supplies continue to demand innovative solutions. We have continued to improve collection and modelling of water information to ensure good planning for the future.

So while the review and reform of the department has been a major focus during the year, our efforts have remained directed on the core business of water resource management.

We have worked hard to meet the community's expectation for reliable, safe, good quality drinking water at all times. Eight final drinking water source protection plans were finalised for places as far flung as Newman, Nabawa and Condingup, while six plans from the south coast to the mid-west were issued for public comment.

A final allocation plan was released for Rockingham-Stakehill groundwater, and public comment sought for draft plans for the La Grange groundwater sub area and the Arrowsmith groundwater area.

Throughout the year, significant progress was made by the department as lead agency for the draft Gnamptarra sustainability strategy (GSS) - a \$7.5 million across government agency initiative. The GSS was released just six days into the 2009–2010 year with West Australian community views being sought on a strategy developed to address the rapid decline in levels of Perth's vast underground water reserve – the Gnamptarra groundwater system.

Apart from the effect of declining rainfall, localised declines in water levels are occurring from increased abstraction for public and private use; interception of rainfall by the pine plantations; and a reduced frequency of burning natural woodlands.

The GSS is tackling the combined impacts of land use and management change on groundwater availability and quality, and its effect on biodiversity, social and economic values of the system.

Ensuring that water quality in rivers and estuaries is managed for a wide range of uses and that the state continues to address serious environmental issues such as increases in salinity, algal blooms and wetland acidification was a focus for the department in 2008–09, and we are pleased with our success in this area.

The \$30 million Collie salinity diversion project which focuses on reducing salinity in Wellington reservoir is a significant project that will greatly assist the south west of the state – particularly industry and agriculture - by helping recover the region's largest body of potentially potable water.

In addition, the long-term environmental sustainability of the Vasse-Wonnerup wetlands and Geographe Bay area in the South-West should be strengthened because of determined joint Australian and State Government endeavours to plan for its future.

Recognised under the Ramsar Convention on Wetlands as a Wetland of International Importance, the regional waterways' system now has a strategic plan to manage and reduce damaging nutrients within it.

Meanwhile, developers and local government should be assisted by our draft Jandakot drainage and water management plan which aims to help them to better manage groundwater quantity and quality. A similar draft plan for the Swan urban growth corridor drainage and water management plan covers stormwater management, strategies for flood plain management and protection of environmental assets.

Our work with indigenous communities has remained in focus - in particular, we have continued to work in partnership with other agencies to provide water services to them.

A year of achievements

In the April 2009 Public Sector Performance Report, the auditor general gave us a positive scorecard for the overall improvement of the state's water resource management framework during the past six years.

In that time we have vastly expanded and improved the understanding of our groundwater resources, as well as being recognised nationally and internationally for our work on understanding the relationship between drying climate and diminishing surface and groundwater yields.

In the same report, the auditor general noted that due to the expectations placed on the continued availability of water resources, ensuring sufficiency would remain of the highest priority to the state.

As the state's water resource manager, achieving this goal falls upon our department, its staff and our ability to deliver programs relevant to Western Australia.

The department has contributed to national water reform programs through the Council of Australian Governments, the National Water Initiative, the Natural Heritage Trust and other national programs.

We have also made solid progress implementing Australian Government and state water reforms. This work has been enabled by additional resources, which allowed the department to make inroads into its reform programs.

Budgetary constraints will continue to provide challenges to the operational capabilities of the department.

In an uncertain economic climate, it is even more important that we pave the way for the resource sector to have timely access to water so that economic development is not constrained. At the same time, the current economic climate makes it increasingly difficult for the public and private sectors to access investment for infrastructure projects.

Existing federal funding is reaching its conclusion and there is no new funding on the horizon. But we still face the broader challenge of continuing to meet the state's obligations and commitments to federal initiatives.

As well, the difficulty in recruiting appropriately qualified staff has been a significant issue for the department in recent years.

Despite these challenges, I believe that in 2008–09 we have continued to make a major contribution to the management of the state's water resources.

For that, I acknowledge the commitment and dedication of all our employees.



Kim Taylor

Director General

21 September 2009

Operational structure

The Department of Water operates in an environment that requires a modern adaptive and responsive management approach to achieve outcomes.

Water management is delivered at four levels:

- nationally
- state-wide
- regionally
- locally

Legislation administered by the Department of Water as at 30 June 2009:

- *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*

Our desired outcomes and services

The Department of Water is the Western Australian Government agency responsible for ensuring the State's water resources are planned, managed and developed to meet the community's requirements now and into the future.

The department's responsibilities include analysis of water resources information, issuing licences, regulating use, protecting water quality and preparing policies and plans critical to the state's future development.

Using sound scientific evidence and information, the department also provides comprehensive information to industry and expert technical support and guidance to government on the status of water, and the viability of new source development.

The department is also 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.

It develops policies and processes to ensure the delivery of sustainable water services to both the public and private sectors.

As the state's water resource manager, the department conducts business under three broad areas:

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

The department operates on the sustainability principle of finding the balance between social, environmental and economic values as it manages Western Australia's essential water resources.

Its operations and outcomes are in alignment with the Government Goal: Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long term benefit of the state.

They are also in alignment with the United Nations goals of – clean safe water for every man woman and child.

Agency performance

Performance indicators

Certification of Performance Indicators for the year ended 30 June 2009

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 centered on the page. The signature is fluid and cursive.

Kim Taylor

Director General

21 September 2009

Performance framework

Outcomes based management framework

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

The department manages the state's water resources to support the lifestyle, environment and economy of WA. The department's focus on managing one of WA's most precious resources aligns it primarily within one of the government's strategic goals

Government goal: Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long term benefit of the state.

Agency level desired outcome: Sufficient,¹ quality² water to support the needs of the community, environment and state development

Water is one of the state's most valuable resources, providing communities with drinking water, food and recreation opportunities. It is also essential for Western Australia's continued economic development. The department ensures the state's water resources are planned, managed and developed to meet social, environmental and economical needs now and into the future. It exists to ensure that the state has sufficient water of the required quality (whether this is for agricultural use, industrial use, or drinking).

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

Effectiveness indicators

- Proportion (%) of water resource management areas that are planned appropriate to their water resource category
- Proportion (%) of water resources with licensed allocations that are within the allocation limit
- Proportion (%) of public water supplies covered by a drinking water source protection plan

The department progresses towards the achievement of this outcome through the provision of four services:

Service 1: Strategic water policies and programs development and implementation

This service encapsulates the role of the department in developing and implementing *strategic* water policies, plans and programs. It represents a service provided to the community and stakeholders involving the provision of strategic policy advice, the

¹ *Sufficient* – refers to the quantity of water, and relates to the department's role in ensuring that there is enough water to support social, environmental and economic needs

² *Quality* – refers to the varying standards of water quality the department is responsible for managing and allocating for industry use, agricultural use or fit for human consumption

*National Water Initiative (NWI)*³, the provision of water services to Indigenous communities and various grant programs including the Premier's Water Foundation, and Rural Water Scheme.

It is important to emphasise that the activities undertaken within this service is administered at a macro level. The policies developed and plans implemented have long term planning horizons and are region, state or nationwide.

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

Efficiency indicators

- Percentage of water reform reporting obligations completed within agreed time frames
- Unit cost per regional plan delivered against agreed time frames

Service 2: Water resource assessment and protection

The department undertakes water resource assessment activities to obtain data on the quantity and quality of the state's water resources. The data from these assessments inform the water use planning process to ensure sustainable management of the state's water resources. One of the key applications from the data obtained from water resource assessments is to guide and inform the development of Drinking Water Source Protection Plans (DWSPPs). A water source protection plan is one of the key mechanisms used by the department to protect the state's drinking water.

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

Efficiency indicators

- Average cost per water resource assessment
- Average cost per drinking water source protection plan

Service 3: Water use allocation, management and optimisation

The department is responsible for ensuring that the state has sufficient water now and into the future. To achieve this, the department undertakes the following interrelated activities:

- *Water use allocation* - Allocating water from water resource areas for various types of use, while leaving enough water in the environment to meet ecological, recreational and cultural needs.
- *Water use management* - Managing the conditions by which water is extracted from water resource areas including quantity, timing, water use and any impacts of such use.

³ The NWI is Australia's blueprint for national water reform. It represents a shared commitment by the Australian Government and state/territory governments to water reform.

- Water use *optimisation* - Optimising the use of water by prescribing and encouraging the efficient use of water extracted from water resource areas. This is achieved through undertaking water recycling and efficiency initiatives.

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

Efficiency indicators

- Average cost per water allocation plan completed⁴
- Average time taken (days) to process a licence by water category grouping
- Expenditure on water licence administration:
 - Average cost per water licence (all categories)
 - Total number of licences processed by category group

Service 4: Catchments and waterways health

This service is concerned with managing and recovering catchments and waterways to best meet social, economical and environmental needs. It includes activities such as catchment management (e.g. monitoring water nutrient levels, flora and fauna, acidity levels), salinity recovery and drainage management plans.

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

Efficiency indicators

- Average cost per km² of designated catchments where salinity management measures are implemented
- Average cost per statutory referral processed

Changes to outcomes based management framework

The Department's Outcomes Based Management (OBM) Framework has changed since the 2007–08 annual report.

This change was driven by the desire to establish –

- a OBM structure that has a stronger alignment with the organisational structure and better reflect the department's contribution to the Government's strategic goals
- an agency level desired outcome that is consistent with the future direction of the department and
- more meaningful performance information that can be used for both internal and external reporting purposes.

⁴ This indicator is based on a 3 year rolling average

Summary of key performance indicators

Agency level desired outcome: Sufficient, quality water to support the needs of the community, environment and state development

Effectiveness indicators

Performance indicator	Note	Unit	Actual 07–08	Actual 08–09	Target 08–09
Proportion (%) of water resource management areas that are planned appropriate to their water resource category	A	%	48	56	60
Proportion (%) of water resources with licensed allocations that are within the allocation limit	B	%	87	87	85
Proportion (%) of public water supplies covered by a drinking water source protection plan	C	%	63	70	70

Service 1: Strategic water policies and programs development and implementation

Efficiency indicators

Performance indicator	Note	Unit	Actual 07–08	Actual 08–09	Target 08–09
Percentage of water reform reporting obligations completed within agreed time frames	D	%	100	100	100
Unit cost per regional plan delivered against agreed time frames (\$ million)	E	\$	1.5	1.9	1.6

Service 2: Water resource assessment and protection

Efficiency indicators

Performance indicator	Note	Unit	Actual 07–08	Actual 08–09	Target 08–09
Average cost per water resource assessment	F	\$	79 321	76 735	92 480
Average cost per drinking water source protection plan	G	\$	256 187	505 387	453 157

Service 3: water use allocation, management and optimisation

Efficiency indicators

Performance indicator	Note	Unit	Actual 07–08	Actual 08–09	Target 08–09
Average cost per water allocation plan completed ⁵	H	\$	n/a ⁶	n/a ⁷	n/a ⁸
Average time taken (days) to process a licence by water category grouping:	I	Days			
– Category 1			58	59	50
– Category 2			66	82	50
– Category 3			71	72	60
– Category 4			94	81	70
Expenditure on water licence administration:	J				
• Average cost per water licence (all categories)		\$	1 302	1 258	891

⁵ This indicator is calculated using a 3 year rolling average.

⁶ The 2007–08 actual could not be recast due to legacy issues with the 2005–06 and 2006–07 financial data.

⁷ The 2007–08 actual could not be recast due to legacy issues with the 2006–07 financial data.

⁸ The 2007–08 actual could not be recast due to legacy issues with the 2006–07 financial data.

Performance indicator	Note	Unit	Actual 07–08	Actual 08–09	Target 08–09
• Total number of licences processed by category group:	J	Each			
– Category 1			1 154	1 049	1 500
– Category 2			1 795	2 271	3 000
– Category 3			4 697	4 513	4 900
– Category 4			3 700	5 051	5 300

Service 4: Catchments and waterways health

Efficiency Indicators

Performance indicator	Note	Unit	Actual 07–08	Actual 08–09	Target 08–09
Average cost per km ² of designated catchments where salinity management measures are implemented	K	\$	724	621	593
Average cost per statutory referral processed	L	\$	11 735	9 235	10 105

Notes to the performance indicators

for the year ended 30 June 2009

Desired outcome: Sufficient, quality water to support the needs of the community, environment and state development

A Proportion (%) of water resource management areas that are planned appropriate to their water resource category

Relevance to desired outcome

The publication of water resource allocation plans is the core element of the water resource management process, and therefore is a reasonable key indicator of the department's performance. This indicator demonstrates the effectiveness of planning water resource areas through the water allocation process. These plans drive other water resource management activities including water licensing, assessment, measurement and protection by providing the following information:

- boundaries of the surface and groundwater management areas
- quantity of water that can be used for various purposes including licensed water use and
- quantity and quality of water required to meet environmental, social and sustainability objectives.

Effectiveness measure

The 2008–09 actual is comparable to the budget target. The variance between the current year actual and the previous year actual is primarily due to some water allocation plans having undergone key developments that have progressed the level of management for the corresponding resources in the plan areas to a more appropriate level. For example, the finalisation of the Gnangara Groundwater Areas Management Plan triggered a more active recovery response in over-allocated groundwater resources of the plan area.

B Proportion (%) of water resources with licensed allocations that are within the allocation limit

Relevance to desired outcome

The department is responsible for ensuring equitable and efficient use of water resources, while ensuring the environment is protected. Having set sustainable limits for environmental, social and economic demands in plans, the department aims to license and regulate water usage, such that it does not exceed these limits.

This indicator is relevant to the outcome because it shows how the department is managing water resources to ensure the long term availability of the resource.

The effectiveness in the management of a water resource is reflected in whether the resource is being used in excess of the allocation limit (i.e. beyond the sustainable limit), based on assessed available resources.

The indicator is derived by determining the number of groundwater resources in the state that have a licensed use greater than the management objective.

Effectiveness measure

The current year actual is comparable to both the budget target and the previous year actual.

C Proportion (%) of public water supplies covered by a drinking water source protection plan

Relevance to desired outcome

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.

One of the department's key roles is to ensure that the community has access to safe, quality drinking water. Drinking water source protection plans help protect the water quality in public drinking water sources in WA by protecting the water sources from land use developments and water based activities that may contaminate it.

This indicator shows the department's progress in completing DWSPPs for the required water source areas in WA.

Effectiveness measure

The 2008–09 actual is comparable to the budget target. The significant variation between the current year actual and the previous year actual is due to the completion of an additional 10 drinking water source protection plans.

Service 1: Strategic water policies and programs development and implementation

D Percentage of water reform reporting obligations completed within agreed time frames

Relevance to service

The Western Australian government is committed to water industry reform. The department recognises that it is vital for national, state and local governments to work with the water industry and community to ensure a sustainable water future. As part of this commitment the department is responsible for coordinating the monitoring and reporting of water reform initiatives under the National Water Initiative (NWI). The department is required to report to state and federal bodies on the state's compliance in implementing NWI Implementation Plan actions.

This performance indicator measures the department's ability to provide timely reports to a number of state and federal bodies, in accordance with its reporting obligations.

Efficiency measure

The current year actual is comparable to both the budget target and the previous year actual.

E Unit cost per regional plan delivered against agreed time frames

Relevance to service

Different regions within Western Australia face different water issues, challenges and opportunities. Regional water plans have long term planning horizons that implement policy and planning objectives. These plans are designed to be regionally focussed, they identify the water management issues faced by a region,

the strategies to tackle these issues and the actions that will be implemented in each region.

Efficiency measure

The indicator is derived by dividing the total cost of service for strategic water planning by the total number of regional water plans completed within the agreed time frame.

	Quantity	Expenditure	Unit cost
Unit cost per regional plan delivered against agreed time frames	1.94	\$3 623 339	\$1 867 701

The variation between the 2008–09 actual and the budget target is primarily due to additional funding received associated with externally funded projects which are included as part of the corporate overhead allocation. These funds were not budgeted for at the time of calculating 2008–09 targets as the funding relating to commonwealth and other externally funded initiatives which were pending at the time. The variation between the 2008–09 actual and the previous year actual is primarily due to the extended time required to deliver the regional plans due to resourcing constraints against key priorities.

Service 2: Water resource assessment and protection

F Average cost per water resource assessment

Relevance to service

Water resource assessments are undertaken to develop our knowledge of the state's water resources and monitor changes to enable effective planning. The assessments also help to determine the availability of water resources to meet state 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

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

The variation between the 2008–09 actual and the budget target is primarily due to increased resources dedicated to groundwater and surface water assessments and drilling. The current year actual is comparable to the previous year actual.

	Quantity	Expenditure	Unit cost
Average cost per water resource assessment	175	\$13 428 582	\$76 735

G Average cost per water resource assessment

Relevance to service

One of the department's key roles is to ensure that the community has access to safe, quality drinking water. The development of drinking water source protection plans is a key mechanism to help protect the water quality in public drinking water sources in WA. Drinking water source protection plans ensure that drinking water source areas are offered maximum protection from inappropriate land use developments and water based activities that may contaminate the water source. Western Australia's heavy reliance on groundwater for water supply together with its generally sandy soils makes the underlying groundwater vulnerable to contamination. These plans ensure safe, quality water supplies that will require minimal treatment in order to meet the Australian Drinking Water Guidelines and public health expectations

This indicator shows the average cost of producing a DWSPP. The indicator is relevant to the services because it provides a measure of cost efficiency of the development of protection plans.

Efficiency measure

The indicator is derived by taking the total cost of service for water source protection divided by the number of drinking water source protection plans developed.

The variance between the 2008–09 actual and the budget target is primarily due to additional funding received associated with externally funded projects which are included as part of the corporate overhead allocation. These funds were not budgeted for at the time of calculating 2008–09 targets as the funding relating to commonwealth and other externally funded initiatives were pending at the time. The significant variance between the current year actual and the previous year actual is due to fewer protection plans being developed in 2008–09 as the department applied resources to an internal review of the drinking water source protection program. This review looked at a number of key issues to ensure best practice assessment and implementation approaches were being employed to protect the quality of the state's proclaimed drinking water sources.

	Quantity	Expenditure	Unit cost
Average cost per drinking water source protection plan developed	10	\$5 053 874	\$505 387

Service 3: Water use allocation, management and optimisation

H Average cost per water allocation plan completed

Relevance to service

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

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

The plans 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

The unit cost is calculated by dividing the total cost of service for water allocation planning by the number of allocation plans developed.

This indicator shows the three year rolling average cost of a water allocation plan. A three year rolling average has been selected as it takes approximately three years to complete an allocation plan. In one year no allocation plans may be completed, where in another year five may be completed. To accommodate these fluctuations from year to year, a rolling average has been chosen rather than an annual average.

The 2007–08 actual, 2008–09 budget target and 2008–09 actual figures could not be calculated for this indicator due to the complexity of recasting the 2007–08 total cost of services following changes to the department's outcomes based management framework.

The 2007–08 actual could not be recast for the purposes of the 2009–10 budget statements because the three year rolling average cost ending in 2007–08 had to be calculated using 2005–06, 2006–07 and 2007–08 aggregated financial data. Since data for 2005–06 and 2006–07 could not be recast due to legacy issues, 2007–08 data whilst recast to the new services structure could not be used together with the previous years' data to derive the 2007–08 actual and 2008–09 estimated actual rolling average cost. The tight deadline in late 2007 and technical difficulties with mapping data from a different output structure found it impracticable to recast the figures for the 2006–07 actual.

I Average time taken (days) to process a licence by water category grouping

Relevance to service

The department is responsible for regulating the use of the state's water resources. Licensing is the main tool to enable the sharing and allocation of the

state's water resources. A water licence grants a licensee an entitlement to an allocation of a particular water resource. Licensing processing times will vary according to the category level of the licence being processed. The higher the category level, the higher the complexities and compliance monitoring involved, thus taking longer to administer.

Efficiency measure

This indicator shows the average time taken (days) to process a licence by water category grouping.

The significant variance between the current year actual and the budget target is due to the additional time required to process more complex applications within C4. The variance between the current year actual and the previous year actual is primarily within C2 and C4 category groups. The time taken to process applications in C4 reduced significantly as they were given priority due to being in high risk areas. As a result it took longer to process licences in the C2 areas which are a lower risk to the department.

Average time taken (days) to process a licence by water category grouping	Quantity	Total number of days	Average time taken
Category 1	217	12 779	59
Category 2	482	39 747	82
Category 3	522	37 443	72
Category 4	461	37 258	81

J Expenditure on water licence administration:

- Average cost per water licence (all categories)
- Total number of licences processed by category group

Relevance to service

Licensing is the main tool for sharing and allocating the state's water resources. A water licence grants a licensee an entitlement to an allocation of a particular water resource. Licensing costs will vary according to the category level of the licence being processed.⁹

⁹ See footnote 5 for a definition of the water resource category level. The higher the category level, the higher the complexities and compliance monitoring, thus costing more to administer.

This indicator shows the average cost of administering a water licence. The number of licences processed for each category level will also be reported to demonstrate licence administration cost efficiency.¹⁰

Efficiency measure

Average cost per water licence (all categories)

The significant variance between the 2008–09 actual and the budget target is primarily due to two factors. Firstly, the expected increase in the number of surface water licences due to the newly proclaimed areas in the South West did not eventuate. Secondly, the budget target was reduced by a portion of the \$5 799 000 relating to Water Licence Administration Fees due to uncertainty of the funding. The current year actual is comparable to the previous year actual.

	Quantity	Expenditure	Unit cost
Average cost per water licence (all categories)	14 605	\$18 369 254	\$1 258

Total number of licences processed by category group

The variance between the 2008–09 actual and the budget target resulted as the expected increase in the number of licences did not eventuate due to the decline in economic growth, particularly in the mining sector therefore reducing the need for water. With the spread of urbanisation there is also a reduction in the number of licences for horticulture purposes which would have offset any increases.

The variance between current year actual and the previous year actual reflects an increase in water demands in some sectors, particularly the mining sector. A large increase in the number of licences in C4 may be attributed to more areas becoming fully allocated therefore increasing the number of licences in that category, not new licences being issued in those areas. However, an increase in the number of licences in C2 may be attributed to new licences being issued in areas experiencing a growth.

Total number of licences processed by category group	Quantity
Category 1	1 049
Category 2	2 271
Category 3	4 513
Category 4	5 051

¹⁰ If the average cost of administering a licence remains the same, but the department is processing more category 4 licences in place of category 1 licences, this demonstrates cost efficiency. It indicates that the department is processing more expensive licences economically.

Service 4: Catchments and waterways health

K Average cost per km² of designated catchments where salinity management measures are implemented

Relevance to service

Dryland salinity is a widespread problem in the state. The department prepares and implements, in partnership with local communities - salinity abatement plans, including application of land use and engineering measures. This service is provided to recover WA's catchment and waterways to a healthy, useable quality.

This indicator shows the average cost of using science and engineering solutions to remediate land affected by salinity in the designated catchment areas (km²).

Efficiency measure

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

The 2008-09 actual is comparable to the budget target. The significant variance between the current year actual and the previous year actual is due to an increase in the total area from 12,255km² in 2007-08 to 16,275km² in 2008-09. The additional areas include Kulin, Narembeen, Yilgarn and Hillman River South Catchments.

	Quantity	Expenditure	Unit cost
Average cost per km ² of designated catchments where management measures are implemented	16 275 km ²	\$10 103 838	\$621

L Average cost per statutory referral processed

Relevance to service

Decision making bodies such as Western Australian Planning Commission, Local Government Authorities, and Environmental Protection Authority receive applications for land development across the State. As part of the land use planning and environmental approvals process these applications are then referred (statutory referrals) to the department. The department reviews these referrals and provides advice on the possible impact of a land planning application on the health of catchments and waterways.

This indicator shows the average cost per statutory referral processed.

Efficiency measure

The unit cost is calculated by dividing the total cost of service for drainage and waterways by the number of statutory referrals processed.

The 2008–09 actual is comparable to the budget target. The significant variance between the current year actual and the previous year actual is due to the increased number of statutory referrals. This resulted from the implementation of Better Urban Water Management (WAPC, 2008), normal growth in development and improved information management.

	Quantity	Expenditure	Unit cost
Average cost per statutory referral processed	2 138	\$19 743 807	\$9 235

Report on operations

During the 2008–09 the department's programs and operations were delivered through five divisions:

- Water resource use
- Water resource management
- Policy and planning
- Regional management and water information
- Corporate services

During the year the department underwent organisational with the Business Operations division renamed as the Regional Management and Water Information division.

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

The department is responsible for 44 declared groundwater management areas, 40 surface water management areas and 14 irrigation districts. The Water Allocation Planning branch creates surface and groundwater allocation plans to guide water licensing decisions for each management area. The plans establish total water allocation volumes for use from each resource, based on an acceptable level of impact on the water dependent environment, and direct the policy to manage water use in each area.

In 2008–09 groundwater allocation plans were completed for the South West and Rockingham management areas.

The Upper Collie surface and groundwater allocation plan and the Whicher surface water allocation plan were both finalised and approved during the year for a 2009–10 release.

Draft groundwater allocation plans were released and closed for public comment for the La Grange and Gnamagara management areas. Draft groundwater allocations plans were developed ready for public comment for the Gingin, Jurien and

Arrowsmith management areas. Draft surface water allocation plans were developed for the Ord River, Gingin brook and Canning River management areas. A mining guideline was also developed for the Pilbara region.

The branch also began policy development in response to over-allocation of water systems by formalising internal processes to investigate and confirm over-allocations, and identifying options for dealing with over allocation within the state's existing legislative framework. The final stage of this process will involve the issuing of policy directing the community how the department may reduce current and future over-allocation.

As part of its commitment to the support of the Australian Government's National Water Initiative (NWI) and Water Smart Australia programs, the department has continued to contribute to the development of policy initiatives and systems to ensure allocation plans are as consistent as possible with the intent and key requirements of the NWI under the current legislation.

A review of workforce supply planning was also completed and incorporated into business planning processes to ensure more effective and efficient service delivery.

Water efficiency and recycling

Efficient water use by license holders and the community in general is a key focus for the department's progression of initiatives identified in the strategic plan, *State water plan 2007, Blueprint for water reform* and the National Water Initiative.

Implementation of *State water recycling strategy* commenced in 2008–09. Key features of the strategy include streamlining and coordinating recycling regulation and policy across government agencies and local government, developing water efficiency measures and fostering partnerships with all stakeholders to ensure that recycling and efficiency targets and objectives are met.

As part of the implementation process the department has:

- commenced development of a Waterwise Communities toolkit and website for use by local government, developers and other community users
- started a sustainability assessment of alternative water supply options, developed a risk assessment framework for the use of secondary wastewater on the Swan coastal plain, and undertaken a rainwater tank study in conjunction with the Water Corporation
- created plumbing guidelines for recycled water.

Water licensing

The Licensing Support branch issues 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*. The program also develops policies to support the equitable sharing of water resources and the water licensing process. The department has to consider a range of factors as part of the licence assessment process including the public interest, ecological and environmental impacts, future

water needs, relevant by-laws and conditions and requirements of other relevant decision making agencies.

As at 30 June 2009, the water licensing program administered 14,605 licenses and permits covering 759 groundwater resources and 181 surface water resources.

The 2008–09 year involved considerable progress in implementing licensing reform obligations to the National Water Initiative in tandem with the directions of the state government's *Blueprint for water reform*.

To improve efficiency in processing and managing licence applications the department:

- Developed and trialled a licensing business process improvement strategy at its Pilbara office. The process separates low and high risk applications and directs resources accordingly. Results achieved included development of a fast track assessment process, and more targeted resourcing on major and complex applications with consideration to implement the strategy state-wide.
- Completed Stage One of the upgrade to the department's internal water licensing and water allocation systems. Enhancements to the water licensing system will further increase the efficiency of processing licence applications and improve the transparency and accountability of the department's decision making process.
- Reviewed license management efficiency processes for the Kimberley region.

In 2008–09 the branch made a significant contribution to the Economic Regulation Authority water licensing administration fees inquiry process.

During the year the branch also:

- Continued to manage licensing issues on behalf of the Water Corporation in the Albany region including the priority areas of Denmark, Hopetoun and Walpole and the city of Albany.
- Managed the first surface water trades in Manjimup.
- Issued 137 new licenses and continued to update and improve data base and data collection systems and documentation of procedures.
- Reduced the backlog of license applications in the Pilbara by 201, with only 85 outstanding applications at year end.
- Addressed staffing resource issues by reallocating and realigning staff to new project and workloads.

Water resource management

The department's Water Resource Management division assesses, protects and restores the values of groundwater and waterways to best meet social, economic and environmental needs and demands.

The division has five branches:

- Water Resource Assessment

- Drainage and Waterways
- Water Source Protection
- Water Science
- Salinity and Water Recovery

Over the past year, the Water Resources Management division employed 190 people, with 63 of these based in regional offices.

A key objective for the division during the year was informing, educating and obtaining staff to facilitate program development and implementation.

Attracting and retaining technical and management staff across the division has been a priority in 2008–09. A student vacation program was commenced during the year, and mentoring programs for new graduates have been introduced. A transition to retirement program is also being developed.

Water resource assessment

The Water Resource Assessment branch is responsible for the assessment of water resources across Western Australia covering five fields: groundwater investigation, groundwater assessment and review, surface water assessment and flood plain management. The branch:

- investigates, assesses and reviews the state's groundwater resources to support allocation planning.
- undertakes surface water hydrology studies to support allocation planning and determines drying climate impacts.
- prepares floodplain mapping and floodplain development strategies to minimise flood damage and assists with flood forecasting and warning.

Surface water assessment

A drying climate combined with increased demand has required the development of new definition for sustainable diversion limits in surface water assessment.

To meet this requirement a rapid assessment method of sustainable balance between sharing surface water resources between users and the environment has been developed.

The development of this assessment method was assisted by two

reports published during the year - *An approach for determining sustainable diversion limits for south west Western Australia*, and *Estimation of sustainable diversion limits for south west Western Australian catchments* (September 2008). The sustainable diversion limit study developed a method to estimate the volume of surface water available for consumptive use in catchments with low levels of existing use.

The impact of drying climate on surface water was progressed by the completion of a report into the potential impact of drying climate on streamflow in the Denmark River catchment. The study found that projected rainfall decreases on the south coast of

the state are not expected to be as large as other areas of the south west. However, reductions in mean annual streamflow are still projected for 2030 in the Denmark River catchment. The study also found that changes to land use within the catchment are expected to have a greater impact on streamflow than the impact from projected decreases in rainfall.

The branch also undertook a review of the state's surface water monitoring network. A draft report on was completed during the year and identified the use classification for all operating gauging stations with recommendations made on improvements to the management of the network and identification of potential future monitoring sites.

Groundwater assessment and review

In regard to groundwater assessment and review, a number of hydrogeological reports were published with a focus on groundwater assessment in key water resource management areas of the state. These reports included the Perth Regional Aquifer Modelling System (PRAMS) groundwater model development series: *Hydrogeology and Groundwater Modelling:HG20*; Application of the *Vertical Flux Model:HG27*; *Review of the Vertical Flux Component of PRAMS:HG29*; and *Review of Coupled Perth Regional Aquifer Modelling System:HG30* and *Hydrogeology of the Leederville aquifer in the western Busselton-Capel Groundwater Area:HG31*, *Groundwater Recharge from the Gascoyne River, Western Australia:HG32*, and the *Pilbara Coast Water Study:HG34*.

Groundwater investigations continued on the Gngangara mound and helped inform the Gngangara Sustainability Strategy (GSS) in its assessment of the impact of land use and management change on groundwater availability and quality, and its effect on biodiversity, social and economic values of the system.

As part of the development of the GSS, the groundwater model PRAMS (version 3.2) was used extensively for modelling scenarios according to the GSS scenario matrix. A local model for Lake Mariginiup was used to run land use change scenarios primarily for assessing urban development for land and water planning. A further three local models Lexia, Nowergup and Bindiar were developed and are being used for testing scenarios concerning climate variation, land use change and abstraction levels.

The Perth Shallow Groundwater Systems (SGS) Investigation on the stress on groundwater systems from drying climate and increased demand on the Gngangara and Jandakot mounds has required a better groundwater monitoring network to allow more accurate management objectives to be set. Data analysis and interpretation for Stage 1 of the Perth SGS Investigation continued during the year and technical reports are now being prepared.

The sampling and analysis program for all 16 sites of Stage 2, and a soil moisture sampling project at Lake Bindiar, have been completed. An indigenous consultation process was completed in March 2009 with the drilling program for monitoring bore installation being completed in May 2009.

The department continued its work to complete the Management Area Prioritisation (MAP) of groundwater and surface water areas to support water allocation planning and water licensing. The MAP process is an integrated approach to identify and prioritise areas considered at risk to potential impacts from the water allocation process under the RIWI Act. MAP integrates the technical knowledge and management needs by incorporating qualitative and quantitative data. The results of the MAP process will assist in forming a proactive whole of agency approach to managing the state's water resources.

The branch also progressed National Water Initiative projects under the Water Smart Australia banner including:

- petrophysical analysis and development of PRAMS geodatabase for the Leederville and Yarragadee aquifers
- detailed investigations and assessment studies for the Pilbara coast aquifers;
- Southern Perth Basin petrophysical analysis and 3-D geological modeling study
- detailed site investigations for South-West shallow groundwater system (SGS) and installation of bores for modeling purposes
- studies on Collie Basin model upgrade, innovative use of pit lakes, and groundwater recovery.

Groundwater investigation

Gnangara Mound

Forty nine monitoring bores were installed at twelve sites on the North Gnangara mound representing a total of 5600 metres of drilling. The drilling results have confirmed the presence of a recharge window into the Yarragadee aquifer and a direct connection between the sandy superficial and gravely sand Yarragadee aquifers. Groundwater age dating, seismic surveys and assessment work is continuing and will be compiled into a published hydrogeological report. The data is to be used to refine the PRAMS groundwater model in the Gingin area.

The Gingin Brook groundwater investigation was undertaken to establish a new groundwater monitoring network for a better understanding of surface water-groundwater interactions, geological and hydrogeological conditions along the Gingin Brook. The investigation resulted in the installation of 32 monitoring bores along the brook that have been sampled for water quality and fitted with automated water level measurement devices. The work will facilitate appropriate management of the area and provide data for inclusion into the PRAMS groundwater model.

South West

Bunbury saltwater interface – A dedicated freshwater-saltwater interface monitoring bore was installed in Bunbury in April 2009 to show the freshwater-saltwater interface profile in the Yarragadee aquifer. Future logging of this bore will allow changes to the saltwater interface (due to pumping and variations in rainfall recharge) to be

monitored and provide information for sustainable pumping strategies to be developed and optimised in coastal areas.

Busselton-Capel Yarragadee aquifer – four bores were installed to infill the existing Yarragadee monitoring network between the Cowaramup and Boyanup lines on the Swan Coastal Plain with 1400 metres of drilling undertaken. Knowledge gained from this program will be used to improve parameters in the Southwest Aquifer Modelling System (SWAMS) model within this region and aid understanding of the hydrogeological conditions in the Busselton-Capel groundwater subarea.

Blackwood Leederville/Lesueur aquifer investigations – five bores were installed at two sites south-east of Margaret River with 950 metres of drilling undertaken. Knowledge gained will significantly improve understanding of the hydrogeological characteristics of the Lesueur Sandstone and Leederville aquifer in this region.

Review of groundwater monitoring network

Groundwater monitoring underpins the sustainable management of groundwater resources across the state. The acquisition and interpretation of monitoring data provides the scientific understanding of groundwater resource sustainability of the department's management approach. A comprehensive assessment of more than 9000 bores owned by the Department of Water was completed and reported on in April 2009. The review proposes an improved groundwater monitoring program that will provide increasing knowledge of groundwater resources, confidence in monitoring data and offer better monitoring data to stakeholders.

Floodplain management

Potential increases in extreme events associated with drying climate were an added consideration to the department's role in Western Australia's floodplain management strategy. Over 1000 requests for floodplain development advice were provided by this branch to the Department of Planning, local governments, developers and the community.

The Exmouth Floodplain Management Study was endorsed by the Shire of Exmouth in January 2009. Floodplain mapping and a strategy for proposed development of the area were produced and included mitigation options for reducing the flood risk to existing and proposed development in the area.

Floodplain mapping for 120 kilometres of the Avon River between Toodyay and Beverley was completed. The mapping was prepared for the Avon Catchment Council with the mapping being presented to the four shires of Northam, York, Beverley and Toodyay to help guide future emergency and development planning. Other flood studies were finalised for Lake Grace, Wagin, Dolby Creek, Bow River, Hotham River (Boddington) and a review of the Moora Floodplain Management Study. As part of the obligations of its statewide river level monitoring network, the department provided advice to the Bureau of Meteorology and state Fire and Emergency Services (FESA) for the January 2009 Gascoyne River flood.

Drainage and waterways

The department's drainage and waterways branch undertakes drainage and urban water management planning to protect, conserve and manage water resources associated with development and land use change and undertakes a range of projects that aim to prevent and minimise the degradation of waterways and restore degraded waterways.

Urban water management

As part of Better Urban Water Management (BUWM) guidelines to inform on the management of urban water plans and local water management strategies were completed during the year. As part of its commitment to better management of urban water systems, the department has developed a comprehensive education program to highlight a better urban water management framework and help build capacity within the industry. During the year eight introductory planning and stormwater management workshops were conducted with local government authorities in metropolitan and regional centres. The department also has assisted in delivery of training to Department of Planning officers in Geraldton and Bunbury, as well as conducting six workshops in that agency's head office.

The brochure *Towards a water sensitive city, the urban drainage initiative – Phase 2* was published in May 2009. This brochure outlines how the department is moving Perth towards becoming a more water sensitive city.

Drainage and waterways management plans

Drainage and water management plans assist the integration of total water-cycle management into urban land development planning at the sub-regional and district level. During the year plans were completed for three priority urban growth areas - Byford, Jandakot and the Swan Urban Growth Corridor (Caversham West Swan). Work also commenced on a plan Greater Murray with a draft due for release in 2010.

A research and development plan for urban drainage systems has been drafted to establish state priorities for research and development into managing urban drainage and waterway systems.

State Waterways Initiative

In November 2008 the State Waterways Initiative, a strategic plan to 2011, was published to outline the role of the department in managing the health of Western Australia's waterways. The initiative identified two main priorities – preventing and minimising degradation of waterways, and repairing degraded waterways. Work has commenced to achieve these priorities including contribution to reform of the legislation for managing waterways, developing an assessment framework for prioritising waterways for management in WA, as well as regional engagement in areas of high environmental value.

Water source protection

The Water Source Protection branch provides catchment management and protection services for public drinking water source areas defined under the *Metropolitan Water Supply, Sewerage and Drainage Act* or the *Country Areas Water Supply Act*. It also carries out investigations and provides published and development application guidance on protection of the quality of water sources.

A priority for the department is ensuring the delivery of a reliable, safe, good quality drinking water to consumers. This goal is pursued through protecting the quality of surface and groundwater by the development of publicly consulted drinking water source protection plans.

Development of these plans is guided by investigation of land use impacts to produce land use guidelines and water quality protection notes with plans required for all towns with scheme water supplies including source protection measures for remote indigenous communities. As new sources are identified, additional protection plans will be required.

In the past year the department finalised protection plans for Bremer Bay, Brookton, Bunbury, Condingup, Gibson, Hopetoun, Jurien, and New Norcia. Plans were developed and released for public comment for Busselton, Donnybrook, Millstream, Mungilup, Newman and Yerecoin.

Stakeholder consultation also commenced to provide advice to the government on the development of suitable terms of reference for a review of recreation within Public Drinking water Source Areas.

In 2009 ten water quality protection notes were published or updated on a range of topics activities including aquaculture, hydroponic gardens, pond liners, waste stabilisation ponds, swimming pools, revegetation of disturbed land, recreational fishing and various aspects of drinking water catchment management. A further nine notes were completed and await publication.

In addition a review of the Karnup Dandalup groundwater area was undertaken and impacts of horticulture in the Carabooda area were studied in May after concerns were raised regarding groundwater quality. A multi agency government task force was convened to advise government on options to alleviate groundwater contamination. The department sampled and arranged analysis groundwater quality at Carabooda which demonstrated elevated concentrations of nitrate in local borewater.

The water source protection sub program was reviewed this year to ensure its policies and processes have remained current. The review looked at the science used, and recommended best practice approaches, in Australia and around the world. The findings showed that this sub program continues to conform to national and international best practice. Importantly, they have been shown to implement the recommendations of the *Australian Drinking Water Guidelines 2004*.

Water science

The Water Science branch provides scientific advice to ensure sound decision making. It provides specific expertise in the key areas of predictive modeling of land use impacts on water quality, river and estuarine health assessments, as well as targeted environmental risk assessments in relation to impacts of contaminants and harmful algae.

During the year predictive modeling was used to determine the impact of land use on selected catchment areas. Modeling for nutrients loads in the Vasse Geographe and Swan Canning catchments was completed and results published and incorporated into the *Draft Water quality improvement plan for the Vasse Wonnerup Wetlands and Geographe Bay* as part of the federal government's Coastal Catchments Initiative, which has been released for public comment.

A Leschenault catchment water balance model which assessed irrigation effect on catchment flow and scenario modelling for the Scott River catchment were also completed.

Planning and assessment support was delivered through an analysis of urban hydrography and nutrient export to determine the change in nutrient runoff from Water Sensitive Urban Design developments, compared to traditional urban developments.

Future management of the Swan Canning catchment was significantly improved by a Bureau of Meteorology funded project that created a data-set of all drains (local government drains, Water Corporation drains and natural waterways) in the metropolitan region.

The branch also completed its annual river health assessment field work and reporting for 20 sites and began trialling in the state's south west the National Water Commission developed Framework for the Assessment of River and Wetland Health (FARWH.) The framework provides a standardised national approach to assessing the ecological health of rivers which will allow the comparison of ecosystems in different regions and provides baseline data to highlight changes over time. A second round of trials is currently underway with field work in 2009–2010 planned for five additional surface water management areas.

The branch has also begun work in identifying and assessing barriers to fish movement. This program focuses on the identification of potential barriers across the state and will incorporate a prioritisation strategy for installation of fish passageways.

Estuarine resource condition indicators

To assist impact assessment of catchments the department developed a new sediment and biological indicator report system. It also conducted a sediment survey of the Leschenault Estuary and a survey of aquatic macrophytes in Stokes Inlet. Bathymetric surveys were also completed in several south coast estuaries.

Inland aquatic resources

The Inland Aquatic Resource Condition Monitoring project focused on nutrient monitoring and water sampling in rivers and estuaries in the South West and Northern Agricultural regions. Fieldwork for the Inland Aquatic Habitat Integrity (wetlands) project continued with surveys undertaken in the Northern Agricultural, Avon, South West and South Coast regions.

Environmental risk

The department is responsible for the provision of technical advice in environmental risk assessment. The Phytoplankton Ecology Unit continued its vital role in the state's waterways management by identification and monitoring of harmful algal species. Work commenced in partnership with the department of Health a state-wide algal bloom response protocol is being developed, which will enable a more rapid and coordinated response where recreational waters are impacted. A database called Algae of Western Australian Rivers and Estuaries (AWARE) has been implemented to improve the quality and detail of data collected, as well as the ability to evaluate trends.

Increased demand for scientific analysis of ecotoxicology in water quality assessment saw the use of the department's Ecotox Toolbox project to conduct sampling from all wastewater treatment plants including the Beenyup Wastewater facility where the Managed Aquifer Recharge groundwater replenishment trial is underway. This analysis is considered high priority in informing government and community decision making in regard to use of retreated water for public supply.

The unit also continued to provide support to the Swan River Trust including a targeted assessment of the sediments within Claisebrook Cove, snapshot surveys, investigation of contaminants in drains of industrial areas; as well as contributed to the national the AUStralian River Assessment Scheme (AUSRIVAS) which uses study of macroinvertebrates for assessment of river health.

Salinity and water resource 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 drying climate. 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 program builds on the role established for the department by the 1996 *Salinity action plan* and has been working on recovery of five south-west catchments - Collie, Denmark, Helena, Kent and Warren - identified as potential future water sources.

The department continues to make good progress on these catchments, particularly the Collie and Denmark.

Collie

Significant progress with plans to reduce salinity in the Collie River have been made during 2008–09 with the state government endorsing the \$30 million Commonwealth and State co-funded Collie-Wellington Salinity Recovery Diversion Pilot Expansion project. The project involves diverting saline water from the Collie East River and pumping this water, after treatment, into a saline disposal pipeline to the ocean, and compliments future directions for salinity recovery and subsequent expansion of the scheme to produce quantities of high value water, improve water quality for irrigation, industry and drinking water.

Denmark

During the year liaison with tree plantation companies and landholders in the region resulted in the revegetation of those farms as a key implementation action of the plan for salinity recovery of the Denmark River.

The Denmark recovery plan is substantially completed with monitoring during 2008–09 revealing stream salinity in the Denmark River steadily moving towards full freshwater recovery of 500 mg/L before 2020, but most likely by 2012.

Helena, Kent and Warren

Salinity Situation Statements for the Kent River and the Helena River were released. The Kent report shows that whilst significant ecological improvements have been made, salinity recovery will be a difficult and long-term undertaking. A management options report is being prepared in response to these findings based on economic analysis.

The Helena report identified improvement options include reforestation and catchment thinning. The Warren Salinity Situation Statement has been completed and an evaluation of salinity management options is underway. Recent work suggests that with no additional management salinity in the Warren, a 245 GL river, will level out at approximately 700 mg/l.

Wheatbelt catchment water management

The Wheatbelt Drainage and Waterways function of the department's Salinity and Water Resource Recovery Program has seven parts:

Engineering evaluation initiative

The Engineering evaluation Initiative (EEI) is a \$4 million priority project under the National Action Plan for Salinity and Water Quality to implement engineering works to tackle salinity while minimising damage to the environment.

Preparation of final reports for all projects continued during the year, with the Tammin report completed and published. Six other on-ground reports (Benyon Road,

Morawa, Blackboy Creek, Pithara, Beacon and Bodallin) are at a final draft stage and are expected to be released in 2009–10. 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 and catchment hydrogeology
- downstream impacts from the discharge need to be considered
- drainage is expensive if all costs are considered.

Downstream impacts and special studies

The EEI in partnership with the Cooperative Research Centre for Landscape Environments Mining and Exploration completed a report on the *Avon Catchment Acidic Groundwater – Geochemical Risk Assessment* and an accompanying community information sheet. This is part of a program to research the origin of acid groundwater, map its extent and identify the risks involved with its discharge as well as treatment options.

Work was also undertaken on the downstream impacts of drains with CSIRO, Murdoch University and the University of Western Australia.

Regional drainage evaluation

The EEI in partnership with CSIRO's Water for a Healthy Country program completed regional drainage evaluations for the Avon and Blackwood river basins with the Avon report ready for publication and the Blackwood report at the final draft stage. These projects evaluated implementation of regional drainage schemes and provide tools and a framework for developing wheatbelt catchment drainage and water management guides. These evaluations used the LASCAM model to predict salinity and flows up to the year 2100, allowing comparison of various regional water management options at a regional scale.

Wheatbelt drainage evaluation

This joint state and federal funded \$2.84 million National Action Plan for Salinity and Water Quality priority project was established to extend the EEI. The focus of the evaluation project is to investigate drainage on a regional scale, undertake catchment feasibility and economic assessments, classify wheatbelt wetlands as drainage receiving environments as well as looking at associated planning, best practice drainage design and governance issues. Several successful pilot treatment trials were completed in 2008–09 and have formed the basis of interim guidelines for treatment of acidic drain waters.

Other work in 2008–09 included major progress for sub-catchment feasibility studies and preparation of implementation plans for Narembeen and Kulin catchments in the Avon catchment, monitoring of drains in the Yarra Yarra catchment in the Northern Agricultural Region and assistance to governance arrangements at Dumblebung and Yarra Yarra.

Development of a computer model tool to evaluate water and salinity management options for the Lort and Young catchments on the south coast is approximately 60 per cent completed. Implementation of drains, diversions, road crossings, monitor bores, vegetation plantings and solar pumps for the Yilgarn project is 70 per cent complete.

The Wheatbelt Wetlands project was also completed and maps will be available online on Department of Environment and Conservation Wetlands database in 2009 with an interim drain design guidelines manual ready for testing.

Wheatbelt drainage council

The Salinity and Water Resource Recovery branch continued to provide executive support to the Wheatbelt Drainage Council's development of draft principles for drainage assessment and a draft policy framework for inland drainage.

Inland drainage initiative

In 2008–09 planning, scoping and stakeholder consultation tasks were completed to determine the best methodology for development of strategic wheatbelt catchment drainage and water management plans for four sub-catchments of the Avon, two in the Blackwood and one for the internal drainage Yarra Yarra catchment over the next three years.

Climate, vegetation and water

Work in the 2008–09 year assessing land-use change, vegetation and climate impacts on water resources included assessments of bauxite mining, plantations, catchment thinning, reduced stream flow from drying climate and a sediment survey of the Ord Reservoir.

In partnership with CSIRO, this program has also been responsible for delivering a Premier's Water Foundation funded project examining the impacts of drying climate and vegetation on water resources.

In late 2009, the branch organised and hosted a seminar to look at how drying climate and vegetation affect water in Western Australian catchments from Mundaring to Collie, informing how future changes in climate are likely to affect groundwater, streamflow, stream salinity and water resources and the roles of various agencies in managing these effects.

Policy and planning

The Policy and Planning division was realigned during the year in accordance with the department's new organisational service model to commence the 2009–10 year as the Strategic Policy and Water Services division. The division continued to facilitate and improve 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

The Policy Coordination and Reform branch played a key role on the national stage, representing Western Australia's position in discussions on water management and water reform during the year by providing advice and information to the Council of Australian Governments, the National Water Initiative Committee, the Natural Resource Management Ministerial Council and the Natural Resource Management Standing Committee.

During 2008–09 the branch:

- Completed a review of Western Australia's response to the National Water Initiative Biennial Review.
- Pursued federal funding and opportunities for water security, including the coordination of the Harvey Water Piping Project, analysis of the Gascoyne Irrigation Piping Project business case.
- Finalised and implemented strategic water policy framework and key policy positions.
- Furthered the state's Strategic Water Policy Framework and State Water Policy Framework.
- Created the department's proposed risk assignment policy for delivery to the federal government's National Water Commission and the Department of Water Heritage and the Arts.
- Participated in the production of the National Performance Report for urban water utilities and for rural water service providers.
- Provided feedback on water services bill development relating to developer charges.
- Participated in the Western Australian emissions trading modelling working group.
- Investigated and provided advice on Western Australia's progress in implementing pricing and economic matters relating to the National Water Initiative and sought to expand the focus of water micro economic reform to include benefits of integrated water service provision.
- Participated in the development of reporting arrangements on national pricing principles to ensure that State reporting obligations are achievable.
- Provided briefings to the Minister on ERA water pricing inquires.
- Investigated and progressed a Government position on the ERA competition inquiry.

- Provided briefings and analysis related to the ERA recycled water pricing inquiry.
- Developed a Government response to the ERA inquiry into Developer Contributions to the Water Corporation.

The branch also provided ongoing economic and financial management advice on industry matters, including:

- policy and regulation advice
- water pricing
- cost recovery and
- governance issues.

Legislative reform

The Legislative Reform branch coordinates drafting of legislative framework that governs water resources management and the delivery of water resources.

For 2008–09 the branch's priority was to finalise the drafting of new legislation – the Water Services Bill and the Water Corporation Amendment Bill, as well as the Water Resources Management Bill. Drafting of the Water Services Bill and the Water Services Legislation Amendment and Repeal Bill also began.

It is expected that the bills and their supporting documentation will be finalised and introduced into Parliament by the end of the year.

A number of other amendments to regulations and orders were prepared during the year. The Busselton Water Board (Supply of Water to Dunsborough) Bill 2009 was completed and introduced into Parliament in June 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 and particularly links to land planning and natural resource management planning and the ability to evaluate water development options.

This includes the development of strategic regional-scale water plans that support reasonable and efficient growth while protecting the natural heritage and are developed in consultation with key stakeholders.

During the year the department finalised and released the South West regional water plan; released the draft Pilbara regional water plan for a three-month comment period including a stakeholder forum; continued consultation work on the draft Perth-Peel region water plan and completed several milestones for the preparation for 2009–10 of draft plans for the Kimberley, Mid West Gascoyne and Great Southern regions.

Gnangara Sustainability Strategy

The \$7.5 million across-government draft *Gnangara Sustainability Strategy* (GSS) was finalised during the year with the cooperation of the departments of Agriculture

and Food WA; Environment and Conservation; Planning; the Forest Products Commission; Water Corporation and CSIRO. The strategy was scheduled for July 2009 release for public comment.

Completion of a draft policy on water interception to incorporate plantation forestry and farm dams and provide inputs into the COAG Project.

Coordinate the national position on groundwater trading through the National Groundwater Working Group Theme 1, Project F, which is aligned with the COAG Working Groups.

Coordination of policy on managing water with drying climate and a policy position on water planning with drying climate to feed into Department of Water internal programs. This will include input to the Indian Ocean Climate Initiative.

Completion and implementation of the GIS based "Water Optimisation Scenario System" for the Pilbara.

Completion and Implementation of the "Water Availability and Demand Scenario System".

Represent Department of Water on national committees and working groups to keep abreast of strategic water resources issues to support water resources management in WA.

During the year the department continued to develop the State Water Planning Framework, with a particular focus on the links to land planning and natural resource management planning.

The division also continued to assist planning for drying climate by liaising with the Office of Climate Change assisting in water security and risk assessment.

It continued work on improving Indigenous access to water participating in national conferences on Indigenous water futures; the COAG Indigenous Water Policy Reference Group proceedings; and by establishing an external project focused on the La Grange area with several national stakeholders and local groups.

Industry support

The Water Industry Support branch consists of four sections – Water Services Policy, Indigenous Water Services, Rural Water Planning and Industry Liaison. Apart from supplying board scale industry support, it works with service providers and potential service providers in both mainstream and Indigenous communities as well as with self-supply rural landowners and communities in the pastoral and agricultural areas of the state.

The Ord expansion project and the cost recovery project are also managed through this branch.

Water services policy

The Water Services Policy section administers 11 Acts including the principal water services Act, the *Water Services Licensing Act 1995* and supports the Minister for Water in discharging his responsibilities, in relation to those Acts.

The section also provides a mediation service for residential and small business customers who have unresolved disputes with their service providers.

In 2008–09 the focus of the section was to determine preferred policy positions, establish monitoring and review procedures and processes for the prudent management of water service licensing exemptions, identify and document the policies, procedures and guidelines that fall within the responsibility of the Water Services Policy Sub-Program, and plan and implement a program of policy review.

A major policy statement and guidelines on the provision of water services to green field sites was completed during the year and a draft strategic policy discussion paper and recommendations on water services licensing issues concluded. The section made formal submissions to the Economic Regulation Authority on three issues papers:

- Water services licence templates
- Incident reporting
- Compliance manual

A number of Water Services Licence exemption applications were evaluated by the section including a licence exemption on shared fire systems for FESA and drainage exemptions for Local Government Authorities in WA.

To progress draft provisions for the proposed Water Services Act the section assessed the transfer of water complaints powers from the department to the Energy Ombudsman and commenced work on a Water Services Customer Code.

The section has provided functional support and technical advice to the Ord-East Kimberley Expansion project including managing the Register of Interest for undertaking water service provision in the Ord Stage 2 development.

During the year the section also called for applications from persons interested in being appointed to the two Water Boards and has provided preliminary advice to the Minister in relation to the appointments process and is following statutory requirements for concluding these appointments.

The section's dispute resolution service has dealt with and successfully resolved 60 complaints received from customers of water service providers. This compares with 92 complaints in 2007–08 and 95 complaints in 2006–07. The most common complaints have been consumption disputes. The average complaint resolution time was 20 days. \$7 743.00 was returned to customers by service providers during the year as a result of the process and this brought the total amount refunded to customers since the scheme commenced in 1996 to \$320 561.

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, Pastoral Water Grants Scheme and the Community Water Supply Program. Each of these is designed to deliver reliable quantities of farmland and pastoral water suitable for livestock, domestic and general farming use to dry land parts of rural Western Australia.

New Farm Water Planning and Rebate schemes were introduced during the second half of the year to ensure that water supply planning in dryland agricultural areas is given priority support and that emphasis is placed on improving the management of water supplies, reducing water wastage and the application of water conservation practices.

During the year, 22 grants and subsidies totaling \$315 000 were awarded across the five schemes. The number of subsidies approved is lower than previous year due to the closure of the Farm Water Grants Scheme during the year. Approvals are expected to increase in the 2009–10 financial year once the new schemes become fully operational.

The section also undertook exploration and tapping of usable groundwater sources for emergency water supplies in priority areas.

Indigenous and remote community water services

During 2008–09 the Indigenous and Remote Community Water Services section continued to assess ways to improve the delivery of water services to indigenous and remote small communities.

Negotiations with the Water Corporation over the extent of the corporation's involvement in this scale of water service provision continued and a preliminary model was established leading to a joint project between it and the Department of Housing to program manage the Town Reserves Regularisation Program for town-based Indigenous communities.

The section has also been working with the Water Corporation and other stakeholders to develop policy on service standards, as well as planning and service delivery priorities state-wide. A database of existing water services state-wide was created, which has highlighted areas of need, and locations where the department needs to assess future service provision in line with existing and proposed legislation. Consultation has been undertaken with the Economic Regulation Authority and the Department of Housing to examine the possibility of water service licensing for the existing service delivery regime.

Securing funding for the improvement of delivery of water services to indigenous communities has been a priority for the department. A state-wide servicing and funding model was developed for consideration by the Department of Treasury and

Finance and funding approaches made to COAG, Infrastructure Australia and Royalties for Regions.

Although no funding for water service improvement in remote communities has yet been secured, the department has developed a targeted implementation plan for water service regularisation, and has established an inter-agency working group to progress and seek funding for the plan.

Industry liaison

Water Foundation

The department manages the administration of the Water Foundation.

Established in 2003, the foundation has promoted and enhanced water-related research and development activities and projects and this year continued with administration and acquittal of previously awarded grants.

State Water Grants funding

A range of grants were made to support water conservation and efficiency capacity-building projects. These projects included:

- a two year grant agreement for International Council for Local Environmental Initiatives (ICLEI) and an additional two-year grant agreement with Irrigation Australia Ltd to promote water conservation and efficiency
- adapting a Town of Cottesloe Waterwise community education program and rolling it out to other local government entities and water service providers throughout the state
- working with the Curriculum Council and the Department of Education and Training to develop a website for teachers and students to access water related educational materials and teaching resources.

2008 Water Awards

The Water Awards are designed to stimulate innovation in the water industry to meet efficiency improvements needed for continued water availability for non-residential user groups such as business and local government.

The 2008 Water Awards presentations were held on Friday 24 October 2008. Awards across 16 categories were presented, including Waterwise School and Waterwise Business.

The Shire of Augusta-Margaret River received the awards' highest honour winning the Award for Excellence, and also the Management of Water Resources – Small Organisation, Community and Individual Award.

Other 2008 Water Awards recipients included:

- Waterwise School Award - West Leeming Primary School for their range of policies and education programs.

- Water Recycling – Commercial Project - CSIRO Land and Water for its investigation into MAR (Managed Aquifer Recharge), which involves storing recycled water in aquifers for future use.
- Waterwise Business more than 100,000 kL - Burswood Entertainment Centre for the introduction of two major water saving initiatives which have seen the complex save significant amounts of water.

Ord expansion project

The branch was required to assist the Royalties for Regions funded Ord expansion project which began in March 2009 to help further state food production. This assistance included:

- Contributed to the newly established Department of Local Government and Regional Development (DLGRD) project planning, water availability and management advice and community consultation.
- Formally established an internal project structure to ensure timely delivery of a water service provider, pricing arrangements and water allocations to the Ord project.
- Advertised and commenced the selection process for the service provider, beginning with an online register of interest for potential service providers.

Economic Regulation Authority inquiry in water resource management and planning charges

To ensure adequate water resource management in March 2009 the Economic Regulation Authority (ERA) began its inquiry into water resource management and planning charges. As the state's water resource manager the department:

- Provided major inputs to the ERA's process covering the department's functions, activities, funding arrangements, business activities, budgets, performance indicators and staffing arrangements.
- Developed an extensive submission to the ERA's issues paper which included the department's possible plan for implementing cost recovery along with detailed responses to each issue raised by the ERA.
- Established an internal project management structure to assess requirements for government beyond the ERA inquiry.

Regional management and water information

During the year this division changed its name from Water Resource Business Operations to Regional Management and Water Information to better reflect its core function.

The Regional Management and Water Information division manages the department's regional programs through its regional offices. It also manages the department's Measurement and Water Information, Land Management and Regional

Coordination branches, which includes the Indigenous Services Unit and the Compliance and Enforcement Unit.

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
- operate a compliance and enforcement unit to achieve improved water resource compliance and water efficiency
- engage in effective interactions with indigenous people.

It is the central manager of the seven regional offices in the Kimberley, Pilbara, Mid West Gascoyne, Swan-Avon (including Goldfields), Kwinana-Peel, South West and South Coast.

Measurement and water information

This branch provides key measurement asset maintenance, spatial analysis, data collection, data management and data provision services to support the planning, management and use of water including development of national water accounting standards.

It also delivers times series and discrete data to the Bureau of Meteorology, and liaises with the bureau on a wide range of water measurement issues.

In 2008–09 the department responded to 2794 (2786 in 2007–08) data requests. 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.

Regional administration

This branch delivers corporate and administrative support to the department's regional staff.

A five-year Regional Accommodation Plan was progressed during the year and plans for a \$5 m redevelopment of the Swan-Avon region's Kew Street site for the HTC, Training Section and Measurement Staff costing. A \$1 m plan and costing for the relocation of the Phytoplankton Ecology Unit (PEU) labs from Ellam Street to Kew Street.

In the Mid West Gascoyne the Land Management section negotiated new leased premises for the Geraldton office. In 2008–09 the branch supervised the completion of a register of asbestos sites in regional areas of the state.

Land management

The Land Management branch administers the department's land asset register comprising 1200 individual land parcels over 700 000 hectares in total.

During the 2008–09 year the branch:

- reviewed and identified possible land for disposal to support the Department of Treasury and Finance Asset Disposal Policy
- provided over 150 plantation owners on the Gascoyne River legal access to water via easements through the Carnarvon Prolongation Project
- assisted the Rural Water Planning branch in negotiations with Water Corporation to purchase dams to support emergency country water supplies
- acquisition of and negotiation for land at strategic sites throughout the state to support the Priority 1 Land Acquisition program for the protection of public drinking water. Sites purchased in Happy Valley (Brookton), Walpole and Hopetoun, Yerecoin and Gin Gin
- risk mitigation strategies for the department's land
- a joint review with the Department of Conservation and Environment of over 50 land parcels for possible inclusion in conservation areas.

Regional integration

The regional integration branch consists of the Compliance and Enforcement Unit and the Indigenous Services Unit. Its goals are to support the regional operations through training and program development to assist staff in the field.

Compliance and enforcement

The department's compliance and enforcement unit was established to coordinate enforcement of relevant legislation 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*.

In 2008–09 the unit conducted investigations and provided advice in relation to breaches of statutes, as well as developed training models for up-skill of regional staff in investigations. 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 relevant acts.

Indigenous Services Unit

The Indigenous Services Unit (ISU) provides ongoing support and advice to all departmental staff to ensure correct protocols are followed in their dealings with Aboriginal people, land, sites and culture.

During the year the ISU guided the finalisation of the Aboriginal Heritage and Native Title Guidelines for On-Ground Works which to ensure staff meet required of addressing statutory obligations of the *Native Title Act 1993* and the *Aboriginal Heritage Act 1972*.

The ISU also continued courses and cultural awareness training in the following areas:

- Cross Cultural Awareness workshops
- Heritage workshops
- Women's workshops

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 office has four branches:

- Government Relations
- Corporate Development
- Corporate Communications

Government relations

The Government Relations branch facilitates relationships with all stakeholders groups as required, including the Minister for Water, his Office and other agencies of state. It coordinates and manages communications and liaison with the Minister's office, including Cabinet and Executive Council requirements, ministerial correspondence and responses to parliamentary questions.

The branch managed a total of 978 items of ministerial correspondence during 2008–09.

Corporate development

During the year the Corporate Development branch undertook a review of the department's outcome based management structure to provide a stronger focus on outcomes and greater clarity around service beneficiaries.

To respond to the state's water resource challenges, the department has implemented a comprehensive reform program to provide the capability and resources to meet Western Australia's water needs, now and in the future.

In 2008–09 we completed a major strategic review of the department's models for business planning and the delivery of the government's programs.

That review identified three key areas on which we must focus if we are to continue to effectively meet our responsibility to ensure the state's population and economy can continue to grow without risks to water security. Accordingly, we have developed:

- A five-year strategic overview which sets out 10 priorities and associated actions that will drive the department's business planning, its budget allocation and its policy and service delivery agenda for the next five years.

- A revised business planning model designed to align programs and primary services and clarify responsibility and accountability.
- A revised program delivery model that will ensure integration of all aspects of our program delivery.

These complementary tiers provide a complete strategic and operational management framework that will ensure sequenced planning and delivery over a five-year time frame.

Underpinning the framework is a blueprint to ensure we have the people and financial resources to do the job.

We have also developed redesigned our enterprise architecture so we can align information communication and technology with our strategic and business models.

These changes represent a continuation of the progression of the state's management structure to encompass management, protection and allocation of total water resources.

Under the new business model, we will redefine and simplify our delivery focus around the following three outcomes:

- Optimal use of water resources
To ensure the optimal use of Western Australia's water resources, including non-rainfall dependent sources of water, and the continued growth and economic prosperity of the state while protecting the environment
- Healthy waterways
Our growth and prosperity relies on healthy waterways. Our rivers provide considerable recreation and amenity values for our communities and support important environmental systems (tourism, recreation, attractive urban settings, ecological services and cultural values)
- Adequate and efficient water services
Water services are adequate, competitive, efficient and meet health and human needs, are used efficiently and recognise the economic, environmental and social consequences if these requirements are not met.

The 10 priority areas that we have identified to drive our business planning, budget allocation and our policy and service delivery agenda over the next five years are to:

- 1 Within sustainable limits, allocate water to support economic development.
- 2 Optimise water use through improved management of licensed water use, an increased focus on compliance and enforcement and the expansion of metering in priority areas.
- 3 Move Perth towards becoming a Water Sensitive City.
- 4 Protect and recover public water supplies.
- 5 Facilitate a competitive and innovative water industry to deliver a high standard of water services at efficient prices.
- 6 Protect waterway health and recover priority waterways.

- 7 Target water resource assessment to support water resource management and state development according to a schedule determined by the current status of the resource and the projected demand for water.
- 8 Undertake state and regional water planning to ensure the Western Australia maintains a strong strategic approach to planning for the future of water resources.
- 9 Modernise Western Australia's water management through legislation, policy and technologies that stimulate efficiency and optimal use of water.
- 10 Establish market-based mechanisms to release additional water for allocation and support enhanced water trading.

As the basis of our integrated strategy, these priorities are underpinned by a program delivery strategy that will ensure a greater focus on our specific outcomes and enhance measurable results.

The new business plan and budget allocation system aligns each of the priorities to a specific outcome.

The benefits of moving to a new business model that focuses on achieving outcomes are clear. In particular, the focus is shifted away from inputs and outputs, towards benefits and results, so policies and programs are directly connected to things that matter to the people of Western Australia

In this challenging budgetary environment, it means funds can be allocated where they are most likely to maximise the achievement of outcomes.

In moving to an outcomes-focused management system, the department's achievement of outcomes, together with the delivery of outputs, becomes the key indicator of performance and accountability. It enables the public to assess whether the department has achieved its objectives, rather than how much money has been allocated and spent on a particular good or service.

Corporate communications

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

To communicate objectives, priorities and departmental initiatives, the branch uses a variety of internal and external media to provide efficient and effective communication of the department's decisions, reasons and actions.

In 2008–09, corporate communications used highly professional and cost-effective publications (including the department's website), issues and media management and public relations activities to communicate with stakeholders.

During the year, Corporate Communications in partnership with Information Services was responsible for redeveloping and implementing the department's new website. The branch introduced monthly staff presentations, provided a daily pop up news service for staff, a quarterly e-newsletter Water Solutions distributed to key

stakeholders, planned and wrote more than 66 media statements, and responded to more than 143 media inquiries.

The branch also began a review of the department's intranet site with a view to redeveloping and implementing a new site in 2009–10.

The branch issued a total of 66 media statements and responded to 143 media inquiries from print and electronic media across the state with predominant enquiries from Western Australian media but including national and international requests.

The department produces a wide range of publications. Attached in the Appendix is a list for 2008–09.

Corporate services

The Corporate Services division's role is to ensure the effective and efficient management of the department's finances, human resources, information and assets. This is to be achieved with a high degree of integrity to ensure the department complies with all of its statutory obligations, whilst operating with the highest degree of people ethics.

The division led a significant corporate reform program during the year including the preparation and implementation of the shared services environment for scheduled completion in November 2009. This major across department reform required the establishment of a program board, project management structure and close working relationship with the Department of Treasury and Finance's Office of Shared Services staff.

Finance and administration

The department's Finance and Administration branch worked hard during the year to ensure that the efficiency dividends required by government were identified and submitted to the Department of Treasury and Finance by the January 2009 deadline with additional savings achieved by the end of March 2009.

To further enhance the department's flexibility in meeting future strategic financial planning issues the finance team has led the development of a multi-period and multi-scenario analysis.

During the 2008–09 year the branch was recognised by the Office of the Auditor General as a *Best Practice Agency* for the second consecutive year. This reflects high quality performance from the finance team both within the department and on behalf of the department during the annual audits.

Consistent with state policy the department finished the year ahead of meeting its financial targets for the implementation of corporate purchasing cards. This has and continues to add efficiencies and savings in the procurement and payments processes for both the department and for suppliers. This will be an important complement to the procurement reforms implemented with shared services in the 2009–10 year.

The department undertook a major review of fleet vehicles to identify potential cost savings with a target to reduce fleet costs by 10 per cent. A significant reduction of \$100,000 in parking costs was achieved through more efficient utilisation of spaces.

Work on an Energy Management Plan has commenced to ensure the department meets its carbon emission obligations and achieves further savings with energy costs. This will be applied across the entire department's fleet and accommodation facilities.

Human resources

Significant work was undertaken by the Human Resources branch during the year to ensure it had the people capabilities to meet the operational requirements of the agency.

Workforce planning and development

During 2008–09 year the Workforce Planning and Development section coordinated the development and implementation of a new human resources blueprint. A major focus of the blueprint has been to improve attraction and retention strategies and improve integration of the department's functional areas.

A Water Business Workforce Planning project was also progressed during the year to improve the delivery of "supply side" and "demand side" analysis for incorporation into the workforce profile. Templates and process have been completed and work on linking the workforce planning process with the business planning process and FTE management commenced during the year.

As part of the department's commitment to organisational development, a number of workshops and staff forums were held during the year. These included focus groups on the development of workplace values and behaviours, nutrition workshops and health and lifestyle visits and a health expo held in the department's Atrium headquarters.

Specified callings is a government initiative to target for retention specific and key professions in short supply within the labour market. The implementation of the salary adjustments and conversion of general division positions to specified callings was completed in accordance with the March 2008 consent order allowing agencies to set new levels and salary rates to specified calling positions.

An executive discussion paper on incorporating the new regime into the department's strategic management was produced and a new project to streamline job families commenced.

Organisational development

The department is committed to the ongoing training and development of staff to ensure they have the skills and competencies to meet both the current and future needs of the department and further to ensure they are in compliance with legislative and good governance requirements.

The organisational development section coordinated staff training and development ensuring activities were based on identified needs, developed consultatively, and reflected organisational priorities. A review of the existing recruitment contract was completed in June 2008 and new performance targets established for monitoring departmental recruitment processes. In 2008–09 the department commenced benchmarking with government and industry standards.

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.

During the year the Information Services branch improved its customer focus and governance arrangements. This included the creation of a Program Management Office (PMO) to support project methodology and the implementation of ITIL processes for change and problem management consistent with industry best practice. The department's information and corporate memory has become more resilient this year due to improved security, disaster recovery arrangements as well as achieving efficiency through the use of server virtualisation.

During the year the branch created a framework for future investment in information services to support the water reform program. The department developed enterprise architecture describes the future business model, information architecture and associated systems and infrastructure. An associated business case was also developed outlining the investment strategy.

An initial investment relating to defining the functional requirements for a new water management system, including a move to managing unbundled entitlements and water trading and accounting commenced. Opportunities to fund the subsequent solution are being investigated and may include the divestment of land assets to increase information assets.

Numerous projects were successfully completed this year including:

- implementation of a new department website compliant with access standards and eGov requirements
- implementation of electronic document management system including workflow capabilities (TRIM Context) providing the opportunity to retire a number of legacy systems and improve information management
- core water management systems (WRL, WIN, DWAID) were upgraded ensuring the business of water continues to be supported until new systems identified in the enterprise architecture are implemented
- A number of infrastructure services were enhanced including the implementation of Voice over internet protocol (VOIP) at additional sites, implementation of videoconferencing to reduce travel expenses and the provision of smart boards in strategic locations to support the work of department personnel.

Significant issues impacting the agency

The department has faced some significant challenges during the 2008–09 year as population growth, increased demand pressure from the resource and agricultural sectors, and an uncertain climate, continue to place pressure on Western Australia's water resources.

Increased demand for access to existing water supplies and heightened pressure to develop and secure new ones continued to demand a response and solutions.

There are three significant issues affecting water resources management and water service provision in Western Australia:

- drying climate
- increased demand and competition for water resources
- increased requirement for protection of drinking water sources and waterways.

Climate change

The effect of climate change on the relationship between rainfall, groundwater and river flows in the southern half of the state has, and will continue to, significantly impact water availability requiring compromises in managing the environmental, social and economic values of the state's water resources.

Initiatives underway in response to this include:

- collecting the data necessary (streamflows, monitoring water dependant ecosystems, drilling investigations, etc.) to make informed decisions on managing the likely impacts
- increasing focus on water efficiency by all water users, including promoting innovations in water industry technologies, conservation plans
- investigating alternative sources of water in cooperation with the Water Corporation
- supporting the rural sector with emergency planning through rebates and strategic emergency supplies.

Increased demand and competition for water resources

With water demand growing and water supplies diminishing, demographic changes, population growth and socio-economic development mean more areas around the state are at - or approaching - their sustainable water capacity limit. This has potential for conflict. Some areas may require water to be recovered from users, as the effects of less rain means less available water than is actually licensed. Urbanisation growth versus agricultural sectors is also an emerging issue.

Initiatives underway in response to this include:

- development of new water legislation to update deficiencies in the existing *Rights in Water and Irrigation Act, 1914* and associated services legislation
- development of policies in conjunction with legislative reform to allow improved management structures to meet increased demand and competition including pricing, codes and regulations
- implementing the state's obligations to National Water Initiative objectives with the assistance of Australian Water Smart grants
- using evidence based research to set sustainable water use targets accounting for the environmental, social, cultural and consumptive use with the Gnamptara Sustainability Strategy and new draft management plans underway for South West, Pilbara, Perth/Peel, Great Southern and Kimberley and all regions by 2011–12
- improving the water licensing process, increasing its effectiveness and reducing the time to assess applications
- expanding the installation of meters to water users in high demand areas, including the Gnamptara Mound, and establishing a compliance and enforcement regime
- upgrading and expanding the groundwater measurement network
- promoting water efficiency, conservation, reuse and recycling with all water user groups
- working with other government agencies and local authorities to develop a whole of government approach to water resources issues
- improving the services to Indigenous and remote communities.

Increased requirement for protection of drinking water sources and waterways

Protection of water sources and catchment areas includes managing demand for recreational access to drinking water bodies and land use in catchment areas.

Initiatives underway in response to this include:

- providing advice regarding the suitability of recreational opportunities while ensuring protection of water supplies
- targeting source pollutants via promotion of water sensitive urban design and stormwater management by working with local governments and catchment councils
- recovering degraded catchments through vegetation replanting and other measures
- increasing water source protection areas throughout the state

- managing impact of serious environmental issues such as salinity, algal blooms and wetland acidification
- recruiting and retaining specialist staff in water science, aquatic risk and natural resource management.

Disclosures and legal compliance

Ministerial directives

There were no ministerial directives in 2008–09.

Governance disclosures

Effective and efficient use of resources, and ethical behaviour within a rigorous governance framework, is essential if the department is to meet its agreed outcomes.

During the year the department completed a review of business processes and performance management systems that support decision-making.

A review of the department's roles, responsibilities and statutory delegations was also completed.

Freedom of information

The department is required to comply with the provisions and reporting requirements of the *Freedom of Information Act 1992*.

In accordance with the requirements of sections 94–96 of the *Freedom of Information Act 1992*, the department maintains and publishes an up-to-date Freedom of Information Statement annually concerning:

- 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.

In the 2008–09 financial year, the department received 104 freedom of information (FOI) applications. This represents an approximate 50 percent reduction on the previous reporting year. However this figure does not include FOI requests processed for internal reviews and external third party consultations received by the department, which number an additional 32.

FOI access requests from corporate bodies make up the largest category of applicants, while relatively few applications (about four per cent) were received from private individuals, the media and local councils.

FOI applications were processed within the 45-day statutory time limit, with the exception of two applications where extensions of time were sought and agreed to on FOIs that involved large and complex access requests. The overall average processing timeline for the year was 29 days.

A significant number of the FOI applications relate to land requests, in terms of access to information associated with a specific property. However, this year, the

department received an increase in larger more complex FOI access requests for non-personal information, while the overall amount of applications for property information had decreased in the last six months. This is seen as a reflection of the general impacts of the economic downturn, particularly in the property market.

A focus in 2008–09 was to provide FOI training to staff in order to improve understanding of the legislation. This was furthered by:

- one-on-one awareness training as part of the induction module to new staff employed or engaged by the department over the last 12 months
- presentations to central and regional staff with electronic versions available to assist virtual attendance
- staff news articles on FOI matters.

Additionally a revised FOI page was added to the department's website to:

- ensure members of the public are aware of the FOI Act and their rights under the Act
- provide access to the department's FOI publications such as the Application form and 2008 Information Statement, to assist members of the public and stakeholders on matters relevant to the FOI Act.

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:

Class of expenditure	Purpose	Agency	Total expenditure 2008–09 (\$)
Recruitment and tender advertisements	To recruit staff and service providers	Adcorp Marketing Communications Ltd	17 148.12
		Marketforce Productions	16 816.90
		Verossity Pty Ltd	10 089.80
		Total	44 054.82
Campaign advertising	Corporate promotion of the department's role and core functions	Not applicable	Not applicable
Information advertising	To inform the community and stakeholders of the department's programs, strategies and plans that required for public interest or action.	Adcorp Marketing Communications Ltd	21 724.56
		Marketforce Productions	24 843.99
		Linc Integrated Marketing	686.04
		Total	47 254.59

Disability access and inclusion plan

During the year a new disability access and inclusion plan was drafted and made available to disability organisations and the public for comment. The final plan will be registered with the Disability Services Commission in July 2009 and published on the internet.

The plan reflects the department's commitment to ensuring people with disabilities, their families and carers have the same opportunities as other people, and includes strategies to improve the access of people with disabilities to the department's functions, facilities and services.

Equal employment opportunity outcomes

The performance objectives of the plan are designed to achieve an improvement in the representation and distribution of each Equal Employment Opportunity (EEO) group (people with a disability, Indigenous Australians, people from culturally-diverse backgrounds, women and youth).

In 2008–09 a comprehensive review of documentation was undertaken, which resulted in improving the design of and information contained in HR forms and job advertisements. The review also identified the need to further review recruitment and

selection policies and the grievance process. The induction program was updated, with attention given to areas relating to equity and diversity, employing people with disabilities, grievances, and bullying and harassment. To assist in the implementation of the plan, divisions incorporated equity and diversity outcomes in business plans and organised training of staff in equal opportunity law as well as bullying and harassment.

Records and information management

In compliance with the State Records Act 2000, the department has a record-keeping plan.

Implementation activities associated with compliance with the *State Records Act 2000* include the further development of a record-keeping plan and the review of departmental policies and procedures.

In accordance with Standard 2 (Principle 6) of the record-keeping plan Record-keeping systems have been reviewed as part of a general upgrade of the department's information systems. These now incorporate the TRIM Context records management system as the repository for all records received by or created through the processes managed by those systems. The processes are increasingly looking to work-flow technologies to ensure rigour.

The record-keeping awareness training program handled 141 staff (with 11 more still in progress) for the year. The course is delivered to all new staff and has increased the use of the records management system to 832 licensed users.

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

The department provides face-to-face and on-line training in record-keeping as part of staff induction. The course includes staff roles and responsibilities relating to obligations under the *State Records Act 2000*.

The department conducted an internal audit on Archive Management which included retention and disposal planning issues and a needs analysis.

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.

Government policy requirements

Ethics and corruption prevention

Improving staff awareness and understanding of good governance and ethics continues to be an important and on-going objective. During the reporting period, the department commenced workshops, presentations and training on accountable and ethical decision making, conflict of interest, code of conduct, the requirements of

public interest disclosure. Also included was the role of State integrity agencies such as the Corruption and Crime Commission, Office of Public Sector Standards, Ombudsman and Auditor General.

The department's regional offices have been a focus for these workshops, though training next financial year will concentrate on the metropolitan area.

Public interest disclosures

The department received no public interest disclosures during the reporting period.

Occupational safety and health, and injury management

During the year an extensive OSH Awareness training program was undertaken in regional areas with 70 per cent of regional staff attending training. Regular monthly training sessions are held at head office.

The department established strategic goals for 2008–2010 to:

- have a minimum of 80 per cent of all staff attended OSH awareness training (in house)
- to have 75 per cent of all actions from the systems audit completed
- to have 75 per cent of all actions from the operational audit completed.

Statement of compliance with the injury management requirements of the Workers' Compensation and Injury Management Act 1981

The availability of Workers' Compensation and Injury Management policy and procedures, along with the department's Return to Work form and procedure, ensured 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 and are available to employees on the department's intranet along with all the forms required to initiate a workers' compensation claim.

Evaluation of the department's OSH management system

The department's OSH management system has been audited by Stamfords in 2008. The recommendations from this audit along with recommendations from an operational audit carried out in 2008 form the basis of the department's OSH action plan.

The department's performance reporting rates are below:

Number of fatalities	0
Lost time injury incidence rate	1.228879 (1% reduction)
Average lost time severity rate	12.59 (31.64% reduction)
Percentage of injured workers returned to work within 28 weeks	100%

Percentage of managers trained in occupational safety, health and injury management responsibilities	33%
--	-----

Managers training in OSH and injury management responsibilities

A further 29 per cent of managers are scheduled to be trained in their OSH and injury management responsibilities by 30 September 2008 bringing the total to 69 per cent of managers in the department trained in their responsibilities.

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 YEAR ENDED 30 JUNE 2009

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 2009, and the Income Statement, Statement of Changes in Equity, Cash Flow Statement, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, 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/AuditpracStatement_Feb09.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 year ended 30 June 2009**

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Department of Water at 30 June 2009 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) 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; and
- (iii) 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 year ended 30 June 2009.



COLIN MURPHY
AUDITOR GENERAL
21 September 2009

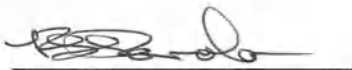
Financial statements

Certification of financial statements

CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

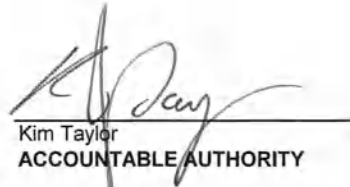
The accompanying financial statements of the Department of Water have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2009 and the financial position as at 30 June 2009.

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



Peter Parolo
CHIEF FINANCIAL OFFICER

Date: 14 September 2009



Kim Taylor
ACCOUNTABLE AUTHORITY

Date: 14 September 2009

Income statement

DEPARTMENT OF WATER
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
COST OF SERVICES			
Expenses			
Employee benefits expense	6	50,991	18,564
Supplies and services ^a	7	36,399	16,056
Depreciation and amortisation expense	8	3,013	2,253
Accommodation expenses	9	4,473	1,354
Grants and subsidies	10	10,747	9,394
Loss on disposal of non-current assets	15	1,904	213
Other expenses	11	447	664
Total cost of services		107,974	48,498
Income			
Revenue			
User charges and fees	12	61	18
Commonwealth grants and contributions	13	6,838	3,930
Other revenue	14	15,240	5,961
Total revenue		22,139	9,909
Total income other than income from State Government		22,139	9,909
NET COST OF SERVICES		85,835	38,589
INCOME FROM STATE GOVERNMENT			
Service appropriation	16	85,958	27,311
Initial recognition of assets		24	181
Resources received free of charge		895	84
Total Income from State Government		86,877	27,576
SURPLUS/(DEFICIT) FOR THE PERIOD		1,042	(11,013)

^a Includes administrative expense

See also the 'Schedule of Income and Expenses by Service' at page 69.

This is the Department's second financial report and covers the period from July 2008 to June 2009. It is the first report covering a full financial year. The previous report covered the first five months of operation from 1 February to 30 June 2008, and all comparative figures in this report are for this five month period.

The Income Statement should be read in conjunction with the accompanying notes.

Balance sheet

DEPARTMENT OF WATER
BALANCE SHEET
AS AT 30 JUNE 2009

	Note	2009 Jun \$'000	2008 Jun \$'000
ASSETS			
Current assets			
Cash and cash equivalents	28	8,350	13,979
Restricted cash and cash equivalents	17, 28	74	74
Receivables	18	6,078	3,349
Amounts receivable for services	19	6,365	3,373
Other assets	20	831	633
Total current assets		21,698	21,408
Non-current assets			
Restricted cash and cash equivalents	17, 28	543	382
Amounts receivable for services	19	6,966	6,191
Property, plant and equipment	21, 23	215,658	200,958
Intangible assets	22, 23	405	—
Total non-current assets		223,572	207,531
TOTAL ASSETS		245,270	228,939
LIABILITIES			
Current liabilities			
Payables	24	1,231	3,022
Provisions	25	10,101	7,953
Other current liabilities	26	56	782
Total current liabilities		11,388	11,757
Non-current liabilities			
Provisions	25	4,125	3,231
Other non-current liabilities	26	74	74
Total non-current liabilities		4,199	3,305
Total liabilities		15,587	15,062
NET ASSETS		229,683	213,877
EQUITY			
	27		
Contributed equity		228,048	224,038
Reserves		11,606	852
Accumulated surplus/(deficit)		(9,971)	(11,013)
TOTAL EQUITY		229,683	213,877

See also the 'Schedule of Assets and Liabilities by Service' at page 70.

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

Statement of changes in equity

DEPARTMENT OF WATER
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
Balance of equity at start of period		224,038	—
CONTRIBUTED EQUITY	27		
Balance at start of period		224,038	—
Capital contribution		4,010	1,653
Other contributions by owners		—	222,385
Balance at end of period		<u>228,048</u>	<u>224,038</u>
RESERVES			
Asset Revaluation Reserve	27		
Balance at start of period		852	—
Gains from asset revaluation		10,754	852
Balance at end of period		<u>11,606</u>	<u>852</u>
ACCUMULATED SURPLUS	27		
Balance at start of period		(11,013)	—
Surplus for the period		1,042	(11,013)
Balance at end of period		<u>(9,971)</u>	<u>(11,013)</u>
Balance of equity at end of period		<u><u>229,683</u></u>	<u><u>213,877</u></u>
Total income and expense for the period	(a)	11,796	(10,161)

(a) The aggregate net amount attributable to each category of equity is: surplus of \$1,042,000, plus gains from asset revaluation \$10,754,000 (February to June 2008: 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

DEPARTMENT OF WATER
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Jun Inflows (Outflows) \$'000	2008 Feb–Jun Inflows (Outflows) \$'000
CASH FLOWS FROM STATE GOVERNMENT	27		
Service appropriation		78,818	25,561
Capital contributions		4,010	1,653
Holding account drawdowns		3,373	1,308
Net cash provided by State Government		86,201	28,522
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(47,644)	(19,428)
Supplies and services		(35,683)	(16,048)
Accommodation		(4,437)	(1,351)
Grants and subsidies		(10,651)	(6,000)
GST payments on purchases		(5,697)	(2,719)
GST Payments to ATO		—	—
Other payments		(1,915)	(682)
Receipts	27		
User charges and fees		61	1,126
Commonwealth Grants and Contributions		3,937	4,774
GST receipts on sales		1,937	1,033
GST receipts from ATO		3,240	1,689
Other Receipts		15,310	5,484
Net cash (used in) operating activities	28	(81,542)	(32,122)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets		—	—
Purchase of non-current physical assets		(10,127)	(3,449)
Net cash (used in) investing activities		(10,127)	(3,449)
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		(5,468)	(7,081)

	Note	2009 Jun Inflows (Outflows) \$'000	2008 Feb–Jun Inflows (Outflows) \$'000
Cash and cash equivalents at the beginning of period		14,435	—
Cash and cash equivalent transfers from Water and Rivers Commission		—	21,516
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	28	8,967	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

DEPARTMENT OF WATER
SCHEDULE OF ASSETS AND LIABILITIES BY SERVICE
FOR THE YEAR ENDED 30 JUNE 2009

	Strategic water policies and programs development and implementation		Water resource assessment and protection		Water use allocation, management and optimisation		Catchments and waterways health		Total	
	2009 Jun (\$000)	2008 Feb-Jun (\$000)	2009 Jun (\$000)	2008 Feb-Jun (\$000)	2009 Jun (\$000)	2008 Feb-Jun (\$000)	2009 Jun (\$000)	2008 Feb-Jun (\$000)	2009 Jun (\$000)	2008 Feb-Jun (\$000)
ASSETS										
Current assets	3,015	3,521	3,663	3,559	9,052	7,962	5,968	6,366	21,698	21,408
Non-current assets	31,065	34,135	37,744	34,493	93,276	77,187	61,487	61,716	223,572	207,531
Total assets	34,080	37,656	41,407	38,052	102,328	85,149	67,455	68,082	245,270	228,939
LIABILITIES										
Current liabilities	1,583	1,934	1,923	1,954	4,751	4,373	3,131	3,496	11,388	11,757
Total non-current liabilities	583	544	709	549	1,752	1,229	1,155	983	4,199	3,305
Total liabilities	2,166	2,478	2,632	2,503	6,503	5,602	4,286	4,479	15,587	15,062
NET ASSETS	31,914	35,178	38,775	35,549	95,825	79,547	63,169	63,603	229,683	213,877

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

Schedule of assets and liabilities by service

DEPARTMENT OF WATER
SCHEDULE OF ASSETS AND LIABILITIES BY SERVICE
FOR THE YEAR ENDED 30 JUNE 2009

	Strategic water policies and programs development and implementation		Water resource assessment and protection		Water use allocation, management and optimisation		Catchments and waterways health		Total	
	2009 Jun (\$000)	2008 Feb-Jun (\$000)	2009 Jun (\$000)	2008 Feb-Jun (\$000)	2009 Jun (\$000)	2008 Feb-Jun (\$000)	2009 Jun (\$000)	2008 Feb-Jun (\$000)	2009 Jun (\$000)	2008 Feb-Jun (\$000)
ASSETS										
Current assets	3,015	3,521	3,663	3,559	9,052	7,962	5,968	6,366	21,698	21,408
Non-current assets	31,065	34,135	37,744	34,493	93,276	77,187	61,487	61,716	223,572	207,531
Total assets	34,080	37,656	41,407	38,052	102,328	85,149	67,455	68,082	245,270	228,939
LIABILITIES										
Current liabilities	1,583	1,934	1,923	1,954	4,751	4,373	3,131	3,496	11,388	11,757
Total non-current liabilities	583	544	709	549	1,752	1,229	1,155	983	4,199	3,305
Total liabilities	2,166	2,478	2,632	2,503	6,503	5,602	4,286	4,479	15,587	15,062
NET ASSETS	31,914	35,178	38,775	35,549	95,825	79,547	63,169	63,603	229,683	213,877

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

DEPARTMENT OF WATER SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS AND INCOME ESTIMATES FOR THE YEAR ENDED 30 JUNE 2009

	2009 Estimate \$'000	2009 Actual \$'000	2008 Variance \$'000	2009- Actual \$'000	2008 Actual Feb-Jun \$'000	Variance
DELIVERY OF SERVICES						
Item 58 Net amount appropriated to deliver services: Section 25 transfer of service appropriation	81,157	85,752	4,595	85,752	27,223	(58,529)
Amount authorised by other statutes - Salaries and Allowances Act 1975	206	206	-	206	88	(118)
Total appropriations provided to deliver services	81,363	85,958	4,595	85,958	27,311	(58,647)
CAPITAL						
Item 144 Capital Contribution	5,010	4,010	(1,000)	4,010	1,653	(2,357)
ADMINISTERED TRANSACTIONS						
Item 59 Administered grants, subsidies and other transfer payments	2,151	2,151	-	2,151	-	(2,151)
Total administered transactions	2,151	2,151	-	2,151	-	(2,151)
GRAND TOTAL	88,524	92,119	3,595	92,119	28,964	(63,155)
Details of Expenses by Service						
Strategic water policies and programs development and implementation	16,091	19,227	3,136	19,227	8,070	(11,157)
Water resource assessment and protection	19,709	19,801	92	19,801	10,430	(9,371)
Water use allocation, management and optimisation	31,181	37,624	6,443	37,624	15,941	(21,683)
Catchments and waterways health	26,811	31,322	4,511	31,322	14,057	(17,265)
Total Cost of Services	93,792	107,974	14,182	107,974	48,498	(59,476)
Less total income	(35,486)	(22,139)	13,347	(22,139)	(9,909)	12,230
Net Cost of Services	58,306	85,835	27,529	85,835	38,589	(47,246)
Adjustments	23,057	123	(22,934)	123	(11,278)	(11,401)
Total appropriations provided to deliver services	81,363	85,958	4,595	85,958	27,311	(58,647)
Capital Expenditure						
Purchase of non-current physical assets	5,010	9,710	4,700	9,710	3,449	(6,261)
Adjustments for other funding sources	-	(5,700)	(5,700)	(5,700)	(1,796)	3,904
Capital Contribution (appropriation)	5,010	4,010	(1,000)	4,010	1,653	(2,357)
DETAILS OF INCOME ESTIMATES						
Income disclosed as Administered Income	2,151	2,151	-	2,151	-	(2,151)
Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.						
Note 32 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2009 and between the actual results for 2008 and 2009.						

Notes to the financial statements

DEPARTMENT OF WATER NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

This is the Department's second financial report and covers the period from July 2008 to June 2009. It is the first report covering a full financial year. The previous report covered the first five months of operation from 1 February to 30 June 2008, and all comparative figures in this report are for this five month period.

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.

This report is prepared in accordance with the provisions of the Financial Management Act 2006.

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.

2 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

General

The Department's financial statements for the year ended 30 June 2009 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 2009.

3 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* 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 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 4 'Judgements made by management in applying accounting policies'.

(c) *Reporting Entity*

The reporting entity comprises the Department and the related bodies listed at note 38 '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 35 'Administered expenses and income' and note 36 'Administered assets and liabilities'.

(d) Contributed Equity

AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, 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, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 27 '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 16 '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 2008-2009 Budget Statements, the Department retained \$22.139 million in 2009 (\$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 and

- 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.

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 \$5,000 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 \$5,000 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 balance sheet 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 21 '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.

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in Note 21 'Property, plant and equipment'.

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

(g) *Intangible assets*

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Department have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Development costs	3 to 5 years
Computer software ^(a)	3 to 5 years
Software licences	3 to 5 years

(a) Software that is not integral to the operation of any related hardware

Research and development

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future recoverability can reasonably be regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

Computer software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Software Licences

Software licences are charged as expenses when they are incurred unless they are for a period of greater than one year, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

(h) Impairment of Assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at each balance sheet 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 asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

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.

(i) 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.

(j) *Financial Instruments*

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

- Loans and receivables; and
- 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.

(k) *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.

(l) *Accrued Salaries*

The accrued salaries suspense account (see note 17 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of 10 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 26 '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.

(m) 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.

(n) 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 allowance 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 33 'Financial Instruments' and note 18 'Receivables'.

(o) 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.

(p) 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 25 '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 balance sheet 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 balance sheet 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.

The expected future cash payments are discounted using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

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 3(q) '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 11 'Other Expenses' and note 25 'Provisions'.

Warranties

Provision is made for the estimated liability on all products still under warranty at 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.

(q) 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); and
- 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 - For February to June 2008, the movements (ie. 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 directly in the Income Statement. 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. Commencing in 2008-09, the reporting of annual movements in these notional liabilities has been discontinued and is no longer recognised in the Income Statement.

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.

(r) 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.

(s) Comparative Figures

Comparative figures are provided for the first five months of operation of the Department, from February to June 2008.

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

4 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'.

5 DISCLOSURE OF CHANGES IN ACCOUNTING POLICY AND ESTIMATES

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2008 that impacted on the Department:

Review of AAS 27 'Financial Reporting by Local Governments', AAS 29 'Financial Reporting by Government Departments' and AAS 31 'Financial Reporting by Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

- AASB 1004 'Contributions'
- AASB 1050 'Administered Items'
- AASB 1004 'Land Under Roads'
- AASB 1004 'Disaggregated Disclosures'

- AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AAS's 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137]
- Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

The existing requirements in AAS 27, AAS 29 and AASB 31 have been transferred to the above new and revised topic-based Standards and Interpretation. These requirements remain substantively unchanged. The new and revised Standards and Interpretation make some modifications to disclosures and provide additional guidance, otherwise there is no financial impact.

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
AASB 101 'Presentation of Financial Statements' (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
AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners [AASB 5 & AASB 10]. This Standard amends AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown Land held by the Department where the Crown Land is to be sold by the Department of Planning and Infrastructure. The Department does not expect any financial impact when the Standard is applied retrospectively.	1 July 2009

6 EMPLOYEE BENEFITS EXPENSE

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
Wages and Salaries	(a)	38,280	15,916
Superannuation - defined contribution plans	(b)	4,882	1,064
Superannuation - defined benefits plans	(c) (d)	943	456
Annual Leave	(e)	2,695	259
Long Service Leave	(e)	2,097	534
Other related expenses		2,094	335
Total		50,991	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'). Commencing in 2008-09, the reporting of notional superannuation expense and equivalent notional income has been discontinued
- (e) Includes a superannuation contribution component.

Employment on-costs such as workers compensation insurance are included at Note 11 'Other expenses'. The employment on-costs liability is included at Note 25 'Provisions'.

	2009 Jun \$'000	2008 Feb–Jun \$'000
Communications	1,814	892
Consultants and contractors	21,172	9,519
Consumables	1,377	964
Recoups to other departments	20	93
Materials	270	93
Vehicle lease and hire	2,215	986
Minor plant, machinery and equipment	4,756	1,112
Plant, machinery and equipment lease	65	55
Chemical analysis expense	1,371	607
Other staff related expenses	1,345	642
Travel	932	553
Other	1,062	540
Total Supplies and Services	36,399	16,056

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
8 DEPRECIATION AND AMORTISATION EXPENSE			
Depreciation			
Furniture and fittings		2	5
Buildings		654	163
Infrastructure		5	12
Plant and equipment		591	150
Computing equipment		319	495
Leasehold improvements		16	21
Measurement sites		1,387	1,407
Total Depreciation		2,974	2,253
Amortisation			
Intangible assets		39	—
Total Amortisation		39	—
Total Depreciation and Amortisation Expense		3,013	2,253
9 ACCOMMODATION EXPENSES			
Lease rentals		3,249	835
Repairs and maintenance		243	96
Power and water consumption		366	162
Security		48	21
Furniture and Fittings		—	—
Rates and taxes		320	143
Cleaning		247	97
Total Accommodation Expense		4,473	1,354
10 GRANTS AND SUBSIDIES			
Recurrent		10,747	9,394
11 OTHER EXPENSES			
Employment on-costs	(a)	328	—
Bad and doubtful debts expense		—	28
Equipment repairs and maintenance		119	37
Other		—	599
Employment on-costs ^(a)		328	—
Total Other Expenses		447	664

- (a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 25 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

	2009 Jun \$'000	2008 Feb–Jun \$'000
12 USER CHARGES AND FEES		
User Charges	61	18
13 COMMONWEALTH GRANTS AND CONTRIBUTIONS		
Attorney General Department	—	308
Bureau of Meteorology	1,414	1,311
Department of Agriculture, Fisheries and Forestry	64	—
Bureau of Rural Science	—	27
Department of the Environment, Water, Heritage & the Arts	5,360	129
Land & Water Australia	—	16
National Land & Water Resources Audit	—	16
National Water Commission	—	1,457
Natural Heritage Trust	—	666
Total Commonwealth Grants and Contributions	6,838	3,930
14 OTHER REVENUE		
Alcoa	—	37
Avon Catchment Council	—	612
Lease of commercial land and buildings	235	101
Other grants	6,670	770
Other miscellaneous revenues	678	264
Recoups from other private/commercial agencies	224	56
Recoups from other state government agencies	25	22
South Coast Natural Resource Management Inc	—	236
South West Catchments Council	—	703
State grants	7,408	2,925
Swan Catchment Council	—	235
Total Other Revenue	15,240	5,961

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
15 NET LOSS ON DISPOSAL OF NON-CURRENT ASSETS			
Costs of disposal of non-current assets			
Plant and equipment		1,904	213
Proceeds from disposal of non-current assets			
Plant and equipment		—	—
Net loss		1,904	213

See also Note 21 'Property, Plant and Equipment'.

16 INCOME FROM STATE GOVERNMENT

Appropriation Received During the Year:			
Service appropriation	(a)	85,958	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)	24	181
Resources Received Free of Charge			
Determined on the basis of estimates provided by agencies:	(c)	895	84
Total Revenues from Government		86,877	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'). Commencing in 2008-09, the reporting of the notional superannuation expense and equivalent notional income has been discontinued.
- (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 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.

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
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17 RESTRICTED CASH AND CASH EQUIVALENTS

Current

Developer bonds	(a)	74	74
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Non-current

Accrued salaries suspense account	(b)	543	382
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(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.

18 RECEIVABLES

Current receivables		5,695	3,132
Allowance for impairment of receivables		(25)	(34)
GST receivable		408	251
Total Current Receivables		6,078	3,349

Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of year		34	67
• Doubtful debts expense recognised in the income statement		25	32
• Amounts written off during the year		(10)	(41)
• Amounts recovered during the year		(24)	(24)
Balance at end of period		25	34

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

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		6,057	3,088
• More than 3 months but not less than 6 months		6	4
• More than 6 months but less than 1 year		—	31
• More than 1 year		15	10
Total		6,078	3,133

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
Credit Risk			
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.

19 AMOUNTS RECEIVABLE FOR SERVICES

Current		6,365	3,373
Non-current		6,966	6,191
Total Amounts Receivable for Services		13,331	9,564

Represents the non-cash component of service appropriations (see Note 3(m) 'Amounts receivable for services (Holding Account)'). It is restricted in that it can only be used for asset replacement or payment of leave liability.

20 OTHER ASSETS

Current		6,365	3,373
Prepayments		6,966	6,191
Total Current		13,331	9,564

21 PROPERTY, PLANT AND EQUIPMENT

Freehold land at fair value	(a)	151,576	140,868
		151,576	140,868
Buildings at fair value	(a)	6,896	6,288
Accumulated depreciation		(165)	(56)
		6,731	6,232
Infrastructure at cost		117	117
Accumulated depreciation		(17)	(12)
		100	105
Computing equipment at cost		1,662	1,203
Accumulated depreciation		(781)	(495)
		881	708

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
Furniture and fittings at cost		36	28
Accumulated depreciation		(7)	(5)
		<u>29</u>	<u>23</u>
Measurement sites at fair value/cost		123,257	118,709
Accumulated depreciation		(73,845)	(72,051)
		<u>49,412</u>	<u>46,658</u>
Plant and equipment at cost		5,929	2,989
Accumulated depreciation		(727)	(148)
		<u>5,202</u>	<u>2,841</u>
Leasehold improvements at cost		573	497
Accumulated depreciation		(40)	(21)
		<u>533</u>	<u>476</u>
Capital works in progress at cost		1,194	3,047
		<u>1,194</u>	<u>3,047</u>
Total Property, Plant and Equipment		<u>215,658</u>	<u>200,958</u>

(a) Freehold land and buildings were revalued as at 1 July 2008 by Landgate. The valuations were performed during the year ended 30 June 2009 and recognised at 30 June 2009.

Reconciliations

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

July 2008 to June 2009	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	3,047	23	708	2,841	6,232	476	46,658	105	140,868	200,958
Additions	598	8	496	3,002	122	73	2,723	-	2,688	9,710
Disposals	(883)	-	-	(50)	-	-	(1,854)	-	-	(2,787)
Reclassification	-	-	-	-	-	-	-	-	-	-
Transfers in/(out)	(1,568)	-	(4)	-	-	-	1,568	-	-	(4)
Revaluation increments/(decrements)	-	-	-	-	1,031	-	1,704	-	8,020	10,755
Depreciation	-	(2)	(319)	(591)	(654)	(16)	(1,387)	(5)	-	(2,974)
Carrying amount at end of year	1,194	29	881	5,202	6,731	533	49,412	100	151,576	215,658

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

(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.

Note	2009 Jun \$'000	2008 Feb-Jun \$'000
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22 INTANGIBLE ASSETS

Computer software

At cost	237	—
Accumulated amortisation	(37)	—
Accumulated impairment losses	—	—
	<u>200</u>	<u>—</u>

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
Software licences			
At cost		213	—
Accumulated amortisation		(8)	—
Accumulated impairment losses		—	—
		205	—
Total Intangible Assets		405	—

Reconciliations

Jun-09	Computer Software \$	Software Licences \$	Total \$
Carrying amount at start of year	-	-	-
Additions	237	213	450
Transfers in/(out)	-	4	4
Reclassifications	(3)	(7)	(10)
Amortisation expense	(34)	(5)	(39)
Carrying amount at end of year	200	205	405

23 IMPAIRMENT OF ASSETS

There were no indications of impairment of property, plant and equipment as at 30 June 2009.

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 2009 have either been classified as assets held for sale or written off.

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
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24 PAYABLES

Current

Trade payables		70	—
Accrued expense		536	2,129
Accrued salaries		572	893
Accrued fringe benefits tax		53	—
		1,231	3,022

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
25 PAYABLES			
Current			
Annual leave	(a)	4,779	4,159
Long service leave	(b)	5,322	3,794
Total Current Provisions		<u>10,101</u>	<u>7,953</u>
Non-current			
Employee benefits provision			
Long service leave ^(b)		<u>4,125</u>	<u>3,231</u>
Total Non-Current Provisions		<u>4,125</u>	<u>3,231</u>
(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		4,062	3,535
More than 12 months of balance date		<u>717</u>	<u>624</u>
		<u>4,779</u>	<u>4,159</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		5,322	3,794
More than 12 months of balance date		<u>4,125</u>	<u>3,231</u>
26 OTHER LIABILITIES			
Current			
Revenue received in advance		50	775
Stale cheque holding account		<u>6</u>	<u>7</u>
Total Current Other Liabilities		<u>56</u>	<u>782</u>
Non-current			
Developer bonds		<u>74</u>	<u>74</u>
Total Non-Current Other Liabilities		<u>74</u>	<u>74</u>

27 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.

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
Contributed Equity			
Balance at start of reporting period		224,038	—
Contributions by Owners			
Capital contribution		4,010	1,653
Net assets transferred to the Department of Water from the Water and Rivers Commission		—	222,385
Total Contributions by Owners		<u>4,010</u>	<u>224,038</u>
Balance at end of reporting period		<u>228,048</u>	<u>224,038</u>
Reserves			
Asset revaluation reserve:			
Balance at start of reporting period		852	—
Net revaluation increments/(decrements):			
Land		8,020	—
Buildings		1,030	—
Measurement sites		1,704	852
Balance at end of reporting period		<u>11,606</u>	<u>852</u>
Accumulated surplus			
Balance at start of reporting period		(11,013)	—
Result for the period (deficit)		1,042	(11,013)
Balance at end of reporting period		<u>(9,971)</u>	<u>(11,013)</u>
Total Equity		<u>229,683</u>	<u>213,877</u>

28 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:

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
Cash and cash equivalents		8,350	13,979
Restricted cash and cash equivalents (refer to note 17 'Restricted cash and cash equivalents')		617	456
		8,967	14,435

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

Net cost of services		(85,835)	(38,589)
Non-cash items:			
Depreciation expense		3,013	2,253
Net loss on disposal of non-current assets		1,904	213
Resources received free of charge		895	84
(Increase)/decrease in assets:			
Current receivables		(2,572)	472
Other current assets		(198)	3,253
Other non current assets		883	—
Increase/(decrease) in liabilities:			
Current payables		(1,791)	3,022
Current provisions		2,148	632
Other current liabilities		(726)	(3,568)
Non-current provisions		894	83
Other non-current liabilities		—	—
Net GST receipts/(payments)		(320)	39
Change in GST in (receivables)/payables		163	(16)
Net cash used in operating activities		(81,542)	(32,122)

Non-cash financing and investing activities

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.

29 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.

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
Swan River Trust		2	—
Department of Agriculture		1	—
Department of Environment and Conservation		5	—
WA Planning Commission		1	—
Department of Planning and Infrastructure		2	—
Amount determined on the basis of estimates provided by agencies:		—	6
Total resources provided free of charge		11	6

30 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	4,168	4,031
Later than 1 year and not later than 5 years	9,402	9,362
Later than 5 years	10,521	11,298
	24,091	24,691
Representing:		
Cancellable operating leases	—	—
Non-cancellable operating leases	24,091	24,691
	24,091	24,691

These commitments are all inclusive of GST.

31 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.

The financial effect of this claim is estimated to be \$920,000.

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. Whilst 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 2009.

32 EXPLANATORY STATEMENTS

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Appropriations and Income Estimates' are shown below. Significant variations are considered to be those greater than 10% or \$5 million.

Significant variations between estimates and actual results for the reporting period

	2009 Estimate \$'000	2009 Actual \$'000	Variation \$'000
Strategic water policies and programs development and implementation	16,091	19,227	(3,136)
Water use allocation, management and optimisation	31,181	37,624	(6,443)
Catchments and waterways health	26,811	31,322	(4,511)

Strategic water policies and programs development and implementation

Additional appropriation was provided during the year to cover the following unbudgeted costs:

- salaries and wages for the GA4 wages outcome \$759
- depreciation adjustment \$1,146

Additional amounts spent during the year from appropriations carried over from the previous year \$1,231.

Water use allocation, management and optimisation

Additional appropriation was provided during the year to cover the following unbudgeted costs:

- salaries and wages for the GA4 wages outcome \$277
- water licence administration fee \$3,183 to offset the disallowance of collection of water licence fees
- depreciation adjustment \$382

Additional amounts spent during the year from appropriations carried over from the previous year \$2,601.

Catchments and waterways health

Additional appropriation was provided during the year to cover the following unbudgeted costs:

- salaries and wages for the GA4 wages outcome \$562
- depreciation adjustment \$753

Additional amounts spent during the year from appropriations carried over from the previous year \$3,196.

33 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. All of the Department's cash is held in the public bank account (non-interest bearing) apart from restricted cash held in a special purpose account. 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 balance sheet 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 33 'Financial Instruments Disclosures' and note 18 'Receivables'.

Credit risk associated with the Department's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than government, 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

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

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

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Department's income or the value of its holdings of financial instruments. 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:

	Note	2009 Jun \$'000	2008 Jun \$'000
Financial Assets			
Cash and cash equivalents		8,350	13,979
Restricted cash and cash equivalents		617	456
Loans and receivables	(a)	19,832	12,662

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

	Note	2009 Jun \$'000	2008 Jun \$'000
Financial Liabilities			
Financial liabilities measured at amortised cost		1,231	3,022
Developer bonds held in trust		74	74
		1,305	3,096

(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.

Fixed interest rate maturities							
JUNE 2009	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	Total \$'000
Financial Assets							
Cash assets		-	8,350	-	-	-	8,350
Restricted cash assets		-	617	-	-	-	617
Receivables		-	19,832	-	-	-	19,832
Amounts receivable for services		-	-	-	-	-	-
		-	28,799	-	-	-	28,799
Financial Liabilities							
Payables		-	1,231	-	-	-	1,231
Developer bonds		-	74	-	-	-	74
		-	1,305	-	-	-	1,305

Fixed interest rate maturities							
JUN 2008	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	Total \$'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 affected by interest rate sensitivity.

Fair Values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

34 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:

\$	2009	2008 Feb–Jun
0,000–10,000	5	
40,001–50,000	1	
50,001–60,000		2
60,001–70,000		4
130,000–140,000	1	
140,000–150,000	3	
200,000–210,000	1	
The total remuneration of senior officers	831	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.

Note	2009 Jun \$'000	2008 Feb–Jun \$'000
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35 ADMINISTERED EXPENSES AND REVENUES

Expenses

Grants and Subsidies	2,239	—
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Revenues

Administered funds	2,151	—
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36 ADMINISTERED ASSETS AND LIABILITIES

Cash Assets	(20)	65
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Payables owing to the Department of Treasury and Finance	—	9
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37 REMUNERATION OF AUDITOR

Remuneration to the Auditor General for the financial year is as follows:

Payables owing to the Department of Treasury and Finance	52	45
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38 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 'Related and Affiliated Bodies'.

39 SUPPLEMENTARY FINANCIAL INFORMATION

Write Offs

	Note	2009 Jun \$'000	2008 Feb–Jun \$'000
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.

Appendix 1 – List of publications 2008–09

Name of publication	Date of publication
<i>A baseline study of contaminants in the sediments of the Swan and Canning estuaries: Water science technical series: Report no. 6</i>	February 2009
<i>A baseline study of contaminants in the Swan and Canning catchment drainage system: Water science technical series: Report no. 3</i>	February 2009
<i>A draft water quality improvement plan for the Vasse Wonnerup Wetlands and Geographe Bay</i>	February 2009
<i>A draft water quality improvement plan for the Vasse Wonnerup Wetlands and Geographe Bay: Appendix A</i>	February 2009
<i>A draft water quality improvement plan for the Vasse Wonnerup Wetlands and Geographe Bay: Summary</i>	February 2009
<i>A snapshot of contaminants in drains of Perth's industrial areas: Industrial contaminants in stormwater of Herdsman Lake, Bayswater Drain, Bickley Brook and Bibra Lake between October 2007 and January 2008: Water science technical series: Report no. 12</i>	April 2009
<i>Acid sulfate soil survey of the shallow regolith on the Scott Coastal Plain: Hydrogeological record series: Report no. 24</i>	March 2009
<i>Antifouling biocides in Perth coastal waters: a snapshot at select areas of vessel activities: Water science technical series: Report no. 1</i>	May 2009
<i>Application for the clearance of subdivision conditions</i>	October 2008
<i>Aquaculture: Water quality protection note 02</i>	February 2009
<i>Assessment of pesticides in aquatic organisms - Ord River WA: Water resource technical series: Report no. 40</i>	October 2008
<i>Blackwood groundwater area subarea reference sheets: Plan companion for the South West groundwater areas allocation plan</i>	May 2009
<i>Brookton Reservoir catchment area drinking water source protection plan: Brookton town water supply: Water resource protection series: Report no. 86</i>	June 2008
<i>Bunbury and South West Coastal groundwater areas subarea reference sheets: Plan companion for the South West groundwater areas allocation plan</i>	May 2009

Name of publication	Date of publication
<i>Busselton water reserves drinking water source protection plan: Busselton and Vasse town water supply: Water resource protection series: Report no. 108</i>	June 2009
<i>Busselton Water Reserves drinking water source protection plan: Draft for public comment: Busselton and Vasse town water supply: Water resource protection series</i>	May 2009
<i>Busselton-Capel groundwater area subarea reference sheets: Plan companion for the South West groundwater areas allocation plan</i>	May 2009
<i>Byford townsite drainage and water management plan: Drainage and water management plan 1</i>	September 2008
<i>Capel River hydrology summary: Surface water hydrology series: Report no. 24</i>	July 2008
<i>Carnarvon prolongation project: Plantation owner's guide</i>	September 2008
<i>Cowaramup Brook hydrology summary: Surface water hydrology series: Report no. 25</i>	July 2008
<i>Donnybrook Water Reserve drinking water source protection plan: Donnybrook Town Water Supply: Water resource protection series: Report no. 102</i>	June 2009
<i>Donnybrook Water Reserve drinking water source protection plan: Draft for public comment</i>	April 2009
<i>Don't make waves: A practical guide on how to reduce boat wash: Peel waterways centre</i>	September 2008
<i>Draft Jandakot structure plan area drainage and water management plan: Including Mandogalup, Casurina, Wellard, Anketell, Wandi, Bertram, Oldbury and The Spectacles: Drainage and water management plan series</i>	August 2008
<i>Draft: Nutrient modelling the Vasse Geographe catchment</i>	February 2009
<i>Drain batter erosion trial at Wubin: Salinity and land use impacts series: Report no. 50</i>	May 2009
<i>Ecological water requirement for Lefroy Brook: Environmental water report series: Report no. 6</i>	January 2009

Name of publication	Date of publication
<i>Ecological water requirements of the Brunswick River: Environmental water report series: Report no. 7</i>	June 2009
<i>Economic regulation Authority inquiry into pricing of recycled water in Western Australia</i>	December 2008
<i>Environmental considerations for groundwater management in the Northern Perth Basin: Environmental water report series: Report no. 8</i>	May 2009
<i>Extracting groundwater</i>	April 2009
<i>Extractive industries near sensitive water resources: Water quality protection note 15</i>	June 2009
<i>Farm Water Supply Planning Scheme and Farm Water Rebate Scheme - Information for applicants 2009</i>	February 2009
<i>Foreshore and channel assessment of Christopher Brook: Water resource management series: Report no. 52</i>	November 2008
<i>Foreshore and channel assessment of Monjerducking Gully: Water resource management series: report no. 53</i>	March 2009
<i>Foreshore condition survey and management recommendations for Collier River and Butler's Creek</i>	February 2009
<i>Forrestdale main drain arterial drainage strategy</i>	January 2009
<i>Gingin surface water plan area</i>	March 2009
<i>Gnangara Sustainability Strategy E-bulletin: monthly</i>	
<i>Gnangara Sustainability Strategy: Situation statement</i>	January 2009
<i>Groundwater pumping to control the watertable at Dumbleyung: Salinity and land use impacts series: Report no. 51</i>	May 2009
<i>Groundwater pumping to control the watertable at Tammin: Salinity and land use impacts series: Report no. 41</i>	March 2009
<i>Groundwater recharge from the Gascoyne River, Western Australia: Hydrogeological record series: Report no. 32</i>	May 2009
<i>Hopetoun water reserves drinking water source protection plan: Draft for public comment</i>	April 2009

Name of publication	Date of publication
<i>Hopetoun water reserves drinking water source protection plan: Hopetoun Town Water Supply: Water resource protection series: Report No. 106</i>	June 2009
<i>Hydrology of Lakes Nunijup, Poorrarecup and Carabundup: Salinity and land use impacts series: Report no. 26</i>	June 2009
<i>Hydrology of the Leederville aquifer in the western Busselton-Capel Groundwater Area: Hydrogeological record series: Report no. 31</i>	August 2008
<i>Hydroponic plant growing: Water quality protection note 19</i>	February 2009
<i>Inception report Volume 1: SW WA-FARWH: Framework for the assessment of river and wetland health (FARWH) in the south-west of Western Australia</i>	April 2009
<i>Inception report Volume 2: SW WA-FARWH: Framework for the assessment of river and wetland health (FARWH) in the south-west of Western Australia</i>	April 2009
<i>Interim: Developing a local water management strategy</i>	December 2008
<i>Introduction to acidic saline groundwater in the WA Wheatbelt - characteristics, distribution, risks and management</i>	January 2009
<i>Irrigation with nutrient rich wastewater: Water quality protection note 22</i>	July 2008
<i>Jurien Water Reserve drinking water source protection plan</i>	November 2008
<i>Kepa wangki (water talk): Newsletter</i>	October 2008
<i>La Grange groundwater subareas water management plan - allocation: Draft for public comment: Water resource allocation and planning series</i>	September 2008
<i>Landfills for disposal of putrescible materials: Water quality protection note 111</i>	January 2009
<i>Liners for containing pollutants using synthetic membranes - Water quality protection note 26</i>	February 2009
<i>Liquid chemical on agricultural land: Transport, blending, storage and disposal near sensitive waters: Water quality awareness brochure series no. 7</i>	October 2008
<i>Management guidelines for pastoral properties and leases adjoining Fortescue River-Millstream water catchment</i>	September 2008

Name of publication	Date of publication
<i>Management of sediment in pools of the Avon river system: Water note 38</i>	March 2009
<i>Management triggers and responses for groundwater-dependent ecosystems in the South West groundwater areas: Water resource allocation planning series: Report no. 31</i>	December 2008
<i>Managing unlicensed groundwater use: Draft statewide policy no. 14: Statewide policy series: Report no. 14</i>	October 2008
<i>Margaret River hydrology summary: Surface water hydrology series: Report no. 27</i>	July 2008
<i>Meters installed on the Gnamagara Mound: Irrigation Australia magazine article</i>	October 2008
<i>Millstream Catchment area (Bridgetown) drinking water source protection plan: Bridgetown Region Water Supply Scheme: Water resource protection series: Report no. 104</i>	June 2009
<i>Millstream catchment area (Bridgetown) drinking water source protection plan: Draft for public comment</i>	April 2009
<i>Monitoring program: Implementing the South West groundwater areas water management plan - allocation</i>	July 2008
<i>Mungalup Dam catchment area draft drinking water source protection plan for public comment: Collie South and Mungalup town water supply: Water resource protection series: Draft Report no. 103</i>	April 2009
<i>Mungalup Dam Catchment Area drinking water source protection plan: Collie South and Mungalup town water supply: Water resource protection series: Report no. 103</i>	June 2009
<i>New Norcia Water Reserve drinking water source protection plan: Draft for public comment</i>	April 2009
<i>New Norcia Water Reserve drinking water source protection plan: New Norcia Water Reserve town water supply: Water resource protection series: Report no. 101</i>	June 2009
<i>Newman Water Reserve drinking water source protection plan: Draft for public comment</i>	April 2009

Name of publication	Date of publication
<i>Newman Water Reserve drinking water source protection plan: Newman town water supply: Water resource protection series: Report no. 97</i>	June 2009
<i>Nutrient modelling in the Vasse Geographe catchment: Water science technical series: Report no. 2</i>	April 2009
<i>Pastoral Water Grants Scheme: Information for applicants 2009</i>	January 2009
<i>Perth Regional Aquifer Modelling System (PRAMS) model development: Application of the Vertical Flux model: Hydrogeological record series: Report no. 27</i>	February 2009
<i>Perth Regional Aquifer Modelling System (PRAMS) model development: Hydrogeology and groundwater modelling: Hydrogeological record series: Report no. 20</i>	September 2009
<i>Perth Regional Aquifer Modelling System (PRAMS) model development: Review of the Coupled Perth Regional Aquifer Modelling System: Hydrogeological record series: Report no. 30</i>	June 2009
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