



GOVERNMENT OF  
WESTERN AUSTRALIA

ANNUAL REPORT 2016–2017

# Department of Water



## Department of Water

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The Department of Water and Environmental Regulation was established by the Government of Western Australia on 1 July 2017 which amalgamated the Department of Water, the Department of Environment Regulation and the Office of the Environmental Protection Authority. This publication may contain references to previous government departments and programs. Please email the Department of Water and Environmental Regulation to clarify any specific information.

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# Statement of compliance

For the year ended 30 June 2017

**Hon. Dave Kelly. MLA**  
Minister for Water

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report for the Department of Water for the financial year ended 30 June 2017.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



**Matt Squires**  
Reporting Officer

14 September 2017

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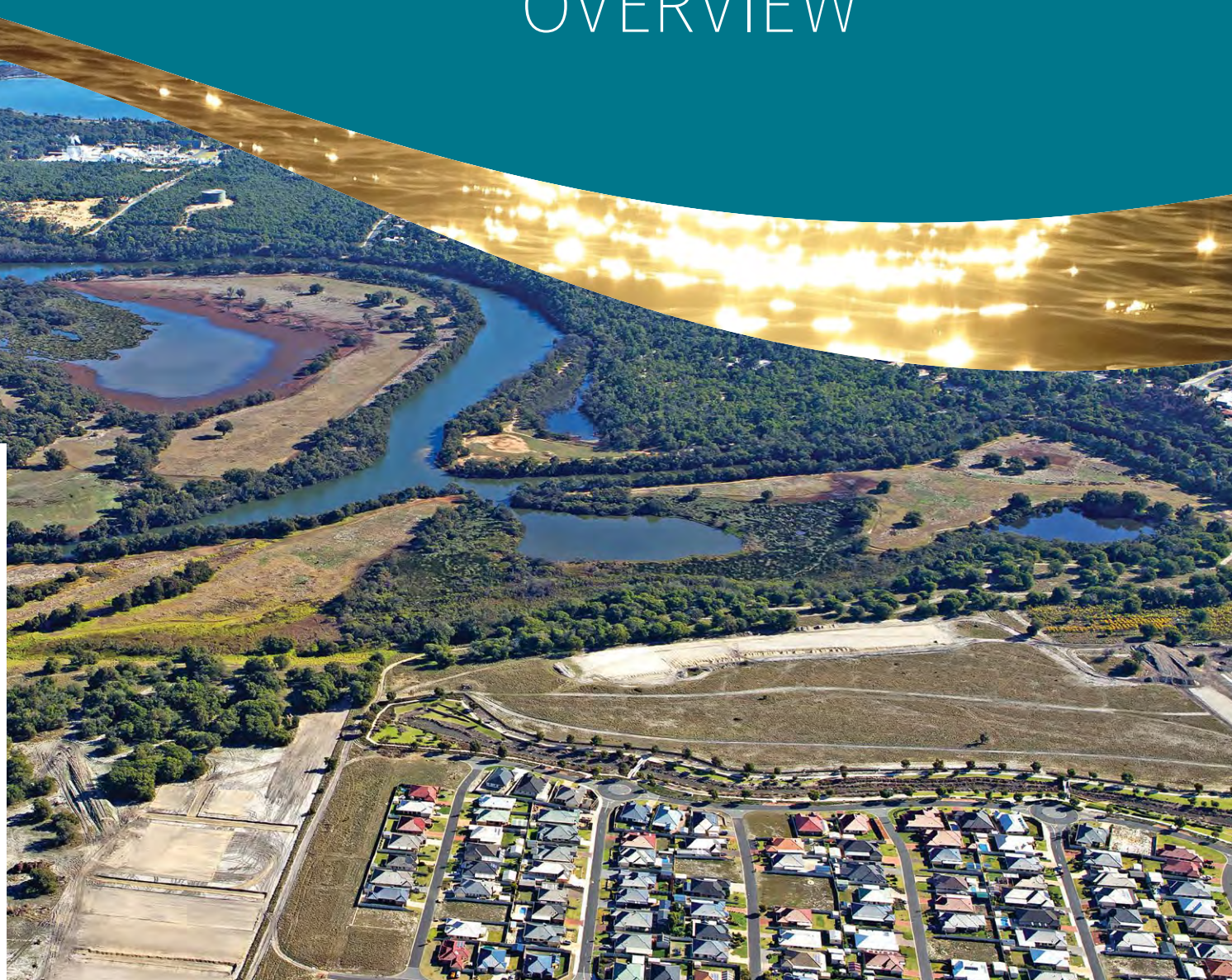




# OVERVIEW

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# About the department

2016–17 was the final year of the Department of Water's operations. From 1 July 2017 it has combined with the Department of Environment Regulation and the Office of the Environmental Protection Authority to form the Department of Water and Environmental Regulation.

Water is one of Western Australia's most precious natural resources and the way water resources and water services are managed and used is central to the state's liveability, prosperity and natural environments.

Active management of water resources and effective and efficient water services enable Western Australian communities and the economy to thrive, while supporting and protecting the environment.

Water is an enabler of economic and social development, when managed in an environmentally sustainable way.

A growing population, expanding economy and the impacts of a variable and changing climate mean that effective and informed management is central to balancing competing demands for the state's water resources and delivering effective water services.

In 2016–17, the Department of Water had stewardship of the water system in Western Australia and undertook a holistic approach to balancing demands on water resources.

The department collaborated with the community, water service providers, state government agencies and other partners to develop policies and practices that facilitate good water management outcomes.

The department's statewide presence, combined with local knowledge and relationships and excellent science, allowed it to actively monitor opportunities and emerging issues and address them in a timely and effective way.

By engaging, informing, listening to and collaborating with stakeholders, the department developed and delivered mutually beneficial solutions.

In 2016–17, the Department of Water ensured the state's current and future water needs were protected and managed by providing:

- Certainty – in how water is protected and managed for productive, sustainable use, and how it is managed in the landscape
- Security – in providing confidence to users to make investment decisions that support economic development, including transparent decision-making
- Efficiency – in how water is used, including in natural settings such as public open space; by businesses, such as irrigated agriculture and mining; and by communities, such as liveable neighbourhood programs
- Effectiveness – in how water is made available at a suitable quality, including how it is treated, accessed and delivered
- Protection – for the natural environment, waterways and drinking water quality



## From the Director General

A new Department of Water and Environmental Regulation began 1 July 2017 – a combination of the former Department of Environment Regulation, Office of the Environmental Protection Authority and the Department of Water. As such, 2016–17 was the final year of the Department of Water’s operations.

The Premier announced the formation of the new department in April 2017 and for the next two months, the Department of Water worked with the Department of Environment Regulation and the Office of the Environmental Protection Authority to establish the new department by 1 July.

The new Department of Water and Environmental Regulation is responsible for environment and water regulation. It will serve as a ‘one stop shop’ for industry and developers, aiming to streamline and simplify regulation.

I am pleased the successful programs, projects and policies of the Department of Water undertaken in 2016–17 will form essential components of the new Department of Water and Environmental Regulation.

In 2016–17 the Department of Water continued to support the critical role of water in growing and transforming the state.

This included boosting water sensitive design through the department’s involvement in the Co-operative Research Centre for Water Sensitive Cities and increased collaboration with local government authorities to identify and harness alternative water supply options for irrigating parks, gardens and recreation areas.

We continued to progress water knowledge and opportunities for irrigated agriculture across the state with the Water for Food program, as it entered its third year of operation.

Other successful programs implemented during 2016–17 included water demand modelling to enable investment decisions of regional and state significance, development of drainage and water management projects, and several groundwater investigations. Each of these has helped us better manage water resources across the state in light of Western Australia’s changing climate and growing population.

Providing advice to reduce flood risk and the publication of latest research findings about aquifers, as well as managing nutrients and waterways health, were other key projects conducted during the year.

We also cut red tape and made it easier to do business by providing greater online accessibility to information and services.

I thank our stakeholders and partners, in state and local government, industry, academia and the community, who have worked with us in the management of Western Australia’s water resources.

I congratulate and recognise the work of our dedicated Department of Water staff across the state who will by now be working for the new Department of Water and Environmental Regulation.

Our staff are our foundation and our future and they can be very proud of the work they do in making such an important contribution to the wellbeing of Western Australia and its population.



**Mike Rowe**



## Executive summary: 2016–2017 at a glance

This was the final year of the Department of Water's operations. In 2016–17, the department delivered its services against following three service delivery areas:

### Water information and advice

The department enabled investment decisions of regional and state significance by providing data and information on the quantity, quality, location of and demand for water across the state. The information also underpinned policy advice for consideration by government and supported other government agencies and stakeholders to plan for future economic growth and urban and rural development.

### Water planning, allocation and optimisation

Water planning, allocation and optimisation ensured the sustainable management of water resources for the state's long-term benefit and relied on good science. This included planning and allocating water for sustainable productive use, protecting public drinking water source areas, and ensuring the sustainability of water resources and their dependent ecosystems.

### Water regulation, licensing and industry governance

Responsible, proportional regulation ensured investment, growth and development was supported by sustainable management of the state's water resources. This service included the management of water licensing. It also included the management of the legislation governing the operations of water service providers.



# Operational structure

## Responsible Minister

The Department of Water's responsibility from 1 July 2016 to 17 March 2017 was to the Minister for Water; Sport and Recreation; Forestry, the Hon. Mia Davies MLA.

The department's responsibility from 17 March 2017 to 30 June 2017 was to the Minister for Water; Fisheries; Forestry; Innovation and ICT; Science; the Hon. Dave Kelly MLA.

## Administered legislation

### Legislation administered by the Department of Water as at 30 June 2017:

- *Country Areas Water Supply Act 1947*
- *Metropolitan Arterial Drainage Act 1982*
- *Metropolitan Water Supply, Sewerage and Drainage Act 1909*
- *Plumbers Licensing Act 1995* (except part 5A which was administered by the Department of Commerce)
- *Rights in Water and Irrigation Act 1914*
- *Water Agencies (Powers) Act 1984*
- *Water Corporations Act 1995*
- *Water Efficiency Labelling and Standards Act 2006*
- *Water Services Act 2012*
- *Waterways Conservation Act 1976*

### Regulations and by-laws administered by the Department of Water as at 30 June 2017:

- Country Areas Water Supply By-laws 1957
- Country Areas Water Supply (Clearing Licence) Regulations 1981
- Metropolitan Water Supply, Sewerage and Drainage By-laws 1981
- Rights in Water and Irrigation Regulations 2000
- Water Agencies (Charges) By-laws 1987
- Water Agencies (Entry Warrant) Regulations 1985
- Water Agencies (Infringement) Regulations 1994
- Water Agencies (Water Use) By-laws 2010
- Water Services Regulations 2013
- Water Services (Water Corporations Charges) Regulations 2014
- Waterways Conservation Regulations 1981

### Changes in 2016–17 to the legislation we administer

The Water Services (Water Corporation Charges) Regulations 2014 and Water Services Regulations 2013 prescribe the water charges and miscellaneous charges for the water supply, sewerage, drainage and irrigation services of the three water corporations (Busselton Water Corporation, Bunbury Water Corporation and the Water Corporation)

These regulations were amended to implement price increases approved by the state government, effective 1 July 2016.

### Other key legislation affecting our activities

In the performance of its functions, the department complied with the following written laws:

- *Aboriginal Heritage Act 1972*
- *Auditor General Act 2006*
- *Contaminated Sites Act 2003*
- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Environmental Protection Act 1986*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Government Employees Housing Act 1964*
- *Industrial Relations Act 1979*
- *Long Service Leave Act 1958*
- *Minimum Conditions of Employment Act 1993*
- *Native Title Act 1993 (Cth)*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Workers' Compensation and Injury Management Act 1981*







## Organisational structure

**Mike Rowe** Department of Water, Director General



Mike Rowe was appointed Director General of the Department of Water on 21 June 2016. He is a highly experienced member of the Western Australian Government's senior executive service, having worked in a variety of leadership, policy, advisory and delivery roles across nine agencies since 1993.

Those agencies include the Department of the Premier and Cabinet and the departments of Agriculture, Environment, Aboriginal Affairs and Regional Development and Lands.

Mike holds a Bachelor of Environmental Science, with First Class Merit Honours, a Graduate Certificate in Public Sector Leadership and a Postgraduate Diploma in Social Research and Program Evaluation.

## Policy and Innovation

**Tadas Bagdon** Executive Director



Before joining the department in November 2012, Tad held a senior water planning and policy role in Queensland's Department of Energy and Water Supply. His experience includes roles in water resources planning, water supply planning, demand management and water recycling. He has extensive experience in

both the public and private sectors across a range of areas including defence, transport, energy, advanced manufacturing technology and environmental management.

Tad holds a Bachelor of Electrical Engineering and a Bachelor of Economics.

**Policy and Innovation** led and shaped water policy options by engaging with stakeholders and partners in government, industry and the community sector. This approach ensured Western Australia is best positioned for the sustainable, productive use of water today and for the future. The directorate analysed state, national and international trends and their application to water policy and agency practice. It was also responsible for policy frameworks and supporting the administration of legislation relating to the state's water service providers, to ensure effective and efficient delivery of water services.

## Regional Delivery and Regulation

**Paul Brown** Executive Director



Paul has been an Executive Director with the Department of Water for six years. He has extensive experience in regulation and management in water, environment, planning referrals and industry regulation in the public sector and, during this time, has taken a strategic

approach to delivering key government initiatives.

He has more than 30 years' experience working across a number of Western Australian Government agencies including the departments of Forests, Conservation and Land Management, and Environment and Conservation.

Paul has a Master of Business Administration and a Bachelor of Science (Forestry).

**Regional Delivery and Regulation** ensured on-ground delivery of water licensing, regulation, integration of land use and water planning, and water measurement across the state's six regions. The division ensured that water licensing, compliance and enforcement practices, and responses to statutory referrals were transparent, effective, logical, timely and consistent. The directorate advised stakeholders on industry project delivery; worked with government agencies at a regional and state level to deliver regional benefits; and collaborated with industry and the community to deliver local water solutions.

## Science and Planning

**Greg Claydon** Executive Director



Greg has more than 30 years' experience in the water sector and is passionate about leading positive change in water policy, planning, regulation and management. He joined the Department of Water in January 2013 from Queensland's Department of Natural Resources and Mines where he was Executive

Director Water Resources Strategy. He was awarded a Public Service Medal in the 2009 Australia Day Honours for outstanding public service in the areas of natural resources management and water reform and holds a Bachelor of Engineering (Agricultural).

**Science and Planning** was responsible for the Department of Water's water science and planning activities, leading water allocation and water supply planning for industry and the community through decisions based on the latest science and water information. It planned for the protection of public drinking water source areas across the state; provided expert scientific advice on the management of at-risk rivers and estuaries; advised on drainage, flood planning, water sensitive urban design, and alternative water sources; and integrated water planning into land use planning to achieve liveable, resilient, productive and sustainable cities and towns. This work included extensive stakeholder consultation to enable population growth, economic development and sustainable productive use of available water resources.



## Corporate Strategy and Reform

### Geoff Gilbert Executive Director



Geoff has more than 30 years' experience working mainly in corporate services roles across a number of agencies, including senior executive service roles during the past 10 years.

In addition to leading corporate services functions, Geoff has led large cross-government reform programs. Geoff is a PRINCE2 practitioner and has substantial experience in leading business improvement through LEAN/Six Sigma.

Geoff holds a Masters of Business Administration, Diploma of Public Administration, and a Graduate Certificate in Management (Distinction).

[Corporate Strategy and Reform](#) within the Department of Water was responsible for managing the department's people, assets, finances and information.

## Water for Food

### Simon Skevington Project Director



Simon was appointed as Project Director Water for Food in October 2014. He is an engineer with more than 30 years' experience in delivering economic development projects, including senior executive level roles, across several government agencies including the departments of Mines and Petroleum, State

Development, Industry and Resources, Commerce and Trade, and Agriculture and Food.

Simon has led and facilitated a range of high profile and complex economic development, infrastructure and reform projects such as the Ravensthorpe Nickel and Boddington Gold Mine infrastructure packages, the Australian Marine Complex and the Australian Resources Research Centre.

Water for Food is a state government Royalties for Regions program to accelerate water investigations and optimise pastoral land tenure across Western Australia. It will create the potential for new irrigation precincts and the expansion of agricultural and pastoral opportunities in existing districts across the state.

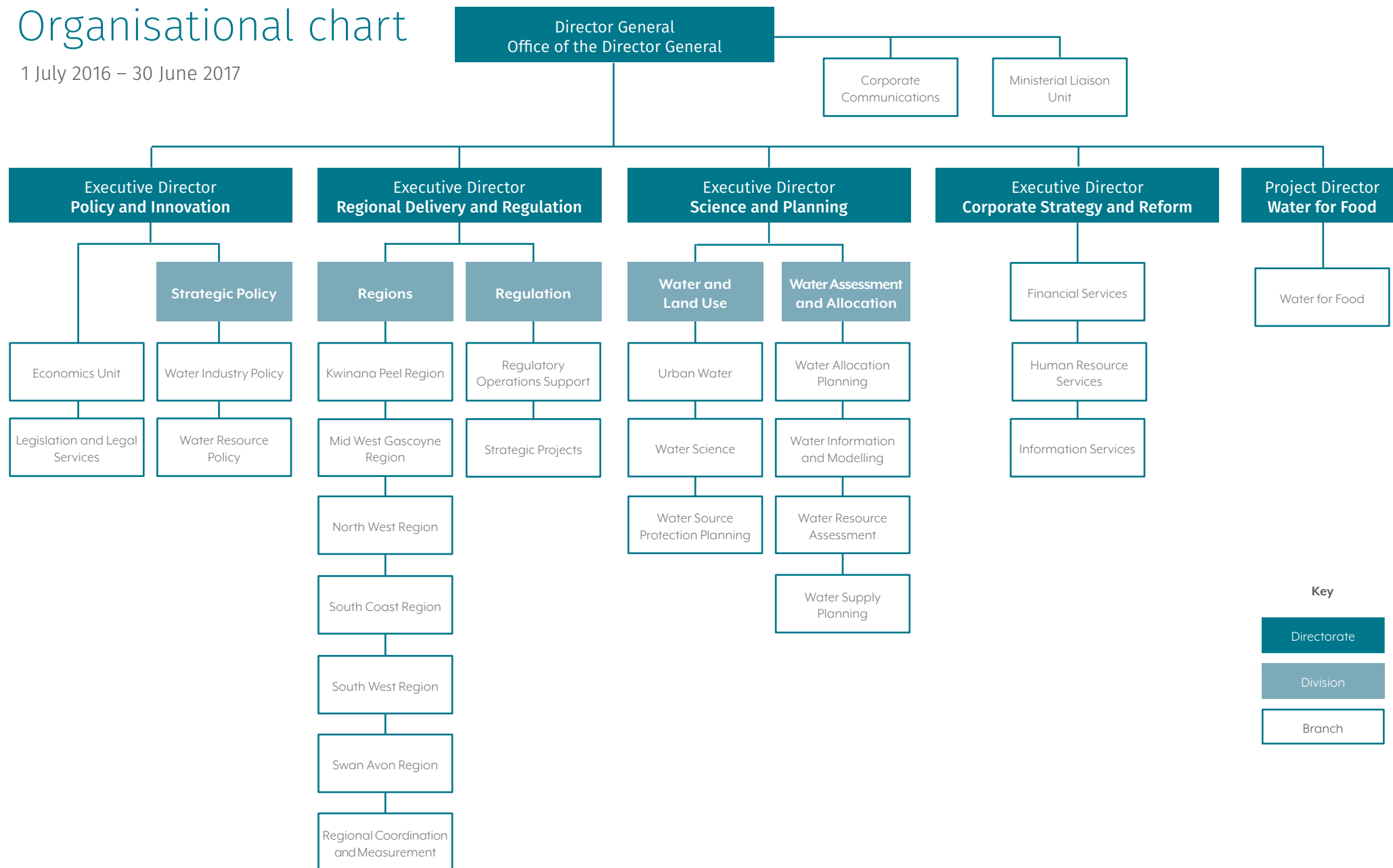
The program will support public and private sector investment decisions for new, large-scale irrigated agriculture precincts and for the expansion of existing areas by identifying where water is available, along with its quality and quantity.



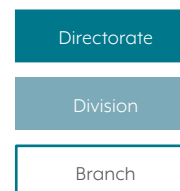


# Organisational chart

1 July 2016 – 30 June 2017



Key



# Performance management framework

## Government goals and strategic outcomes and Department of Water outcomes and services

During 2016–17, the Department of Water supported government goals across three service areas through its outcome-based management framework, as follows:

### Service 1: Water information and advice

The department enabled investment decisions of regional and state significance by providing data and information on the quantity, quality, location of and demand for water across the state. The information also underpinned policy advice for consideration by government and supported other government agencies and stakeholders to plan for future economic growth and urban and rural development.

### Service 2: Water planning, allocation and optimisation

Water planning, allocation and optimisation ensured the sustainable management of water resources for the state's long-term benefit and relied on good science. This included planning and allocating water for sustainable productive use, protecting public drinking water source areas, and ensuring the sustainability of water resources and their dependent ecosystems.

### Service 3: Water regulation, licensing and industry governance

Responsible, proportional regulation ensured investment, growth and development was supported by sustainable management of the state's water resources. This service included the management of water licensing. It also included the management of the legislation governing the operations of water service providers.

## Government goals:

### Results-based service delivery

- Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians

### Financial and economic responsibility

- Responsibly managing the state's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector

### Social and environmental responsibility

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

### Stronger focus on the regions

- Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas

### State building – major projects

- Building strategic infrastructure that will create jobs and underpin Western Australia's long-term economic development



In 2016–17 the Department of Water’s vision and purpose, strategic directions, and values were linked to the government’s goals.

### Vision:

Water for now and the future

### Purpose:

Support Western Australia’s community, economy and environment by managing water sustainably

## Strategic directions:

### Excellent water information, science and communication

The department accomplished this by:

- measuring, monitoring and studying water resources to continuously improve water planning and management
- using data to model the current water resources and predict the impacts of the state’s growing population, changing climate and land use
- providing information that met stakeholder needs.

### Contemporary water policy and regulation

The department accomplished this by:

- ensuring that legislation, policies and plans supported effective water management and optimal water use
- developing policy to underpin the efficient and effective use of water in Western Australia
- promoting innovation in the water services sector.

### Effective and adaptive management and use of water

The department accomplished this by:

- incorporating climate change in its decision-making
- having a tailored approach to managing water factors based on science, knowledge and values
- developing policies and strategies to support innovative water efficiency, fit-for-purpose use and recycling.

### Liveable communities and healthy water environments

The department accomplished this by:

- integrating water management into land management and planning
- advising on water management to support sustainable development for towns and cities
- leading, advocating for and facilitating good water quality outcomes in priority aquifers, rivers and estuaries.

### Strong partnerships to champion better water outcomes and solutions

The department accomplished this by:

- building partnerships and engagement strategies to develop new and innovative solutions for water management and use to achieve good water outcomes
- building water management capacity across industry, local government and the community.

### Great customer service through capable people, systems and efficient business processes

The department accomplished this by:

- adopting contemporary information systems and processes to support efficient service delivery and an enhanced ability to communicate with stakeholders
- supporting diversity of knowledge, skills and experience to ensure it had the right people to deliver on its customer and business needs.

## Values

### People are our foundation and future

Our business delivery is enhanced by the diversity, knowledge, experience and abilities of our people. Our vibrant workplace generates engaged and effective people.

### Work with integrity

We are open, honest, trustworthy and reliable. We make decisions based on evidence and procedural fairness.

### Get things done

We are courageous in creating solutions and we deliver on our commitments.

### Communicate effectively

We communicate to build relationships, do our jobs and increase understanding.

### Work collaboratively

We build effective alliances and partnerships to build trust and achieve shared outcomes, better alignment and broader government objectives.

## Changes from the 2015–16 reporting year

There were no changes to the outcome-based management framework in 2016–17.

## Shared responsibility with other agencies

The Department of Water did not share any responsibilities with other agencies in 2016–17.



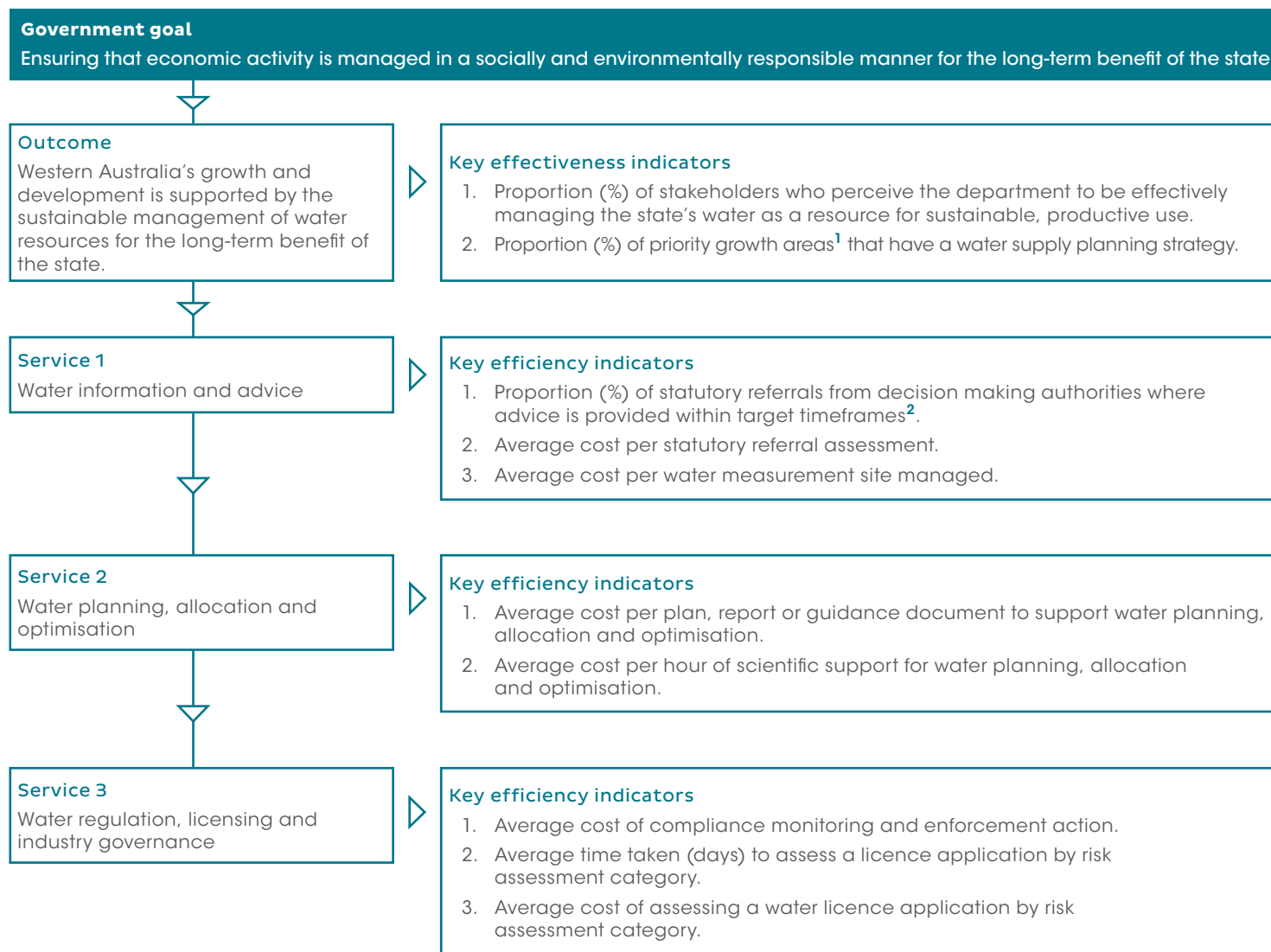
## Department of Water and Environmental Regulation up and running

In April 2017 the state government announced changes to the public sector including the amalgamation of the Department of Water with the Department of Environment Regulation and Office of the Environmental Protection Authority. Staff from the three agencies worked together to ensure the new Department of Water and Environmental Regulation was ready to open for business on 1 July 2017.

The new department is responsible for managing and regulating the state's environmental and water resources. It will serve as a 'one stop shop' for industry and developers, aiming to streamline and simplify regulation.



# Outcome-based management framework



- 1 Priority growth areas are based on future growth areas identified through the Water Supply-Demand Model plus agreed prioritisation criteria (e.g. economic significance to the state). Priority growth areas will be identified in the department's annual (November) supply and demand outlook statement. This will be provided to the state's Infrastructure Coordinating Committee for input and advice before submission to the Minister for Water.
- 2 Decision-making authorities include the Office of the Environmental Protection Authority, Western Australian Planning Commission, Department of Mines and Petroleum, Department of Environment Regulation and local government. The target timeframe is 35 business days.







# PERFORMANCE

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DEPARTMENT OF WATER: ANNUAL REPORT 2016–2017



## Service 1: Water information and advice

In 2016–17, the Department of Water enabled investment decisions of regional and state significance by providing data and information on the quantity, quality, location of and demand for water across the state. The information also underpinned policy advice for consideration by government and supported other government agencies and stakeholders to plan for future economic growth and urban and rural development.

A changing climate trend is affecting Perth and south-west Western Australia. Rainfall in the south-west is now around 19 per cent less than the long-term average and, since 1996, this decline has increased to around 25 per cent. To date, up to a 50 per cent reduction in average runoff into rivers and streams has occurred, and up to 30 per cent reduction in aquifer recharge – depending on the location.

Population growth requires the development of new areas for urban, industrial and fresh food production – presenting greater water resource management challenges than previously experienced.

Demand pressures and competition for water, along with climate change, also means water management decisions are becoming more complex, particularly with the increasing number of fully-allocated systems.

In 2016–17, the Department of Water responded to these challenges on several fronts: these included incorporating cutting-edge science into water planning with a 30-year horizon, working on developing water sensitive cities, and looking at contemporary and innovative ways to develop new water sources.

### Cutting-edge research supports communicating the ‘water sensitive’ message

In 2016–17, findings from the first tranche of research were used to inform the Department of Water’s work, particularly in communicating the ‘water sensitive’ message and related community engagement.

Research outcomes were also presented at industry events and workshops, such as the annual Waterwise Council forum, on topics such as building a business case for water sensitive projects, delivering the transition strategy for a water sensitive Perth, managing urban development in high groundwater environments, and urban wetland management in a water sensitive city.

The Department of Water also hosted one of a series of training workshops about the Water Sensitive Cities Index tool that can be used to benchmark the water sensitivity of a city or council area and prioritise and track management actions.

### Water sensitive cities

The Department of Water, Housing Authority and The University of Western Australia are ‘essential participants’ in the Cooperative Research Centre for Water Sensitive Cities (CRCWSC) established in 2012. The nine-year \$120 million program is delivering research, cross-sector collaboration and industry capacity to advance water sensitive cities and towns.

A water-sensitive approach to the planning and design of urban environments integrates the urban water cycle into built and natural landscapes for the benefit of the community. The first tranche of research projects that began in 2012 are nearing completion.

The Greater Perth metropolitan area, City of Swan, City of Subiaco and City of Perth participated in Water Sensitive Cities Index workshops in 2016.

During 2016–17, the Department of Water partnered with the CRCWSC, LandCorp, City of Fremantle, Josh Byrnes & Associates, the Water Corporation, Curtin University, the Cooperative Research Centre for Low Carbon Living and the Urban Development Institute of Australia (Western Australia) to research and promote the White Gum Valley Waterwise Development Exemplar.

This precinct-scale infill development showcases industry leading approaches to urban water management, including rainwater harvesting systems, low water use landscaping, water efficient fixtures and appliances, real time monitoring and the transformation of an infiltration basin into an attractive public space. The development aims to achieve a 60–70 per cent reduction in mains water consumption compared to the average Perth household.





The department was also a participant of the Water Sensitive Transition Network, a network of champions from local and state government, industry, community and research organisations to develop and deliver a strategy to transition Perth to a water sensitive city. This work builds on the workshop series undertaken during 2015–16 to develop a vision, principles, and critical strategies and actions for advancing Perth as a water sensitive city.

In 2016–17, the Department of Water participated in national workshops to scope the second tranche of research, focusing on:

- water sensitive city transition strategies and implementation plans
- creating a comprehensive economic evaluation frameworks
- evidence-based integrated urban planning across different scales
- achieving water sensitive outcomes for infill developments
- knowledge-based water sensitive city solutions for groundwater-impacted developments.



## Land use planning

In 2016–17, the Department of Water advised decision-making agencies and proponents on managing impacts to the state's water resources from land planning and development proposals.

A planning advice function was added to the department's new online portal in October 2015. Since then, the department has serviced more than 2000 requests for advice and information made by various decision-making agencies and stakeholders.

The department has conducted 11 training sessions for decision-makers and stakeholders, who subsequently lodged 578 requests (24 per cent) through the portal in 2016–17.

A process enhancement, implemented in October 2016, meant an additional 263 (11 per cent) of referrals were electronically captured through the portal, rather than by manual entry.

In 2016–17, the department assessed and responded to 675 requests for advice from the Department of Planning and local governments, 186 from the Department of Mines and Petroleum, 45 from the Environmental Protection Authority and 157 from the Department of Environment Regulation. The department also responded to 97 requests from other state government agencies, and advised on 298 water management reports associated with land planning and mining activities.



## Drainage for Liveability Program

The new Drainage for Liveability Program, which is a collaboration between the Water Corporation and Department of Water, is designed to enhance the value of stormwater drains and basins to communities across the state.

Stormwater drains and basins serve a functional purpose, but they also have the potential to contribute to the liveability of our local communities.

In 2016, a drainage partnering agreement entitled Beyond Regulatory Compliance was endorsed by both organisations. The agreement was formulated to guide both organisations in working collaboratively on drainage planning and development in the built and natural environment.

Also in 2016, the first Drainage for Liveability fact sheet, *Living streams in Water Corporation assets*, was published as part of a joint guidance note series to aid design and implementation and enhance the value of drainage areas.

Work will continue on several projects alongside interested community groups, local authorities and the development industry, aiming to improve drainage and surface water management, and increase green open spaces in our urban environment.

This program supports the state government's vision for transitioning Perth and rural centres across the state to 'water sensitive city' status.

Water sensitive cities endeavour to integrate water systems planning with land use planning. The aim is to show how water can make our communities more sustainable, productive, resilient and liveable.

## Supporting land and water planning – drainage and water management plans

The Department of Water developed drainage and water management plans to facilitate the development of water sensitive communities in challenging areas. This was in response to land planning pressures in areas where water constraints exist (such as seasonal waterlogging and flooding). The plans are supported by technical studies, including flood modelling, groundwater modelling and scenario planning.

In 2016–17, the department prepared and initiated public consultation on the north-east Baldivis and Birrega and Oaklands drainage and water management plans. It also began post-development scenario modelling for both catchments.

In addition, in 2016–17, the department:

- finalised hydrological studies for the Wungong catchment (with a peer review to follow) and drafted the context of the drainage and water management plan for the same area
- completed a surface and groundwater interactions model for the Greater Bunbury area and began hydrological and hydraulic studies for the Millar's Creek catchment
- finished a hydrological and hydraulic study for the Punrak drain catchment.

## Western Trade Coast heavy industry water supply strategy

The *Western Trade Coast heavy industry water supply strategy* was published in November 2016. The strategy advises industry on cost-effective and affordable water supply options, regulatory approval requirements and service-provision arrangements to support future growth of Western Trade Coast industrial areas.

The strategy shows the water demand and supply outlook for the industrial areas is expected to increase from 28.5 gigalitres per year (GL/year) to between 36 and 52 GL/year by 2031, which suggests there is not enough groundwater to meet projected demand over the next 15 years.

The strategy identifies recycled treated wastewater as a significant cost-effective water supply option to meet most of the projected water demand for heavy industry, if economically and technically viable.

This work provided the Department of State Development with the opportunity to obtain \$693 000 from the federal government's National Water Infrastructure Development Fund to undertake a managed aquifer recharge project, using treated wastewater, for the Western Trade Coast industrial areas. The project is supported by the Kwinana Industries Council, Department of Water and CSIRO.

## Water supply and demand outlook for Western Australia

A Royalties for Regions project to identify gaps between future water demand and the water available for all water resources in Western Australia's regions was completed in 2016–17.

The Department of Water produced a water supply and demand model for Western Australia that forecasts change in water demand and supplies for all water resources, as well as types of use under various economic and population growth scenarios to 2060.

The department engaged with industry and other state government agencies to confirm information and assumptions for the model to ensure consistency in water demand projections and use of the latest knowledge about future trends for each sector.

The results have been used to prioritise water resource investigations, water planning and identify when new sources and supplies are needed to support regional growth and economic development.



## Strategic assessment of the Perth and Peel Region

This strategic assessment is a whole-of-government initiative that will deliver long-term certainty both for developers and the environment as the Perth and Peel regions expand to a forecast population of 3.5 million people.

The draft *Perth and Peel Green Growth Plan for 3.5 million*, which the government released for public consultation in December 2015, is the largest urban-based strategic assessment ever undertaken in Australia.

The Department of Water contributed to developing the strategic assessment and helped the Department of the Premier and Cabinet assess the public submissions on the draft *Perth and Peel Green Growth Plan for 3.5 million*, including provision of additional information and further specialist advice on water resources to develop policy responses to public comment.

## Perth-Peel Water @ 3.5 million outlook report

Transitioning the Greater Perth region from an economy that relies on cheap, easily-accessible shallow groundwater to a ‘water smart city’ with a diverse range of climate-resilient water supplies is a contemporary challenge for the whole community.

In 2016–17, the Department of Water developed the Perth-Peel Water @ 3.5 million – water demand and supply outlook to 2050 report to clarify the scheme and self-supply water supply challenges in the Perth region.

The outlook confirms that local governments, schools, farmers, heavy industry and other enterprises that access self-supply shallow groundwater in the Perth and Peel regions must consider alternative water supply options to support their future growth.

One option is reusing or harvesting water and storing it through managed aquifer recharge for later use.

The department started pre-feasibility studies on managed aquifer recharge for public open space irrigation in the western suburbs of Perth and Brabham in the City of Swan (December 2016).

The Perth-Peel Water @ 3.5 million water supply strategy will complement Water Corporation planning for the long-term security of the Perth Integrated Water Supply Scheme (IWSS).

## Waterwise Councils and Waterwise Golf Courses

### Waterwise Councils

In partnership with the Water Corporation, the Department of Water recognised nine newly endorsed councils, 13 re-endorsed councils, eight gold councils and two platinum councils for using non-drinking water supplies in their operations and improving irrigation efficiency.

As part of the Waterwise Councils program, these councils have employed water saving techniques and technologies to create efficiencies and improvements in the irrigation of parks and ovals, and of water use in council-run facilities.

Thirty-two councils across the state have now been designated ‘waterwise’.

The Department of Water, together with the Water Corporation, jointly hosted the annual Waterwise Council Forum on 20 October 2016. The forum provided an opportunity to network with program participants and share information about the latest innovations in best-practice water management in local government across the state. The forum was well attended with 67 participants representing 24 metropolitan local government authorities and industry stakeholders.

The Waterwise Councils program, which started in 2009, encourages better water use management and builds cooperative working relationships with local governments to improve water use efficiency both within their own operations and in their communities.

### Waterwise Golf Courses

Waterwise Golf Courses is an initiative to recognise and promote excellence in responding to the challenge of managing water sustainably in the golf industry.

Golf is an important sport and recreational pastime in Western Australia and it is estimated that more than 110 000 people play golf on the state’s courses each year – contributing an estimated \$275 million to the economy.

The Waterwise Golf Courses program aims to achieve long-term water use efficiency within the golf sector by focusing on factors such as operator training, irrigation design, water budgeting, soil and turf management practices and use of alternative water sources.

During 2016–17, five golf courses actively participated in the Waterwise Golf Courses program.



## Water legislation reform

In 2016–17, the Department of Water continued its commitment to modernising current water resources management legislation and the process for reforming water legislation policy and administrative processes.

Water reform aims to:

- enable the community wellbeing and quality of life of the people of Western Australia, and the productive use of water to promote ecologically sustainable development
- ensure effective mechanisms are put in place to represent Aboriginal land, heritage, economic and cultural development concerns in water policy development and water allocation processes; and to deliver benefits to the Aboriginal people in relation to their spiritual, social, customary and economic use of water
- protect water resources and their dependent ecosystems and, where practicable, halt or reverse degradation that has occurred
- ensure water resources are shared fairly and used efficiently; and they are managed sustainably and flexibly to meet the needs of future generations in a variable and changing climate.

Modernising the state’s water laws began with the passing of the *Water Services Act 2012* and work on the Water Resources Management Bill is continuing. The new Bill will replace six current Acts including the *Rights in Water and Irrigation Act 1914*.

The updated and streamlined water legislation is designed to better respond to the needs of today’s water users and meet challenges that were not evident when the state’s laws were developed, some of which are now more than 100 years old.

Once introduced, the water resources management reforms will provide new tools to manage increased demands on high-use water resources, including limited water availability, due to a variable and changing climate. These will include the ability to adjust water allocations in response to seasonal variations in water availability and the use of market mechanisms to allocate water when competition for use arises.

The updated water legislation will become immediately useful in managing areas impacted by a drying and variable climate, including the Gnamptara groundwater system and south-west Western Australia.

## Kent Street refurbishment

In 2015 the Department of Water was allocated capital funding for the reconstruction of the Kent Street Weir to make it safe for users. In 2016–17 the department, in consultation with the Department of Parks and Wildlife and the City of Canning completed detailed planning for the project, received all environmental approvals, awarded the contract, informed the community and commenced on ground works on 1 May 2017. The Kent Street Weir upgrade will improve the functionality of the weir and ensure the community can continue to use the bridge safely.

The refurbishment will extend the life of the weir by 50 years and provide an automated weir gate system for the management of water levels and prevention of saline water intrusion to the upstream freshwater environment. The upgraded structure will also include a fishway to allow fish to migrate up and downstream of the weir.

## Water information and modelling

Water data and information is used to inform investment decisions of local, regional and state significance, and supports other government agencies and stakeholders in their planning for future economic growth and urban and rural development.

In 2016–17, the department’s Water Information Reporting portal and GIS services provided data and information on the quantity, quality, location of and demand for water across the state.

In 2016–17 the award-winning Water Information Reporting portal received more than 4800 requests for water information, 228 more than last year. The portal is an automated reporting tool that has been operating successfully for the past three years to provide reliable, customised water information quickly and easily. This free, fully-automated online service provides instant access to more than 130 000 water monitoring sites and an additional 74 million new measurements each year.

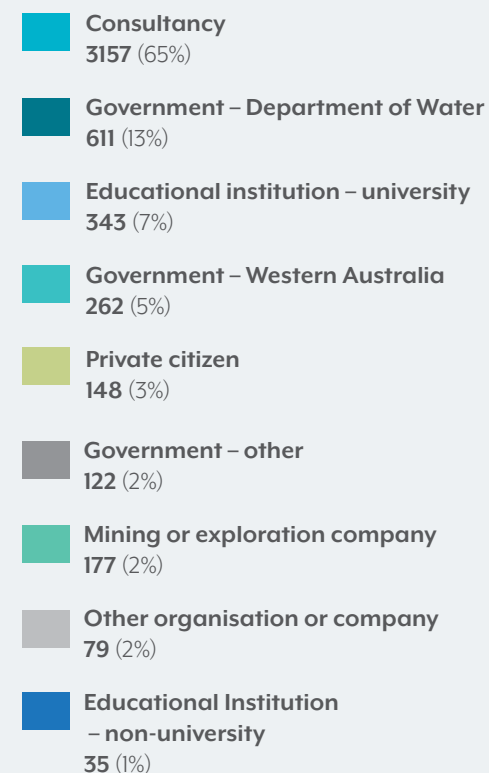
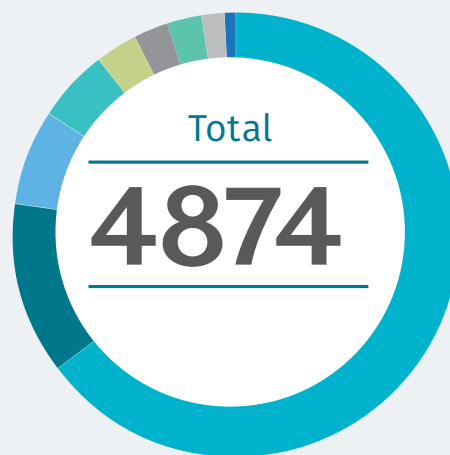
Requests for data came mainly from the private sector, government and the education and research sectors.

Water data and information supports maintenance of a viable, sustainable resource for public benefit while enabling individual economic benefits. Government scientists and planners use the data for modelling and assessments to help determine flood risk, drainage management, sustainable water allocations and, importantly, water resource planning on behalf of the whole community.

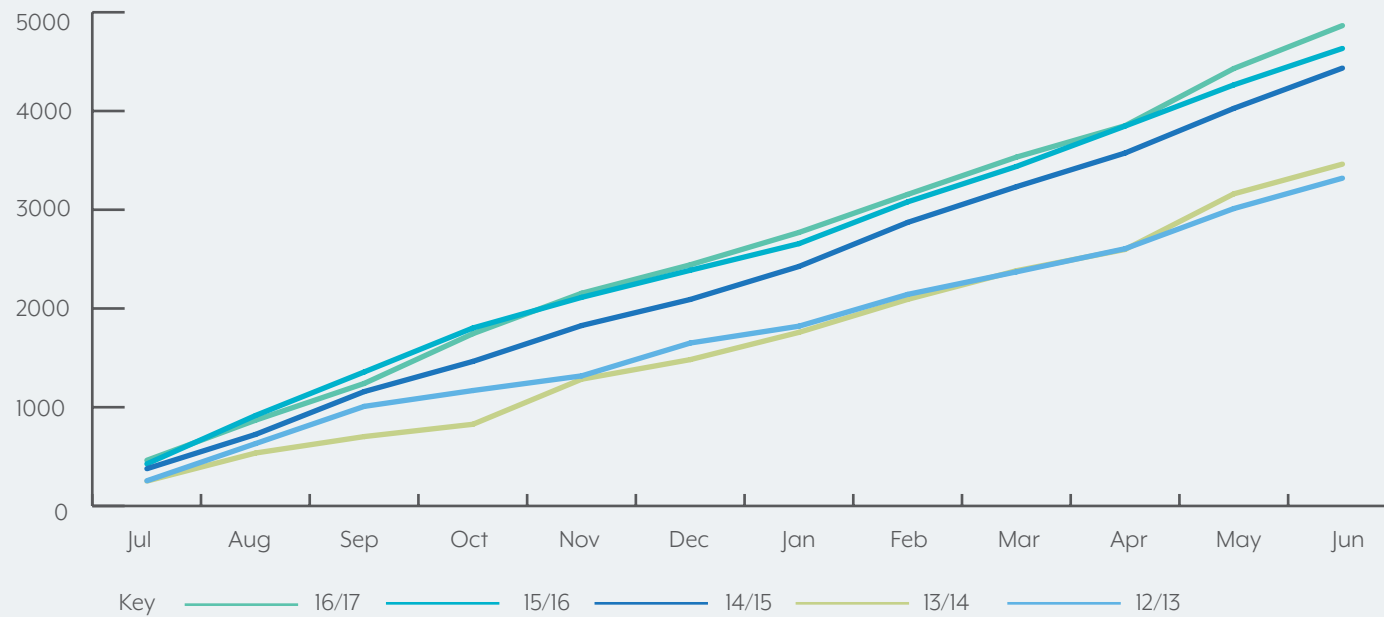
The Water Information Reporting portal delivered water data within an average time of 43 seconds to consultants, miners, land and property developers, farmers, infrastructure providers, government departments, researchers and students.

## Data requests

### By sector for 2016 to 2017



### Cumulative data requests per financial year





## Service 2: Water planning, allocation and optimisation

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In 2016–17 the Department of Water’s water planning, allocation and optimisation ensured the sustainable management of water resources for the state’s long-term benefit and relied on good science. This included planning and allocating water for sustainable productive use, protecting public drinking water source areas, and ensuring the sustainability of water resources and their dependent ecosystems.

Perth consumes more than 430 billion litres of water a year from groundwater which, beyond its importance to scheme supplies and the economy, is used to support wetlands and irrigation of public open space.

Managing the use of this water sustainably requires in-depth knowledge of the aquifer systems and the department uses its leading-edge science to inform multi-agency approaches to maintain the health of the state’s rivers, estuaries and catchments.

In 2016–17, the department undertook several initiatives to protect the state’s waterways and catchments through river management and recovery programs.

Protecting drinking water resources is of the highest priority as safe, good-quality drinking water is of fundamental importance to everyone.

Ensuring water resources, including drinking water sources, are not adversely affected by development is also an essential part of creating sustainable, liveable towns and cities for current and future generations.

The department provides expert advice on productive, efficient and sustainable water management to government, developers, service providers and users, underpinned by internationally recognised science.

## Groundwater assessment

Groundwater assessment is one of the State Groundwater Investigation Program 'next-generation' projects, launched in 2016–17. With a budget of \$15.3 million over four years, the program targets numerous smaller-scale projects in priority areas across Western Australia and builds on regional-scale investigations carried out since 2005.

During 2016–17 the Department of Water finalised \$20 million worth of groundwater investigations made possible by Royalties for Regions.

These investigation projects have significantly increased the state government's ability to assess and manage groundwater resources in priority regional areas.

In the Kimberley, mapping of groundwater availability on the Dampier Peninsula will guide future groundwater use, while preserving significant cultural and ecological values. In the Pilbara, the potential for up to 50 GL/year of fresh groundwater across the West Canning Basin was discovered, which could benefit local pastoralists, mining activities and water supply for northern Pilbara towns. Previously, up to 30 GL/year of groundwater was identified across six valleys to the east of Karratha to support the major towns and industry in the southern Pilbara.

Further south in the Murchison, the department located and accurately mapped a 52 000 kilometre square area of buried ancient rivers, finding they are up to 200 metres deep and two kilometres wide – some storing fresh groundwater in alluvial sands just a few metres from the surface.

On the South Coast, the department secured an extra 0.5 GL/year for Albany and Mt Barker's town water supply, and discovered up to 5 GL/year of good quality water in Albany's hinterland, with potentially another 5 GL/year of lesser quality for fit-for-purpose supplies.

North-west of Gingin, a \$7.1 million comprehensive deep-aquifer drilling program concluded with the discovery of significant fresh groundwater resources in the deep Leederville and Yarragadee aquifers. Provisional estimates suggest an additional 11 GL/year may be available, which could support the growth of horticulture and the broader community. This study, along with several others, helped inform the compilation of the comprehensive hydrogeological report, *Northern Perth Basin: geology, hydrogeology and groundwater resources*, released in January 2017.

The findings from all these projects, along with next phase of investigations, will help the state government manage groundwater resources to help meet demand and find solutions for groundwater into the future.

In May 2017, the Minister for Water announced the start of a series of new groundwater investigations to help maintain Perth's green spaces for the enjoyment of future generations.

To respond to climate change, one study is exploring the viability for groundwater aquifers to store appropriately treated recycled water or excess drainage water as fit-for-purpose non-potable local water supply solutions. This concept is similar to the Water Corporation's Groundwater Replenishment Project but on a smaller scale and with various water treatment options.

The project is exploring the geological formations below Perth in partnership with the Town of Cambridge and the Western Suburbs Regional Organisation of Councils.

## Floodplain advice

The strong demand for floodplain management advice from state and local governments, property developers and the community continued during 2016–17.

Total summer rainfall across the state was the highest since records began in 1900, with damaging floods occurring in many river catchments across the state. Data from the Department of Water's measurement network and expert hydrological advice were critical to support flood warning and emergency response, and observations are now being used to validate and update floodplain mapping.

In addition to supporting the response to major flood events, the department's flood mapping for major rivers and watercourses throughout the state was used by planning agencies, local governments, developers, insurance agencies and the general community.

The department responded to more than 750 requests for site-specific technical advice, which helps to reduce flood risk to people and property through appropriate land use planning, development and flood emergency response activities.

## Gnangara groundwater system

The Gnangara groundwater system sits underneath the northern part of the Perth metropolitan region, from the Swan River to Gingin Brook. It supports parks, gardens and sporting grounds, the Swan Valley tourism precinct, fresh produce from Wanneroo and Gingin, and many environmental features such as lakes, wetlands and unique vegetation.

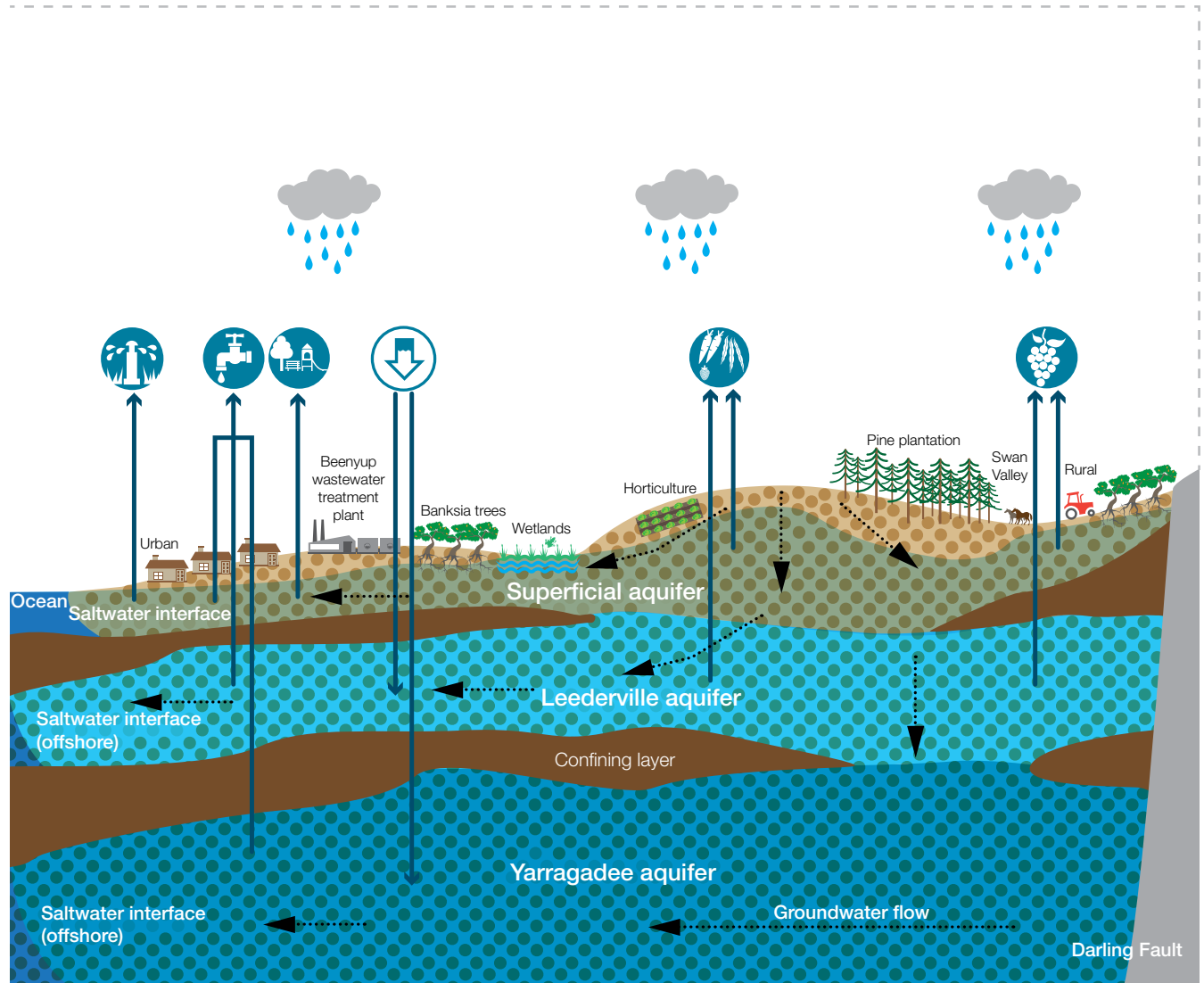
Gnangara groundwater also makes up nearly half of Perth's scheme water through the Integrated Water Supply Scheme, meaning it is an important shared water resource.

High groundwater use combined with declining rainfall and reduced recharge of the groundwater system have altered the system's water balance.

In 2016–17 the department progressed the modelling of future climate, land use and abstraction scenarios to inform development of the next Gnangara groundwater allocation plan.

The modelling helps find the most practical and effective management changes to bring abstraction into balance with reduced recharge. The department is starting to share the information generated with people in the different water use sectors to help develop strategies to adapt to less groundwater availability in response to climate change.

The goal is to secure and prolong use of Perth's largest, lowest-cost water source and support a healthy environment.



The Gnangara groundwater system has three main aquifers and supports Perth's water supplies, wetlands and vegetation.



## Water security for Carnarvon

A sustainable horticulture industry in Carnarvon is crucial to Western Australia's food supply and to the area's economy.

In 2016–17, in partnership with the Department of Agriculture and Food (DAFWA) and the Gascoyne Development Commission, the Department of Water developed the Water for Food draft Gascoyne master plan. The plan maps actions for doubling the value of food production and associated jobs growth by 2030 from the Carnarvon area through targeted investment, producer innovation and more efficient use of land and water. It builds on the work of the Carnarvon Ministerial Advisory Committee (2013–15) and incorporates outstanding actions identified in the government's response to the committee's final report, the DAFWA-led Gascoyne Food Bowl Initiative, and a major Water Corporation irrigation infrastructure upgrade.



## South West Native Title Settlement

The South West Native Title Settlement is being negotiated between the state government and the South West Aboriginal Land and Sea Council (SWALSC), with the intention to provide the Noongar people with long-term benefits and opportunities for developing their interests.

The Department of Water recognises that the South West Native Title Settlement is an important framework for water management. As part of the settlement, by-laws were amended to enable Noongar people to carry out some land-based customary activities in public drinking water source areas. Amendment of these by-laws was one of the pre-conditions for finalisation of settlement.

The government, Noongar community and relevant stakeholders are continuing to prepare for the settlement's implementation.

The Department of Water, in partnership with other state government agencies, SWALSC and water service providers, finalised an information sheet to explain the by-law changes for enabling Noongar people to carry out some land-based customary activities in public drinking water source areas. The department also made a change to the Mullalyup Water Reserve, increasing the land and water available for Aboriginal customary purposes.

## Improving streamflow data

Specialised hydraulic models of some key gauging stations are improving the accuracy of streamflow data to better inform water resource management decisions.

New technology has enabled development of models that generate an improved rating curve – used to derive a flow rate from a water level and deliver continuous streamflow data. To 30 June 2017, the Department of Water modelled rating curves at more than 46 gauging stations.

## Adapting to climate change

The Department of Water developed a future climate projections tool for Western Australia to inform a consistent, peer-reviewed, repeatable approach to predicting the effects of climate change on water resources. This guides water licensing decisions as well as water resource planning for allocation and drainage.

This year the department used the tool to apply this systematic approach to more than 15 water resource management locations.

During the year, the department worked with water user groups from Gingin to Pemberton to share information about the status of water resources and to discuss how water users can adapt to a drier future in south-west Western Australia.

Along with communication, the department uses three main climate adaptation strategies:

- managing natural water resources sustainably to match reducing rainfall

- using the water we do have more efficiently and effectively
- securing new or alternative water sources to meet additional water needs.

To stay up to date with climate science, the department worked with the National Environmental Science Programme (NESP) Earth Systems and Climate Change Hub, which includes the CSIRO and Bureau of Meteorology.

## Seasonal response

The Department of Water led the seasonal response analysis of conditions and implications for water supply for all users, while the Bureau of Meteorology and DAFWA provided forecasts and outlooks that helped identify likely climate conditions.

In 2016–17, the department tracked rainfall and river flow, assessed supply implications and advised stakeholders and water users of emerging situations that needed management and attention.

Rainfall response patterns are changing in response to the longer-term effects of climate change. Streamflow responds more slowly to the same amount of rainfall than it did in the past, so average rainfall can produce lower-than-average streamflow.

The department's monthly updates tracked rainfall, streamflow and storage levels at key locations in the South West from June to October and were published to the website and Twitter feed.

## Northern Australian environmental studies

In response to growing interest in north's water resources, the department worked rapidly to gather and assess information to support sustainable water use for regional development.

In the Fitzroy River valley, the NESP's Northern Australia Environmental Resources Hub and CSIRO's Northern Australia Water Resource Assessment are bringing together leading scientists to further knowledge of the region's water resources and water-dependent environments.

Across the Dampier Peninsula, West Canning Basin and La Grange areas, Royalties for Regions funded groundwater investigations have generated scientific knowledge so that future water use can support growth and maintain the natural system and values.

## Evaluation program

The Department of Water evaluated water allocation plan areas across the state to enable a flexible response to changing circumstances. The evaluation program has been running for six years and covers the department's 22 water allocation plans and some local strategies.

Some results from the 2016–17 evaluation program were:

- adapting management with new information from the Royalties for Regions funded hydrogeological investigations in the West Canning Basin, La Grange, Esperance, Jurien and Gingin, and in the South West from Myalup down to Scott River



- improving groundwater monitoring programs in the Murray, Peel Coastal and La Grange groundwater areas
- updating the way water is allocated in the Cockburn, Lower Gascoyne, Whicher and Warren-Donnelly plan areas
- working with stakeholders and licensees on adjusting water use for a drying climate in the Whicher, Gingin and Canning, North Dandalup and Serpentine rivers.

## River releases from Integrated Water Supply Scheme dams

This year the Department of Water completed an update of when, and how much water is released from the Serpentine and North Dandalup dams into the downstream rivers.

The new release approach was developed after scientific assessment, a three-year trial and local consultation (including a water supply survey).

Because only a small amount of water now flows into the dams, managing releases more precisely helps maintain downstream ecosystems and provides some water for small-scale local use.

The releases are two-tiered; that is, more water is released in wetter years when inflow to dams is higher. Release arrangements also take into account river ecology, the system's social and cultural values, and supply needs for agriculture and domestic use.

River flow below dams no longer provides a secure water supply over summer, and water users have gradually diversified towards alternative water sources to meet their water needs.

## Protecting drinking water

In 2016–17, the Department of Water protected water quality in proclaimed public drinking water source areas to protect the health of consumers. To do this, the department reviewed drinking water source protection reports (which include assessments, plans and reviews) to ensure the latest drinking water source information was available for land use planning and development agencies across the state.

The reports consider new, or changing, water quality contamination risks and how to deal with them. They help deliver reliable, safe and good quality drinking water at a reasonable cost.

In 2016–17 the department completed drinking water source protection reports for the Bremer Bay, Cervantes, Cue, Horrocks Beach, Katanning, Millstream, Peppermint Grove, Windy Harbour and Country Heights Estate public drinking water source areas.

The department also implemented 130 existing drinking water source protection reports, which involves the proclamation and abolition of public drinking water source areas; responding to development applications, mining or petroleum proposals and transient activities within these areas; and providing guidelines and advice on best-management practices to protect drinking water quality.

Published in 2015–16, the strategic policy *Protecting public drinking water source areas in Western Australia* provides for the continuation of the state's existing integrated land use planning and drinking water protection program.

Also published in 2016 was an update to *Water quality protection note 25: Land use compatibility tables for public drinking water source areas* which, along with the strategic policy, is available on the department's website.

This note helps state and local governments to protect drinking water by preventing, minimising and managing development in public drinking water source areas. It outlines land uses and activities that are appropriate in different priority areas, based on their potential impacts on drinking water quality and public health.

## Recreation activities in drinking water catchments

Removing restrictions on land uses and activities within 13 water catchments from Perth to the Great Southern cleared the way for increased recreation, tourism and Aboriginal customary activities to occur within them.

The increase in public activity has been balanced by enhanced protection of the remaining public drinking water source areas. The initiative followed a review of the state's drinking water source needs in response to a parliamentary inquiry seeking to increase recreation opportunities in drinking water catchments.

Public drinking water source areas identified in the review as being no longer required have now been abolished, or by-laws have been removed to open the way for increased activity.

## Wellington Plantings Estate

The Wellington Plantings Estate comprises of 18 350 hectares (ha) of Department of Water land in the Wellington Dam catchment. An area of 6995 ha was once cleared farmland which, for salinity mitigation purposes, has now been planted mainly with mixed eucalypt species.

At present, 1240 ha of this land is occupied by commercial tree farm leases (predominantly blue gum plantations) and 5755 ha is mixed species plantings that were established in the 1980s and 1990s.

The department's plantings have been successful in meeting salinity mitigation objectives (700–800 milligrams per litre benefit to the Wellington Reservoir); however, they were experimental in nature and are unsustainable in their present form due to drought losses and senescence, which started to become evident in the late 1990s.

With no ensuing natural regeneration occurring. The department therefore developed a planned and scientific approach to maintain the salinity benefit and mitigate these risks.

As part of this approach, a memorandum of understanding was developed with the Forest Products Commission to harvest and re-establish a portion of the trial eucalypt plantings with pine. The harvesting and re-establishment program is now in its first year, with 220 ha harvested in preparation for re-establishment with pine during the 2017 and 2018 planting season.

## Watering WA and Rural Water Planning

Watering WA was announced in July 2016 as a \$30 million expansion to the Rural Water Plan, which has worked with regional communities to optimise the efficient use of non-potable water supplies for the past 20 years.

Made possible by Royalties for Regions, Watering WA aims to increase the self-sufficiency, reliability and resilience of rural water supplies and provide rebates and grants to develop town, farm and pastoral water supplies.

Watering WA Towns makes grants of up to \$2 million available to regional towns. Grants are used to improve access, treatment, storage and distribution of town water supplies to irrigate public open spaces and provide an emergency water source for stock watering and firefighting.

Watering WA Farms makes rebates available to farmers connected to scheme water. Commercial farmers can apply for a rebate up to 50 per cent of the cost of approved infrastructure improvements, such as dams and catchments, tanks, pipes and pumping systems.

For the 2016–17 period, Watering WA conducted 104 farm water audits under Watering WA Farms and received 33 Watering WA Towns grant applications.

Watering WA Clean Waterways will implement on-ground actions to improve the health of Avon River waterways.

In 2016–17 the Rural Water Plan funded:

- Farm Water Rebate Scheme payments of \$1.4 million
- Community Water Supply Program project payments of \$767 849
- Rural Water Planning Program payments of \$46 352
- Pastoral Water Grants of \$26 655

The table summarises the Community Water Supply Program projects completed in 2016–17.

Shire	Rural Water Plan grant \$	Result
Kent	\$18 340	The shire connected power to the Pingrup non-potable standpipe that sources water from the unused Water Corporation Pingrup town dam.
Kondinin	\$23 200	The shire completed works for accessing water in the disused Water Corporation dam. The eroded catchment to the dam has been improved, and water from the dam gravity feeds to a 100 kL storage tank located on a nearby road reserve.
Bruce Rock	\$7 906	The shire refurbished the community dam catchment.
Kojonup	\$100 000	The shire installed a pipeline from the 30-megalitre (ML) disused Water Corporation dam to the Kojonup townsite.
Kojonup (fast track project)	\$12 950	Installation of non-potable standpipe from the disused Water Corporation dam for emergency off farm and firefighting water needs.
Boddington (fast track project)	\$33 007	Installation of piping, pump and fitting infrastructure at the disused Water Corporation dam.
West Arthur (fast track project)	\$19 362	The shire improved road access to the Gorn Road and Rees Road non-potable bores and new piping and pump infrastructure installed.
Goomalling	\$100 000	The shire upgraded stormwater drain run-off and constructed a new 1000 kL dam. Water is now redirected to a new 250 kL tank and blended with treated waste water.
Plantagenet	\$38 779	The shire constructed a new 19 166 kL dam in the Frost Park race track precinct.





## Regional Estuaries Initiative

More than 80 per cent of Western Australians live in or around estuaries – diverse ecosystems that are central to the Western Australian way of life, supporting businesses, recreational pursuits and tourism.

Environmental factors, land uses, a growing population and reduced river flows are placing pressure on the South West's six major estuaries.

The Regional Estuaries Initiative, made possible by Royalties for Regions, is the state government's biggest single investment in managing Western Australia's regional estuaries and aims to transform the following:

- 1 Peel-Harvey estuary
- 2 Leschenault estuary
- 3 Vasse-Wonnerup and Geographe Bay
- 4 Hardy Inlet
- 5 Wilson Inlet
- 6 Oyster Harbour

**Key achievements during 2016–17 were:**

### Regional capacity and delivery

To provide funding to support regional groups and implement on-ground actions for healthier estuaries, co-delivery agreements were signed with Department of Agriculture and Food (DAFWA), the Wilson Inlet Catchment Committee, Lower Blackwood Catchment Land Conservation District Committee, Peel-Harvey Catchment Council, Western Dairy, Leschenault Catchment Council and Oyster Harbour Catchment Group.

In January 2017, the Regional Estuaries Initiative [website](#), which includes interactive map-based tools, went live.

## Sustainable agriculture

The Sustainable Agriculture Project Reference Group – comprising farmers, industry bodies, DAFWA and catchment and natural resource management groups – met regularly throughout the year to guide project planning and decision-making.

The project team worked with farmers to optimise fertiliser use by providing incentives for soil testing, nutrient mapping and agronomic advice.

In 2016–17, 20 500 ha of land was sampled and mapped on 93 farms in the Regional Estuaries Initiative and Revitalising Geographe Waterways catchments, funding prioritisation and eligibility guidelines for dairy effluent management were developed, and 16 farm effluent reviews were completed by industry partner Western Dairy.

The DairyCare project is working to reduce nutrient loss from dairy farms and improve the water quality in regional estuaries.

## Moving water in the landscape

Work to restore stream function got underway with streams fenced to exclude stock and seedlings ordered to begin foreshore revegetation.

Drainage improvement projects began in the Peel-Harvey catchment, with site characterisation complete and detailed project design underway.

The Department of Water completed an in-drain trial of the use of soil amendments in small bags. Learnings regarding construction methods will be applied when the trial is scaled up to multiple designs and locations.

Sites were identified for a stormwater retrofit and upgrade at Yakamia Creek in Albany, and a program of garden workshops to promote efficient fertiliser use at home kicked off in Bunbury.

## New technologies for remediation

The Department of Water began development of a new clay product that binds to phosphorus particles (making them unavailable to algae) and trials to upscale and optimise the clay production process have started.

In the first in-river trial of the new clay product, algal blooms in trial tanks in the Lower Vasse River were largely prevented for more than three months.

## Science for management

Fortnightly catchment water quality monitoring and monthly estuary water quality monitoring began – made possible by Regional Estuaries Initiative funding for increased monitoring of the six target estuaries and their catchments.

Catchment modelling began for the Peel-Harvey, Vasse-Wonnerup and Wilson Inlet to identify catchment nutrient sources and management actions to improve stream and estuarine health, and estuary response models showed how these systems respond to change.

Hydrodynamic models for the Peel-Harvey and Vasse-Wonnerup are also being developed. Instruments have been deployed in the Wilson Inlet to collect data that will inform the Wilson estuarine response model.

[rei.dwer.wa.gov.au](http://rei.dwer.wa.gov.au)



## Revitalising Geographe waterways

The Geographe catchment has a long history of water quality problems. Toxic algal blooms have become an annual event in the Lower Vasse River, and fish kills in the Vasse-Wonnerup wetlands have indicated a system under stress. Improving the quality of the water in the catchment has been a priority for the past decade.

In November 2014 the multi-agency Vasse Taskforce was established to address water quality problems. In 2017 Hon. Dr Sally Talbot MLC, member for South West region, was appointed as the incoming chair of the taskforce, replacing Libby Mettam who had been chair for 18 months.

The Revitalising Geographe Waterways program, made possible by Royalties for Regions with \$15 million over four years, was launched in December 2016 by the Minister for Water and overseen by the Vasse Taskforce to improve communication and cooperation among the partners.

Like the Regional Estuaries Initiative, the Revitalising Geographe Waterways program is built around collaborative partnerships between industry, community, local government, state government agencies and water service providers.

Major projects during the year have focused on understanding how the various components of the wetland-estuary system respond to changes in flow, management practices and nutrients. An innovative estuary response model to inform management decisions has been built for the Vasse-Wonnerup wetlands to incorporate and consolidate much of the new understanding.

Practical trials of potential management actions at the Vasse surge gates have allowed evaluation of the effectiveness of adding oxygen to alleviate low oxygen near the gates, various surge barrier openings in response to low oxygen and algal blooms, and dredging of the accumulated sediment based on sediment surveys.

The feasibility of re-connecting rivers and drains in the catchment drainage system to improve water quality has been examined through detailed hydraulic modelling of options canvassed several public meetings. How the reconnection options contribute to management objectives will be considered in the coming year for the Vasse-Wonnerup wetlands, the lower Vasse River and the wider catchment.





## Seagrass indicators of estuary health

Seagrasses are a critical component of estuarine ecosystems, valued for their role in increasing biodiversity and providing a habitat and food source for waterbirds. Seagrasses also take-up nutrients from the water, oxygenate the sediment and water during photosynthesis, and improve water clarity by reducing sediment resuspension. Seagrass in good condition is an important outcome of effective estuary management.

In 2016–17, seagrass condition was assessed in both the Leschenault and Swan-Canning estuaries. Work in the Swan-Canning estuary continues the collaboration with the Department of Parks and Wildlife that began in 2011–12 to develop overall indicators of seagrass condition and a simple framework for reporting. Efforts to understand seagrass condition in the Leschenault are made possible by the Regional Estuaries Initiative.

The Leschenault estuary has shown signs of improved seagrass condition since surveys in 2013–14 suggested seagrass in this estuary was near a tipping point, that is, in poor health with declines in distribution and extremely poor reproductive effort. Seagrasses were likely under stress from multiple causes before 2014, including substantial and persistent macroalgal blooms from eutrophication and a marine heatwave.

This current survey showed seagrass was most abundant along the eastern shore and in the area near The Cut. It was notably absent from the central basin – likely due to sediment resuspension of fine particulates, making the light climate not suitable for seagrass in this zone.

Detailed observations at two sites were also made, with the intention of assessing change at the meadow-scale in cover and composition in future years. Reproductive effort also improved in 2016–17 compared with previous years.

Seagrass condition in the Swan-Canning estuary visibly declined due to the summer floods in 2017. The floodwaters brought fresh and turbid water into the estuary from the catchment. Consequently, much lower light was available to seagrasses during their peak growing season.

The floodwaters caused leaves to be shed, a reduction in reproductive effort and a significant loss of biomass.

The extreme conditions encountered by seagrasses in 2016–17 will provide a valuable test for the seagrass indicators developed during the past five years of this program.

## Catchment nutrient reports

Catchment nutrient reports summarise monitoring data for rivers and streams that run into ‘at risk’ estuaries.

Annual updates track river flows, rainfall, nutrient concentration, nutrient loads and nutrient status from year to year. The reports are used by catchment groups, agency staff and other interested parties to understand changes over time and to track improvements from catchment works.

Annual summary reports were completed for the 27 catchments in the Swan-Canning estuary and the 15 in the Peel-Harvey.



## Healthy Rivers Program

The Healthy Rivers Program aims to provide tools and advice to underpin management of waterways and water resources through the collection and interpretation of data about rivers and their catchments. Engaging the community in water and river management and helping other agencies with natural resource management are important components of the program.

The program is designed to develop best-management practice to protect and improve the health of rivers across south-west Western Australia.

The program generates data and information for future national river-health reporting, and enables Western Australia to compare water resource approaches and outcomes with other states.

In 2016–17, the Department of Water finalised a list of sites and river reaches that will form the core of assessments during the next five years.

## Peel Integrated Water Initiative

The Peel Integrated Water Initiative, made possible by Royalties for Regions, is an innovative approach to address the future water demands from the planned Peel Food Zone and Peel Business Park to the north-east of Mandurah. The Peel Food Zone is a new 42 000 ha area of food production, set to supply local and international markets. It incorporates a 1000 ha business park for product processing and distribution.

This project is designed to ensure water resource development in the Peel-Harvey catchment is carried out in an environmentally responsible way. It also seeks to enhance the ecological value of the area by reducing the nutrient levels entering the estuary.

In 2016–17, the Department of Water worked on the following aspects of the project:

- environmental analysis of the catchment to identify opportunities for and constraints to the proposed development and minimise land use impacts on the environment
- assessment of a range of available water sources to provide diversity of supply options to meet the expected growth in demand from the Peel Food Zone
- application of effective strategies to reduce nutrients entering the estuary system
- pre-feasibility and testing of innovative water source and storage options to enhance the long-term resilience of the Peel Food Zone.

## Water for Food

The Water for Food program, made possible by Royalties for Regions, began as a \$40 million project in July 2014. In December 2016, a further \$87.5 million in funding was approved – bringing the total value of the program to \$127.5 million.

Water for Food consists of 15 projects across the state – from the Kimberley in the north to Manjimup in the south.

The program's main objective is to identify water and land resources, as well as irrigation technologies, to enable Western Australia's fresh food and animal protein production to increase its contribution to regional economies by at least 50 per cent by 2025.

The program supports public and private sector investment decisions for new, large-scale irrigated agriculture precincts and for the expansion of existing areas by identifying where water is available, along with its quality and quantity.

Water for Food is moving from a focus on water and land investigations to developing infrastructure, attracting investment and facilitating industry growth.

The program will be delivered by the Department of Primary Industries and Regional Development in 2017–18 as a result of the changes to the public sector announced by the state government in April 2017. The new Department of Water and Environmental Regulation will support the program and facilitate development through its water resource assessment, allocation planning and regulatory roles.

## Mowanjum Irrigation Trial

The \$3.6 million Mowanjum Irrigation Trial, now into its third and final year, continued to achieve positive economic and social outcomes for the Mowanjum Aboriginal community and the surrounding region.

The project and irrigation development model is central to the transformation of other pastoral stations in the area and is part of the broader drive to increase pastoral productivity and improve Western Australia's beef production industry.

The project's centrepiece is a 38 ha centre pivot irrigation system and a stand and graze operation using the latest technology in remote agronomic and cattle management.

The Mowanjum project's major achievements during the past year include:

- key industry partnerships for project implementation and research outcomes
- a commercial partnership with Pardoo Beef Corporation
- an Aboriginal trainee program, with plans to expand the initiative to school-based traineeships
- an increase in cattle stock numbers and genetic improvements
- broader station infrastructure improvements.

One of the main aims is to achieve a sustainable irrigation enterprise and pastoral lease for Mowanjum Pastoral Station. So far, the economic growth for the station – which started out with just one centre pivot – has been profound.

The irrigation trial is based on government supporting the Mowanjum people to deliver the trial, rather than government running the project. It is a demonstration project that can be adopted by other pastoral stations across the Northern Rangelands seeking to diversify and increase pastoral productivity.

In November 2016, the Department of Water, together with the Mowanjum Aboriginal community, won two Premier's Awards for the program: the Premier's Award for Improving Aboriginal Outcomes and the overall 2016 Premier's Award for the most outstanding initiative of the year.

### La Grange–West Canning Basin: Groundwater for Growing Opportunities

This project aims to advance the development of irrigated agricultural production in the La Grange and West Canning Basin areas south of Broome and expand the existing horticultural precinct at Skuthorpe east of Broome.

In September 2016 two monitoring bores were installed on Roebuck Plains to assess the saltwater interface and evaluate the influence of water abstraction on groundwater-dependent ecosystems at Skuthorpe. Long-term monitoring will take place to ensure sustainable use of the resource.

In parallel with these works, and following an expression of interest process, the Department of Lands issued an 'option to lease' to Kimberley Asparagus Pty Ltd for the remaining lots in the Skuthorpe Horticulture Area.

### Fitzroy Valley Groundwater Investigation

This project aims to support a patchwork of irrigated agricultural development in the lower Fitzroy Valley through a package of investigations to determine groundwater availability and a groundwater allocation planning process.

The investigation is focused on an area between Willare and Fitzroy Crossing and provides an opportunity for transformational change to the township of Fitzroy Crossing and surrounding communities.

The Water for Food program is collaborating with the Northern Australia Water Resource Assessment and NESP's Northern Australia Environmental Resources Hub.

These partnerships will increase knowledge of the groundwater resources and their interaction with surface water, environmental linkages, and the river's social and cultural values.

The department commenced a reinterpretation of data collected from the West Kimberley airborne electromagnetic geophysical survey flown in September and October 2015. This reinterpretation of data will contribute to a better understanding of the regional hydrostratigraphy.

In September 2017 three monitoring bores and one production bore were drilled on Kimberley Downs Station and, in June 2017, a further two monitoring bores were drilled on Brooking Springs Station to enable the assessment of groundwater availability and quality in the Grant Group system. The information gathered from these bores will help improve understanding of the aquifer's characteristics and its potential to supply water for irrigation development.

The Water for Food program also supported surface water sampling along the lower Fitzroy River in June 2017 (building on previous sampling undertaken in 2010 and 2015) to provide a better understanding of surface-groundwater interaction.

### Knowsley Agricultural Area Water Investigation

This investigation aims to support irrigated agricultural development around Derby through a package of investigations to determine groundwater availability and a review of the Derby groundwater allocation plan. The Knowsley Agricultural Area is a particular focus for the project.

In September 2016, a groundwater exploration program was completed with the installation of 14 monitoring bores and one production bore. These bores will provide information about the Wallal Sandstone and Erksine Sandstone aquifers.

Groundwater recharge assessment fieldwork was undertaken with sampling of rainfall and bores at several sites. This work was completed in May 2017 and the outcomes will be used to estimate aquifer recharge. The groundwater exploration program and recharge assessment will together inform a water resource assessment report and groundwater allocation planning.

### Bonaparte Plains – Ord East Kimberley Expansion

This project aims to attract investment in irrigated agricultural production on Bonaparte Plains, an area of about 30 000 ha about 50 kilometres north of Kununurra. The project comprises hydrogeological, geophysical, environmental, heritage and land capability investigations with major work packages being delivered by the Department of Agriculture and Food (DAFWA) and Geoscience Australia.

In November 2016 DAFWA completed initial soil mapping for Bonaparte Plains after a series of field investigations. Then in January 2017 it signed a research agreement with the Northern Territory Government to deliver the test drilling, pumping and hydrogeological components of the Bonaparte Plains project.

### Water information conversion

Hard copy hydrogeological information that was in the past difficult to access will now be available in digital format online from the department's Water Information Reporting portal.

This project aims to make available information from up to 10 000 hard copy reports from the 1950s to the present day – containing information on as many as 100 000 bores across the state.

During the 2016–17 financial year 2448 reports were assessed as part of this project.

The information will speed up the process for accessing base information for water supply investigations and assessments to underpin future agricultural developments.

### Myalup-Wellington: Water for Growth

The Wellington Dam is the state's second-largest reservoir but rising salinity has resulted in much of the annual water allocation of 85 GL being under-used.

As part of the Myalup-Wellington project, which is exploring water supply options to reduce reliance on groundwater supplies in the Myalup Irrigated Agricultural Precinct and the Collie River Irrigation District, an expression of interest process was initiated to provide solutions for increasing the availability and use of water from the reservoir.

In January 2017, the state government committed \$37 million to an industry-led solution. This funding supported a state submission to the federal government for funding under the National Water Infrastructure Development Fund for a further \$140 million.

The solution is estimated to create 1500 permanent jobs and a cost-benefit analysis indicates public benefit would be more than double the public investment. Accordingly, the proposed solution has been put on the National Infrastructure Priority List.

A pre-feasibility study was completed in 2017 that looked at the possibility of establishing a managed aquifer recharge system in Myalup to increase available groundwater supply to irrigators.

This study found that managed aquifer recharge was feasible and a local area model of the superficial aquifer system was made for the Myalup study area. Working with the Department of Water, the proponent completed a broader feasibility of the proposed solution using a \$1 million contribution from the National Water Infrastructure Development Fund administered by the department.

The department has been assessing an industry-led solution and water allocation licence applications to enable the solution to be delivered.

In early June 2017, drilling of a series of monitoring bores began. A total of seven bores are being drilled, including five monitoring bores and one production bore in the Leederville aquifer, as well as one superficial monitoring bore.

The information gathered from these bores will help improve government understanding of the available groundwater resources and the local aquifer's capacity to store water if managed aquifer recharge is implemented.



## Southern Forests Irrigation Scheme

Investigations into the potential for an expanded irrigation scheme for the Warren-Donnelly and Southern Blackwood regions were concluded, confirming it is technically feasible to harness peak flows from the Donnelly River and supply this water via an off-stream storage dam in the Record Brook area.

Up to 10 GL annually could be made available to meet the expansion plans of the Warren-Donnelly irrigation district.

The next step is formalise this interest through water sale contracts with \$10–12 million expected to be raised through water sales. To support this process, farming industry representatives formed the SF Irrigation Cooperative Ltd to work with government on how best to build and operate this transformational scheme.

At an estimated cost of \$80 million, the scheme will provide an additional 225 jobs in the region and grow agricultural output by around \$100 million per year.

The scheme's potential has been further bolstered by \$19 million of conditional funding from the state government, with further funding being sought from the federal government.

Community consultation and engagement efforts will increase as the project moves toward construction. SF Irrigation Cooperative Ltd will play a central role in ensuring strong community involvement and sense of ownership by local growers.

## Midlands: Groundwater and Land Assessment

The Midlands: Groundwater and Land Assessment project aims to confirm irrigated horticulture expansion areas between Gingin and Dongara, one of the most economically promising irrigation areas in Western Australia.

In late 2015 the Irwin area near Dongara and the Dinner Hill area north of Dandaragan were selected as focus areas for potential intensive irrigated agricultural expansion. The two locations were selected with input from community and industry bodies to undergo groundwater investigations, as well as infrastructure, soil and crop analysis. This was to confirm their suitability for intensive irrigated agriculture and investment by local landowners.

In January 2017, two monitoring bores were drilled in the Irwin focus area to enable the assessment of groundwater availability and quality in the Yarragadee aquifer. The information gathered from these bores helped improve understanding of the aquifer's characteristics and its potential to supply water for irrigated agriculture.

Highlights from the project included the release of a report that accounted for all infrastructure that could support irrigated agriculture across the study area, and the publication of a groundwater-dependent ecosystem report. Soil, crop and land capability fieldwork studies were completed, and the development of a new hydrological understanding of the Dinner Hill groundwater resource was developed which will allow the allocation limit to be reviewed

*The Northern Perth Basin: geology, hydrogeology and groundwater resources* bulletin synthesises all the drilling data collated during the past century to define the geology and hydrogeology of the northern Perth Basin. The release of this publication by the department was an important document to assist in the understanding of the water and land in the project's focus area.

## Draft Gascoyne master plan

Starting as the Middle Gascoyne Water Investigations project, the analysis of an aerial electromagnetic survey flown in 2015 aiming to identify new irrigation water sources in the Middle Gascoyne failed to detect any groundwater resources that warranted further drilling investigations.

In June 2016, the Water for Food Ministerial Steering Committee approved the redirection of project funds to support further work for the existing Lower Gascoyne irrigation area near Carnarvon. The redirecting of funds initiated the Gascoyne master plan project.

The new project's main objective was to create a long-term framework for growth and investment in the Gascoyne region.

In 2016, community consultation took place, led by a community reference group, to develop the draft Gascoyne master plan document.

The draft plan is a framework that proposes the actions needed to increase the value of the region's food production sector through investment, innovation, and more efficient use of water and land.

## Service 3: Water regulation, licensing and industry governance

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In 2016–17, the Department of Water's responsible, proportional regulation ensured investment, growth and development was supported by sustainable management of the state's water resources. This service included the management of water licensing. It also included the management of the legislation governing the operations of water service providers.

Western Australia's water use has almost doubled in the past three decades to 1860 billion litres a year and projections show demand will double again by around 2050.

Mining and agriculture are the biggest consumers, accounting for more than half of all licensed water use, with associated benefits to the state's jobs and economy.

The public water supply is delivered by 36 water service providers including Water Corporation, Aqwest and Busselton Water.

Rising demand is increasing competition for water in many parts of the state. This, coupled with the challenges presented by climate change impacts in the South West, is increasing the number of fully allocated resources and the complexity of water resource management.

Water is also essential for the green parks and recreation spaces that support the state's liveability.

## Regulating for the sustainable productive use of water

Western Australia's growth and development depends on secure and sustainable water supplies. The department licenses water to private self-supply water users for mining, agriculture, horticulture, irrigation of public parks and recreation spaces and other purposes that benefit business and the community.

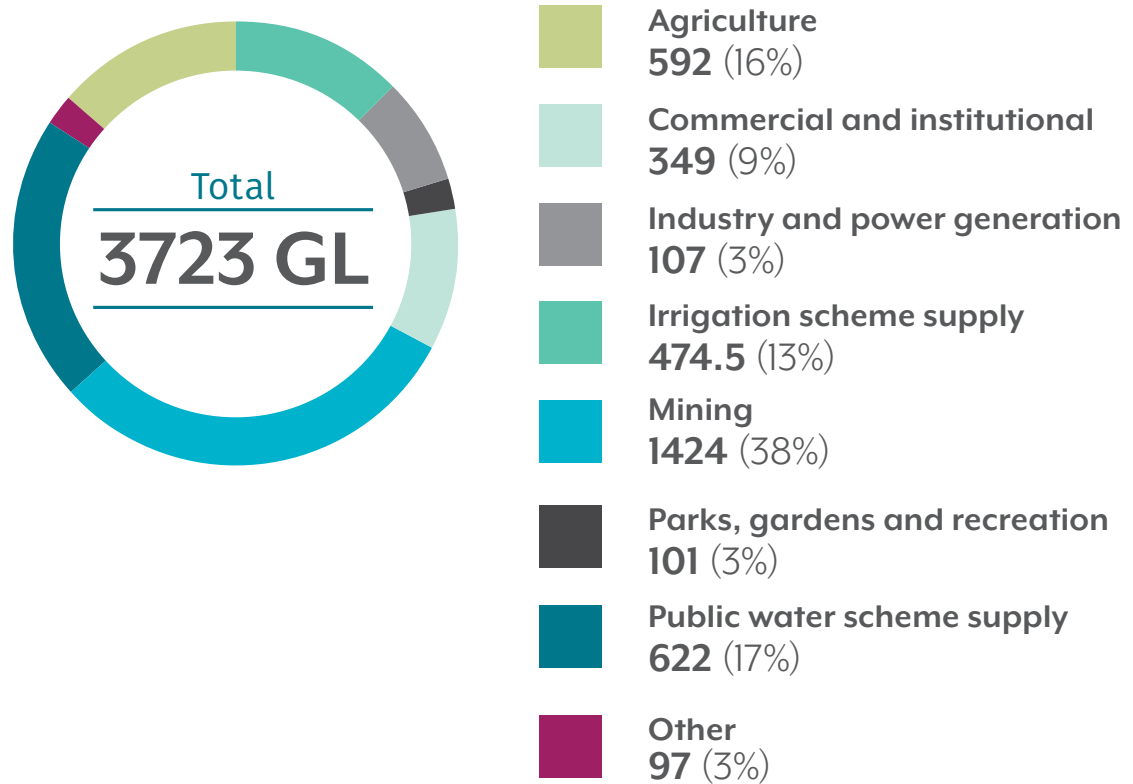
More than 83 per cent of the state's licensed water supports industry and development while about 17 per cent is used in homes. Mining and agriculture are the biggest consumers, enabling growth and development for the economy and the community.

As at the 30 June 2017, the Department of Water administered 13 072 licences and permits across the state. These covered 730 groundwater and 296 surface water resources.

In 2016–17 a total of 3723 GL was licensed for use. This comprised 2705 GL from groundwater resources and 1018 GL from surface water resources. Surface water figures contain licensed dam storage volumes that are not always available for use due to climate and inflows.

A total of 75 private water entitlement trades between licensed water users occurred during the year, comprising 57 permanent trades and 18 temporary trades.

## Total combined licensed volumes by industry sector

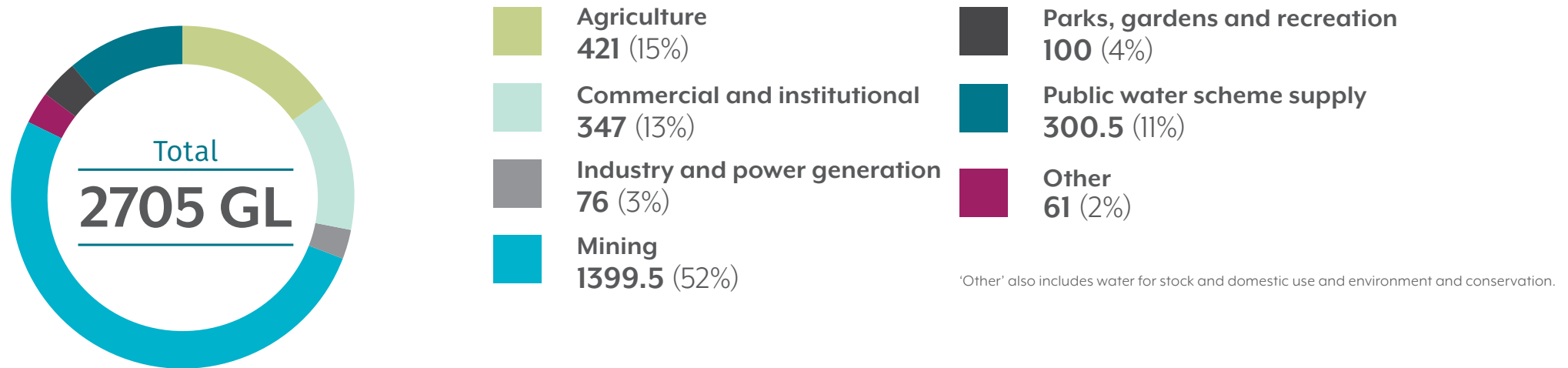


'Other' also includes water for stock and domestic use and environment and conservation.

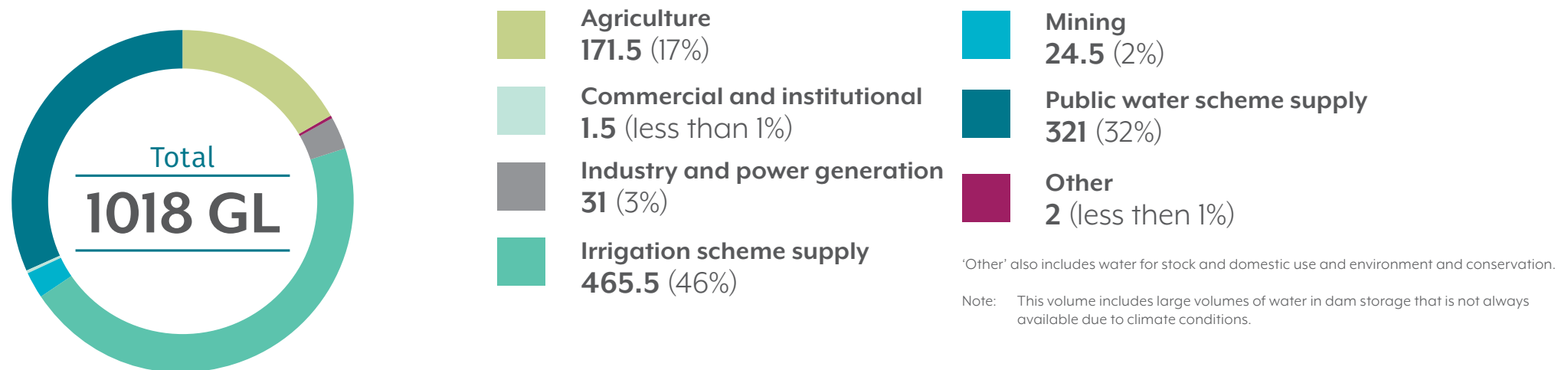
Note: This graph indicates the quantity of water licensed for use in Western Australia, not actual water usage.



### Total groundwater licensed volumes by industry sector



### Total surface water licensed volumes by industry sector



## Integrated Water Supply Scheme

The Water Corporation's Integrated Water Supply Scheme (IWSS) supplies public drinking water to Perth, Mandurah, the Goldfields, agricultural areas and some South West towns. The water is sourced from a combination of groundwater, surface water and seawater produced from two desalination plants.

Under the *Rights in Water and Irrigation Act 1914*, the Department of Water has issued five-year licences (2012–2017) to the Water Corporation authorising the taking of groundwater from the Gngangara and Jandakot groundwater systems with an allocation of 127 billion litres per year.

In 2016–17, to address the potential of a public water supply shortfall due to successive poor winter inflows into IWSS dams, as a contingency measure the Water Corporation applied for and was granted a temporary additional groundwater allocation of 13.5 billion litres.

A separate licence authorising the recovery of 7 billion litres as part of the groundwater replenishment scheme was also granted, but not used, bringing the total licensed IWSS groundwater allocation for 2016–17 to 147.5 billion litres. The actual volume of groundwater take by the Water Corporation from the Gngangara and Jandakot mound was 140.3 billion litres.

In 2016–17, as in previous years, the department and the Water Corporation adjusted the pattern of IWSS borefield abstractions using the latest environmental health data to limit impacts on ecologically important sites. The pumping adjustments are safeguarded within licence conditions.

During 2016–17 the department also worked with the Water Corporation to determine how to adjust to the reductions in groundwater abstraction needed to maintain a sustainable groundwater supply for the IWSS. Given the IWSS is the single largest user of groundwater from the Gngangara groundwater system, this ongoing work is an important part of completing the next Gngangara groundwater allocation plan.

## REFOCUS

The 2016–17 financial year saw the fifth and final year of REFOCUS, a program designed to reduce red tape and streamline water regulation by using an improved risk-based approach to water licensing applications and land use planning.

Taking a risk-based approach has enabled the department to reduce water licence processing times by fast tracking low-risk applications. The average time taken to assess a licence has reduced from 87 days to 62 days over the life of the REFOCUS program.

About 80 per cent of all licence applications are now processed within established target timeframes, up from 72 per cent at the beginning of the REFOCUS program.

The department responded to 95 per cent of requests for advice on land use proposals within 35 business days.

## Water Online

The Water Online portal continued to make water-related transactions easier and faster. The portal, launched in July 2015, now serves as the department's key customer interface and has transformed interactions with customers and external stakeholders. Since the initial rollout, the Department of Water has received more than 2000 registrations for online services relating to water licensing and requests for planning advice, and 53 per cent of licence applications are now received online.

In 2016–17, 1973 applications for water licences and requests for planning advice were submitted by customers through the portal.

Additional enhancements to the system in 2016–17 allowed for water licence holders to manage all of their licence requirements online with the ability to submit compliance reports and additional information requests through the portal, as well as being able to track the status of their applications.

Water Online is also transforming services to industry. Government employees and consultants now have direct access to the extensive repository of water information from a network of more than 120 000 monitoring sites across the state.

The Water Information Reporting portal has reduced waiting times for water information – in most cases – from months to a matter of minutes.

In 2016–17, the Department of Water improved its water licensing processes under the *Rights in Water and Irrigation Act 1914* by:

- updating information for applicants via the Water Online system and website about situations when licensing would not be required (e.g. exemptions)
- enhancing the application validation process to better manage situations where applications request both licensable and exempt uses
- delivering a reduced regulatory burden by adopting risk-based management approach
- increasing consistency and efficiency through the setting of SMART (specific, measurable, achievable, relevant and time bound) licence conditions, minimising the number of required conditions while still achieving water resource management objectives.

## COMPASS

Following the successful rollout of online services via Water Online during 2015–16, the highlight of 2016–17 was implementation of an integrated licence, compliance and water resource management system, known as COMPASS, to support licence assessment and compliance management.

COMPASS enabled the transition from a largely manual assessment process to an end-to-end electronic assessment of licence applications, introducing improved quality assurance and workflow efficiencies.

The new compliance application was integrated with the Department of Water’s online portal and the new licence assessment application, and enables both automated and manual scheduling of compliance monitoring events for licensed and unlicensed activities.

Additional benefits include the ability by licensees to track the progress of water licence applications and submit additional information online.





## Compliance and enforcement

The Department of Water continued to implement compliance and enforcement activities aligned with the National Framework for Compliance and Enforcement Systems for Water Resource Management that was established over the five years to June 2016.

The framework helps to ensure:

- compliance monitoring activities are proportionate to the level of risk to water resources
- investigations are prioritised effectively and undertaken in accordance with best-practice investigative methodologies
- a strategy of escalation is adopted in responding to non-compliance
- information provided about compliance and enforcement activities is nationally consistent and transparent.

This is complemented by the improved reporting capabilities being achieved under the Water Online program.

The new system also has automation that enables the scheduling of risk-based compliance monitoring activities, and will support the staged implementation of the Department of Water's *Measuring the taking of water* policy (January 2016).

Under the updated policy, licensees are required to measure their water take using an approved water meter, or alternative measurement device, except for where there is minimal benefit to water resource management in doing so.

Implementation began in December 2015 and will be staged over five years. Licensees with large entitlements (i.e. 500 ML per year or more) are the first to be required to measure their water take by 31 December 2017.

The Department of Water maintained its capacity in compliance and enforcement and in 2016–17 relevant staff completed a formal compliance and enforcement training program.

## Response to non-compliance

Category	2014–15	2015–16	2016–17
Total water licence compliance checks	2547	2569	1726
Total incidents of suspected non-compliance identified	504	653	452
Total incidents of suspected non-compliance resolved	754	563	652
Total education letter	122	197	51
Total licence amendment	12	18	5
Total warning notice	116	135	126
Total infringement notice	37	44	59
Total direction notice	31	27	20
Total prosecution	0	2	2



## Cutting red tape

A class exemption from licensing under the *Water Services Act 2012* was introduced in 2016 for local governments supplying sewerage and/or non-potable water services to less than 1000 customers.

The exemption currently applies to 17 shires: Brookton, Coolgardie, Dalwallinu, Denmark, Dowerin, East Pilbara, Goomalling, Jerramungup, Kent, Koorda, Moora, Northam (added in April 2017), Ravensthorpe, Victoria Plains, Wickiepin, West Arthur (added in September 2016) and Yilgarn.

The exemption has led to a significant reduction in red tape for small shires. The exemption will be reviewed in 2021 following continued liaison with the shires.

The class exemption for local government drainage services has been extended until 8 May 2019. These exemptions reduce regulatory costs and encourage efficient sewerage services and recycling.

## Improved stakeholder perceptions

In 2016–17 there was a statistically significant increase in ‘the proportion of stakeholders who perceived the department to be effectively managing the state’s water as a resource for sustainable productive use’, which is a key performance indicator

The key performance indicator stakeholder perceptions research is useful to ascertain the views and opinions of stakeholders so that the department can listen to stakeholder views and their needs can be more closely met.

During 2016–17, the department made a concerted effort to listen to stakeholders, ascertain requirements and improve relationships through implementation of a formal stakeholder management framework, a trial of a customer relationship management system and better communications.

In 2016–17, the proportion of stakeholders who believed the Department of Water was effective was 69 per cent (against a key performance indicator target of 60). Last year (2015–16) the proportion was 57 per cent and in 2014–15, when the research was instigated, the proportion was 55 per cent.

## 2016–2017 Awards

Initiative/program	Achievements
Water for Food Mowanjum project	Winner of the overall 2016 Premier’s Award for most outstanding initiative of the year
Water for Food Mowanjum project	Winner of the 2016 Premier’s Award for Improving Aboriginal Outcomes
Urban Waterways Renewal	Winner of the 2016 Australian Business Award for Project Management
Urban Waterways Renewal	Finalist in the 2016 Premier’s Managing the Environment category
River Health Assessments	Winner of the 2016 Australian Business Award for Sustainability
UNDO Tool	Winner of the 2016 Australian Water Association Water Sensitive Urban Design Award
Roy Stone	Recipient of an Australia Day Achievement Medallion
Dr Kath Lynch	Recipient of an Australia Day Achievement Medallion
Michelle Jahn	Finalist – Human Resource Management Practitioner of the Year. 2016 Institute of Public Administration Australia WA Achievement Awards

### Department of Water wins Premier’s Award

The Department of Water had another award-winning year in 2016–17. The highlight was winning the overall 2016 Premier’s Award for the Water for Food Mowanjum project, thus designating the work as the most outstanding initiative of the state’s public sector throughout the year. The project also won the Premier’s Award for Improving Aboriginal Outcomes.

The department’s Urban Waterways Renewal project, a collaboration between the department and the South East Regional Centre for Urban Landcare, was also a finalist in the 2016 Premier’s Awards for Managing the Environment.

During the year, the department was also recognised for its excellence in developing innovative water solutions by several industry and professional bodies.

The River Health Assessments program won a 2016 Australian Business Award for Sustainability and the Urban Waterways project won a 2016 Australian Business Award for Project Management.

The web-based Urban Nutrient Decision Outcomes (UNDO) tool won the 2016 Australian Water Association Water Sensitive Urban Design Award.

The department awarded staff with Australia Day Achievement Medallions as part of an Australia-wide recognition of the contributions of public servants to the nation.

Those awarded were Roy Stone, whose work has underpinned the success of a more efficient and sustainable water industry in Western Australia, and Dr Kath Lynch for achievements in natural resource management, land use planning, water quality improvements and working with GeoCatch.

Michelle Jahn was a finalist for the Human Resource Management Practitioner of the Year in the 2016 Institute of Public Administration Australia WA Achievement Awards.



# Actual results versus budget targets for performance management framework

## Service areas - summary of audited key performance indicators

The details of the key performance indicators, including a description of the measures and variance analysis, are included in the section 'Detailed information in support of key performance indicators'.

## Certification of key performance indicators

For the year ended 30 June 2017

I hereby certify that the key 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 2017.



**Matt Squires**  
Reporting Officer

10 August 2017

# Outcome-based management framework

Government goal	Agency outcome	Agency services
<p><b>Social and environmental responsibility:</b></p> <p>Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the state.</p>	<p>Western Australia's growth and development is supported by the sustainable management of water resources for the long-term benefit of the state.</p>	<ol style="list-style-type: none"> <li>1 Water information and advice</li> <li>2 Water planning, allocation and optimisation</li> <li>3 Water regulation, licensing and industry governance</li> </ol>

Results with significant variances of 10 per cent or more or more compared to the target or prior year results are explained.

## Effectiveness indicators for 2016-17

Effectiveness indicator	Target 2016-17 %	Actual 2016-17 %	Actual 2015-16 %	Actual 2014-15 %
Proportion of stakeholders who perceive the department to be effectively managing the state's water as a resource for sustainable, productive use <sup>(a)</sup>	60	69	57	55

(a) The 2016-17 survey results have a confidence interval of +/-4.7% at 95% confidence level. Other survey statistics include:

- Population size: 1252 stakeholders
- Stakeholders invited to participate: 1252
- Number of respondents: 319
- Response rate: 28%

The management of the state's water resources to enable growth and development is a core objective for the Department of Water, and this occurs within the context of ensuring the sustainability of the resources and their dependent environments.

The department has many stakeholders with competing interests, including those from industry, investment, community and environmental sectors.

A survey was conducted in February 2017 with the intent to determine the extent to which stakeholders perceive the department to be effectively fulfilling the statutory and other obligations that form its core role rather than satisfaction with a particular decision or handling of a specific issue.

The indicator is based on feedback received from the stakeholders through the survey. It is calculated as a percentage of respondents answering "very effective" or "quite effective" to a question in the survey about their perception of the department effectively managing the state's water as a resource for sustainable productive use. The other options for selection included "neither one nor the other", "quite ineffective", "very ineffective" or "don't know".

## Variance analysis

The variance between the 2015-16 Actual, the 2016-17 Target and the 2016-17 Actual results is due to improved departmental stakeholder management and communications.

Effectiveness indicator	Target 2016–17 %	Actual 2016–17 %	Actual 2015–16 %	Actual 2014–15 %
Proportion of priority growth areas that have a water supply planning strategy	63	63	56	44

In priority growth areas, the department develops a water supply plan or strategy to identify current and future water resource and supply options to meet demand for industry and population growth over the long term. This supports the timely development of resource and supply options to meet demand in areas of state priority.

Priority growth areas are based on advice from an inter-agency Senior Officers Group (water supply planning) about projects that have strategic significance for the state; and areas identified through the Water Supply-Demand Model as having a gap between future water demand and water availability.

The indicator is calculated as a percentage of the priority growth areas with a water supply planning strategy out of the total priority growth areas identified.

### Variance analysis

The variance between the 2015–16 Actual and the 2016–17 Actual results is due to the 'Ord-East Kimberley Expansion Water Supply Project – Phase 2: Feasibility study of supply options' that was completed during the year. This represents a total of 10 completed reports against the 16 identified priority growth areas over the period from 2013–14.



## Key efficiency indicators

### Service 1

#### Water information and advice

The department enables investment decisions of regional and state significance through the provision of data and information on the quantity, quality, location of, and demand for, water across the state. The information also underpins policy advice for consideration by government and supports other government agencies and stakeholders in their planning for future economic growth and urban and rural development.

Reliable water resource data is a key input to responsible water resource management and state development.

Effectiveness indicator	Target 2016-17 %	Actual 2016-17 %	Actual 2015-16 %	Actual 2014-15 %
Proportion of statutory referrals from decision making authorities where advice is provided within target timeframes	96	95	97	97

Technically proficient, reliable and timely advice on the state's water resources enables effective decision making by decision-making authorities (DMAs) that directly supports growth, development and investment for the long-term benefit of the state. Decision-making authorities include the Office of the Environmental Protection Authority, Western Australian Planning Commission, Department of Mines and Petroleum, Department of Environment Regulation and local government. This includes advice about water availability; the avoidance, management and mitigation of impacts on water resources; and the protection of public drinking water sources.

This indicator represents a measure of the department's timeliness with respect to the provision of advice on various statutory referrals from DMAs. It demonstrates the efficiency with which the department is meeting statutory timeframes in providing water information and advice.

A statutory referral is a formal request for water advice from a DMA that has a statutory timeframe associated with the provision of that water advice. This indicator is calculated as a percentage of the total number of statutory referrals from DMAs to the department for advice that met the 35 business day timeframe within the period.

Effectiveness indicator	Target 2016-17 \$	Actual 2016-17 \$	Actual 2015-16 \$	Actual 2014-15 \$
Average cost per statutory referral assessment	8 898	8 828	7 675	4 980

This measure provides information on the amount of operational expenditure being used for statutory referrals that enable decisions on proposals that support the state's growth and development.

The indicator is relevant to the service because it is a directly attributable operational cost incurred in service delivery to meet the desired outcome.

An assessment is generated from both a formal request for water advice from a DMA or proponent such as under the Better Urban Water Management Framework. The indicator is calculated using the total cost of the Water Information and Advice service divided by the total number of assessments conducted within the period.

### Variance analysis

The variance between the 2015-16 Actual and the 2016-17 Actual results is due to 270 (15%) fewer assessments carried this year compared to prior year mainly contributing to higher average costs in the current year.

Effectiveness indicator	Target 2016-17 \$	Actual 2016-17 \$	Actual 2015-16 \$	Actual 2014-15 \$
Average cost per water measurement site managed	8 264	10 095	8 718	8 524

Access to reliable and current information about water resources – quantity and quality – is a core input to decision making by government and water dependent businesses that enables growth and development of the state.

Stakeholders access water information and data to support investment and business decisions. It also supports accurate water resource management decisions and advice. To service this need, the department measures or holds water data for over 116 000 groundwater and surface water field sites, verifies and stores the data and makes it available as water information.

Regular or periodic field measurements are essential to maintain up to date data, and verification, storage and accessibility, are essential to make data available as reliable information.

This indicator is calculated by dividing the number of active sites by annual cost of water measurement and water information functions.

### Variance analysis

The variance between the 2015-16 Actual and 2016-17 Actual results is due to the reduced number of currently monitored hydrometric stations from 3222 to 2717. The 13% variance is caused by operational decisions to change monitoring programs and/or measurement networks and the resultant increase in costs of the same proportion.

The variance between the 2016-17 Target and the 2016-17 Actual results was due to a 15% reduction in the number of water measurement sites managed than budgeted. The target was based on no expected change to the measurement network and the best estimate forecast at that point in time. The increase in costs of 18% resulted from slightly higher actual costs in addition to the reduction of sites.

## Key efficiency indicators

### Service 2

#### Water planning, allocation and optimisation

Water planning, allocation and optimisation ensures the sustainable management of water resources for the long-term benefit of the state and rely on good science. This includes planning and allocating water for sustainable productive use, protecting public drinking water sources, and ensuring the sustainability of water resources and their dependent ecosystems.

#### Variance analysis

The variance between the 2015–16 Actual and the 2016–17 Actual results is due to 270 (15%) lesser assessments carried this year compared to prior year mainly contributing to higher average costs in the current year.

Effectiveness indicator	Target 2016–17 \$	Actual 2016–17 \$	Actual 2015–16 \$	Actual 2014–15 \$
Average cost per plan, report or guidance document to support water planning, allocation and optimisation	259 847	256 315	265 185	154 766

Water resources need to be sustainably managed to achieve sufficient water quantity and quality for current and future needs. Increasingly precise, systematic and transparent management is predicated by science-based water allocation and optimisation plans, reports and guidance documents. They guide and define management decisions to meet demand and avoid, mitigate or minimise unsustainable impacts on resources. With this in place sufficient good quality surface and groundwater will remain an ongoing part of future water supply for economic and population growth and the liveability of towns and cities.

Average cost is calculated by dividing the cost of the services by the total number of the following types of documents or advice produced:



## 1. Plans

- Water allocation plan
- Drinking water source protection plan
- Statement of response to public submissions

## 2. Plans for public comment:

- Water allocation plan for public comment
- Water source protection plan for public comment

## 3. Technical reports

- Drinking water source protection area assessments
- Environmental water requirements reports
- Allocation limits methods report

## 4. Guidance documents

- Water quality land use compatibility table
- Pilbara water in mining guideline
- Water allocation planning: a guide to our process
- Water quality protection notes and information sheets
- Local water licensing strategy

## 5. Status reports including:

- Jandakot and Gnamagara compliance reports
- Water allocation plan evaluations
- Drinking water source protection reviews
- State-wide planning reports (e.g. Water resources inventory)
- Pre-planning or implementation phase status reports
- Communication products (or sets of communication products)

Effectiveness indicator	Target 2016-17 \$	Actual 2016-17 \$	Actual 2015-16 \$	Actual 2014-15 \$
Average cost per hour of scientific support for water planning, allocation and optimisation	192	197	172	150

The sustainable management of water resources for the long-term benefit of the state relies on quality, contemporary water science. The indicator will enable judgement about the efficient application of the department's science capacity.

This indicator shows the average cost of providing scientific support for the achievement of water planning, allocation and optimisation outcomes.

This indicator is calculated by multiplying 37.5 (hours) x 52.166 (weeks) / annual cost of FTE and operational expenses directly supporting scientific outcomes for this service.

### Variance analysis

The variance between the 2015-16 Actual and the 2016-17 Actual results is due to an increase in the number of hours of scientific support by 3390 in 2016-17 (3%) and an increase in costs by 14% resulting from the Royalties for Regions Water for Food program additional activity.

## Key efficiency indicators

### Service 3

#### Water regulation, licensing and industry governance

Responsible, proportional regulation ensures investment, growth and development is underpinned by sustainable management of the state’s water resources for the long-term benefit of the state. This service includes the management of water licensing. It also includes the management of the legislation governing the operations of water service providers.

Effectiveness indicator	Target 2016–17 \$	Actual 2016–17 \$	Actual 2015–16 \$	Actual 2014–15 \$
Average cost of assessing a water licence application by risk assessment category:				
• Low risk	5 553	3 315	4 099	3 551
• Medium risk	4 909	5 815	4 763	3 306
• High risk	6 064	6 026	6 518	5 357

Water licences or access entitlements are a fundamental asset for giving confidence in investment decisions. Responsible, proportional regulation gives confidence that Western Australia’s water resources are being sustainably managed for the long-term benefit of the state. The average cost by risk category enables judgement about the efficiency of water license assessments by risk category.

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 and is the regulatory tool to ensure efficient and sustainable productive use of available water.

The indicator is calculated by using the departmental cost of the water licencing service divided by the number of licence and permit applications assessed by risk category within the period.

## Variance analysis

The variance between the 2015–16 Actual costs compared to the 2016–17 Actual result is mainly due to a reduction in costs of approximately \$1 million between the two comparative years. This was due to a lower number of FTEs and the associated allocation of corporate overhead costs. The number of licences in total remain relatively constant with a reduction of 11 applications across the three risk categories, although the numbers within each category have varied (Low +91, Medium -129, High +27).

The variance between the 2016–17 Target and the 2016–17 Actual results for the each risk category was due to an overall increase of 16% in the number of applications than was originally anticipated in the budget (Low +21%, Medium -14%, High +21%) resulting in lower overall costs.

Effectiveness indicator	Target 2016–17 (Days)	Actual 2016–17 (Days)	Actual 2015–16 (Days)	Actual 2014–15 (Days)
Average time taken (days) to assess a licence application by risk assessment category:				
• Low risk	65	65	62	55
• Medium risk	75	75	60	57
• High risk	95	57	50	48

Investment decisions by licences, existing and prospective, are time-bound and require that applications for access to water are dealt with by the department in a timely manner. Water licences are one of the fundamental assets that support investment decisions.

The department ensures that the level of assessment applied to an application is consistent with the risk posed should a licence be granted.

The indicator enables judgement about the department’s efficiency in decision-making about licence applications within this risk-based framework.

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 application assessment times will vary according to the category level of the licence being processed. Higher risk licence applications are generally more complex and require more time to administer.

This indicator shows the average time taken to assess a licence or permit application by risk category grouping. The indicator includes applications for permits to interfere with bed and banks, licences to construct a well, licences to access water, renewal of and amendments to existing licences to access water, trades, transfers and agreements.

Risk categories for licence or permit applications guide the level of assessment that is carried out by the department based on the risk should a licence or permit be granted. Risk categories are defined as low, medium or high. Primary factors considered when assigning an assessment risk category are the volume of water being requested, how much water is available in the resource where the water is being requested and potential impact of the proposed water use on other water users and/or the environment, including cumulative impacts.

The indicator is calculated using the total time taken to assess all licence and permit applications within each risk category completed within the period. The measurement of time includes “stop the clock”.

“Stop the clock” means time measure excludes the time taken by processes outside of the department’s control. When an application process is outside of the department’s control the time taken during this process is not included when calculating assessment times. The “clock is stopped” in these instances.

## Variance analysis

The variance between the 2015–16 Actual and the 2016–17 Actual results for the ‘Medium’ and ‘High’ categories of risk assessment for the applications was due to a number of applications (7 Medium, 14 High) that took greater than 500 days to assess.

The variance between the 2016–17 Target and the 2016–17 Actual results in the ‘High’ risk category was due to the implementation of a new recording system which enabled a high volume of high risk applications to be finalised. A total of 1909 ‘High’ risk licences were processed against a target of 1500 (21% increase).



Effectiveness indicator	Target 2016-17 \$	Actual 2016-17 \$	Actual 2015-16 \$	Actual 2014-15 \$
Average cost of compliance monitoring and enforcement action	543	515	839	827

The department relies on water usage information for accurate water resource management advice and decisions. The department’s compliance monitoring of licensed use provides accurate information on actual licensed water use to ensure the sustainable management of water resources for the long-term benefit of the state.

The department undertakes compliance monitoring and, where appropriate, enforcement action when licensed water use is found to be not in accordance with terms, restrictions and conditions. Compliance monitoring within a risk-based framework ensures the department fulfils its legislative requirements, while ensuring efficient and sustainable productive water use.

Investment decisions by licensees, existing and prospective, are time-bound and require that applications for access to water are dealt with by the department in a timely manner. Water licences are one of the fundamental assets that support investment decisions.

This indicator is calculated using the departmental cost of compliance and enforcement activities divided by the number of compliance and enforcement actions undertaken by the department during the year.

The enforcement actions include the following activities undertaken by the department when licensed water use is found inconsistent with the licensing terms, restrictions and conditions:

- Incidents of suspected non-compliance identified
- Educational letter
- Licence amendment
- Warnings, infringements or direction notice
- Prosecutions

### Variance analysis

The variance between the 2015-16 Actual and the 2016-17 Actual results is due to a significant decrease in the number of compliance monitoring events by 28%, reflecting a movement from reactive monitoring to a more intelligence driven approach to scheduling monitoring activities. The costs associated with this service reduced by 56% between the two years due to a reduction of FTEs and therefore lower employee expenses and accommodation costs.

# SIGNIFICANT ISSUES IMPACTING THE AGENCY

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## Significant issues

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As a result of changes to the public sector announced by state government in April 2017, the work of the Department of Water will form essential components of the new Department of Water and Environmental Regulation established on 1 July 2017.

The new department will serve as a 'one stop shop' for industry and developers, aiming to streamline and simplify regulation.

The new department will embed opportunities for efficiency, enhanced policy and delivery, and will deliver significant cost savings through the reduction of the senior executive service.

The new policies and processes will incorporate the requirements of the *Environmental Protection Act 1986*; integrate water licensing under the *Rights in Water and Irrigation Act 1914*; and align water, environmental and clearing advice into a streamlined, more efficient, land planning system.

To address Western Australia's climatic variability, particularly reduced rainfall in the South West, the new department will continue to use innovative climate, groundwater and surface water modelling and assessments.

Major initiatives during the 2018–2021 period will include a new water allocation plan to address over-allocation of the Gnamptara Mound, which makes up nearly half of Perth's scheme water supply under the IWSS, and improved management of the Peel-Harvey estuary and catchment.

Population growth requires the development of new areas for urban, industrial and fresh food production, presenting greater challenges than previously experienced. Ensuring water and environmental considerations are incorporated into urban design, including major infrastructure initiatives of state significance such as METRONET, will be a significant opportunity for the 2017–18 year.

Meeting water demand in key areas of the state such as in Gingin and Dunsborough is a high priority and the department is fast-tracking reviews of policy, planning and regulatory frameworks.

Climate change requires adaptable forward planning to ensure water resource management supports the state's growth. More than 80 per cent of Western Australians live in or around estuaries: incorporating cutting-edge science into water planning and strategic initiatives to improve the health of at-risk estuaries will continue through the Regional Estuaries Initiative and the Vasse Geopraphe Strategy.

In 2017–18 the new department will finalise Royalties for Regions funded groundwater investigations and the Perth Confined Aquifer Capacity study and begin 'next generation' projects for the State Groundwater Investigation Program.

The State Groundwater Investigation Program, with a budget of \$15.3 million over four years from 2016–17, will target numerous smaller-scale projects in priority areas across the state to help maintain Perth's green spaces for the enjoyment of future generations.

The new department will also continue to support Water for Food through its water resource assessment, allocation planning and regulatory roles from late 2017, when the program will be delivered by the Department of Primary Industries and Regional Development.

In 2017–18, the new department will continue to make it easier for customers and stakeholders to do by business by cutting red tape and providing greater online accessibility to information and services through its digital strategy.

The new department will continue to anticipate stakeholders' information and business needs through its stakeholder management framework and will listen to stakeholder and customer views so their needs can be more closely met.

The Water Information Portal is expected to continue to deliver water data to consultants, miners, land and property developers, farmers, infrastructure providers, government departments, researchers and students within an average time of 43 seconds.



# DISCLOSURES AND LEGAL COMPLIANCE

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## Auditor General's opinion



Auditor General

**INDEPENDENT AUDITOR'S REPORT**

To the Parliament of Western Australia

DEPARTMENT OF WATER

Report on the Financial Statements

**Opinion**

I have audited the financial statements of the Department of Water which comprise the Statement of Financial Position as at 30 June 2017, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, 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, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Water for the year ended 30 June 2017 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

**Basis for Opinion**

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Responsibility of the Reporting Officer for the Financial Statements**

The Department of Water ceased to exist as a department under the *Financial Management Act 2006* on 30 June 2017. The Treasurer appointed a Reporting Officer under section 68 of the Act who was responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility for the Audit of the Financial Statements**

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Reporting Officer.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on Controls****Opinion**

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Department of Water. The controls exercised by the Department are those policies and procedures established by the Director General to ensure 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 (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Department of Water are sufficiently adequate to 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 during the year ended 30 June 2017.

**The Director General's Responsibilities**

The Director General was responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

**Auditor General's Responsibilities**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board.

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## Auditor General's opinion continues

That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

### **Limitations of Controls**

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

### **Report on the Key Performance Indicators**

#### **Opinion**

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Water for the year ended 30 June 2017. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Water are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2017.

#### **The Reporting Officer's Responsibility for the Key Performance Indicators**

The Reporting Officer is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Reporting Officer determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Reporting Officer is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

#### **Auditor General's Responsibility**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

### **My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators**

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators**

This auditor's report relates to the financial statements and key performance indicators of the Department of Water for the year ended 30 June 2017 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



DON CUNNINGHAME  
ACTING DEPUTY AUDITOR GENERAL  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
12 August 2017









## Certification of financial statements

For the year ended 30 June 2017

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 ended 30 June 2017 and the financial position as at 30 June 2017.

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

A handwritten signature in black ink, appearing to read 'Matt Squires', with a long, sweeping underline.

**Matt Squires**  
Reporting Officer

10 August 2017

## Statement of comprehensive income

For the year ended 30 June 2017

	Note	2017 (\$'000)	2016 (\$'000)
<b>Cost of services</b>			
Expenses			
Employee benefits expense	6	50 152	50 526
Supplies and services	8	23 680	25 060
Depreciation and amortisation expense	9	9 288	8 452
Accommodation expenses	10	5 259	4 542
Grants and subsidies	11	3 749	2 372
Other expenses	12	2 305	2 246
Loss on disposal of non-current assets	16	164	421
<b>Total cost of services</b>		<b>94 597</b>	<b>93 620</b>
Income			
Revenue			
User charges and fees		48	51
Commonwealth grants and contributions	14	296	706
Other revenue	15	3 065	2 269
<b>Total revenue</b>		<b>3 409</b>	<b>3 026</b>
<b>Total income other than income from state government</b>		<b>3 409</b>	<b>3 026</b>
<b>Net cost of services</b>		<b>91 188</b>	<b>90 594</b>

	Note	2017 (\$'000)	2016 (\$'000)
Income from state government			
Service appropriation		71 519	72 359
Services received free of charge		1 067	732
Royalties for Regions fund		19 156	12 149
State grants		3 597	3 038
<b>Total income from state government</b>	17	<b>95 339</b>	<b>88 278</b>
<b>Surplus/(deficit) for the period</b>		<b>4 151</b>	<b>(2 315)</b>
<b>Other comprehensive income</b>			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	30	64 732	1 331
<b>Total other comprehensive income</b>		<b>64 732</b>	<b>1 331</b>
<b>Total comprehensive income (deficit) for the period</b>		<b>68 883</b>	<b>(984)</b>

See also the *Schedule of income and expenses by service*.

The Statement of comprehensive income should be read in conjunction with the accompanying notes.



## Statement of financial position

As at 30 June 2017

	Note	2017 (\$'000)	2016 (\$'000)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	31	19 828	10 073
Restricted cash and cash equivalents	18, 31	6 466	3 955
Inventories		-	-
Receivables	19	1 801	1 736
Amounts receivable for services	20	6 617	6 336
Other current assets	21	1 330	1 157
Non-current assets classified as held for sale	22	1 055	1 701
<b>Total current assets</b>		<b>37 097</b>	<b>24 958</b>
<b>Non-current assets</b>			
Restricted cash and cash equivalents	18, 31	169	-
Amounts receivable for services	20	19 867	18 162
Property, plant and equipment	23, 26	327 916	260 228
Intangible assets	25, 26	27 344	25 686
Other non-current assets	19	-	17
<b>Total non-current assets</b>		<b>375 296</b>	<b>304 093</b>
<b>Total assets</b>		<b>412 393</b>	<b>329 051</b>

	Note	2017 (\$'000)	2016 (\$'000)
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	27	3 213	1 684
Provisions	28	13 373	11 645
Other current liabilities	29	172	139
<b>Total current liabilities</b>		<b>16 758</b>	<b>13 468</b>
<b>Non-current liabilities</b>			
Provisions	28	2 384	2 690
<b>Total non-current liabilities</b>		<b>2 384</b>	<b>2 690</b>
<b>Total liabilities</b>		<b>19 142</b>	<b>16 158</b>
<b>Net assets</b>		<b>393 251</b>	<b>312 893</b>
<b>Equity</b>	30		
Contributed equity		278 148	266 674
Reserves		125 196	60 500
Accumulated (deficit)/surplus		(10 093)	(14 281)
<b>Total equity</b>		<b>393 251</b>	<b>312 893</b>

See also the *Schedule of income and expenses by service*.

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of changes in equity

	Note	Contributed equity (\$'000)	Reserves (\$'000)	Accumulated surplus/(deficit) (\$'000)	Total equity (\$'000)
<b>Balance at 1 July 2015</b>		<b>262 430</b>	<b>57 539</b>	<b>(10 336)</b>	<b>309 633</b>
(Deficit)/surplus		-	-	(2 315)	(2 315)
Other comprehensive income		-	1 331	-	1 331
Derecognised revaluation assets <sup>(a)</sup>		-	1 630	(1 630)	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>2 961</b>	<b>(3 945)</b>	<b>(984)</b>
Transactions with owners in their capacity as owners:					
Capital appropriations		5 250	-	-	5 250
Other contributions by owners		1 449	-	-	1 449
Distribution to owners		(2 455)	-	-	(2 455)
<b>Total</b>		<b>4 244</b>	<b>-</b>	<b>-</b>	<b>4 244</b>
<b>Balance at 30 June 2016</b>		<b>266 674</b>	<b>60 500</b>	<b>(14 281)</b>	<b>312 893</b>
<b>Balance at 1 July 2016</b>		<b>266 674</b>	<b>60 500</b>	<b>(14 281)</b>	<b>312 895</b>
Surplus/(deficit)		-	-	4 151	4 151
Other comprehensive income		-	64 732	-	64 732
Derecognised revaluation assets <sup>(a)</sup>		-	(36)	36	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>64 696</b>	<b>4 188</b>	<b>68 882</b>
Transactions with owners in their capacity as owners:					
Capital appropriations		11 357	-	-	11 357
Other contributions by owners		524	-	-	524
Distribution to owners		(407)	-	-	(407)
<b>Total</b>		<b>11 474</b>	<b>-</b>	<b>-</b>	<b>11 474</b>
<b>Balance at 30 June 2017</b>		<b>278 148</b>	<b>125 196</b>	<b>(10 093)</b>	<b>393 251</b>

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

(a) This represents the increment/(decrement) in the asset revaluation reserves on derecognition of land, buildings and infrastructure transferred directly to accumulated funds as per AASB 116, para 41.

## Statement of cash flows

For the year ended 30 June 2017

	Note	2017 (\$'000)	2016 (\$'000)
<b>Cash flows from state government</b>			
Service appropriation		62 772	65 133
Capital contributions		11 356	5 250
Holding account drawdowns		6 762	5 970
Royalties for Regions fund		19 680	13 599
State grants		3 652	3 116
<b>Net cash provided by state government</b>		<b>104 222</b>	<b>93 068</b>
Utilised as follows:			
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee benefits		(48 772)	(52 152)
Supplies and services		(21 308)	(24 700)
Accommodation		(5 182)	(4 373)
Grants and subsidies		(3 685)	(2 906)
GST payments on purchases		(4 079)	(4 421)
Other payments		(1 986)	(1 734)
<b>Receipts</b>			
User charges and fees		338	51
Commonwealth grants and contributions		296	706
GST receipts on sales		441	592
GST receipts from taxation authority		3 324	3 858
Other receipts		2 960	2 146
<b>Net cash provided by/(used in) operating activities</b>	31	<b>(77 653)</b>	<b>(82 933)</b>

	Note	2017 (\$'000)	2016 (\$'000)
<b>Cash flows from investing activities</b>			
<b>Payments</b>			
Purchase of non-current assets		(14 416)	(18 545)
Net proceeds on sale of land remitted to Treasury		-	(146)
<b>Receipts</b>			
Proceeds from sale of non-current physical assets		282	1 460
<b>Net cash provided by/(used in) investing activities</b>		<b>(14 134)</b>	<b>(17 231)</b>
Net increase/(decrease) in cash and cash equivalents		12 435	(7 096)
Cash and cash equivalents at the beginning of period		14 028	21 124
<b>Cash and cash equivalents at the end of period</b>	31	<b>26 463</b>	<b>14 028</b>

The Statement of cash flows should be read in conjunction with the accompanying notes.



## Schedule of income and expenses by service

For the year ended 30 June 2017

	Water information and advice		Water planning, allocation and optimisation		Water regulation, licensing and industry governance		Total	
	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)
<b>Cost of services</b>								
Employee benefits expense	22 255	23 135	16 296	14 670	11 600	12 721	50 152	50 526
Supplies and services	8 405	9 595	13 693	12 767	1 582	2 698	23 680	25 060
Depreciation and amortisation	5 485	4 901	2 662	2 483	1 141	1 068	9 288	8 452
Accommodation expenses	2 461	2 286	1 512	1 030	1 285	1 226	5 259	4,542
Grants and subsidies	429	364	3 265	1 952	55	56	3 749	2 372
Loss on disposal of non-current assets	74	196	53	119	38	106	165	421
Other expenses	1 623	1 241	462	385	220	620	2 305	2 246
Refund of unspent Commonwealth grant		-		-		-	-	-
<b>Total cost of services</b>	<b>40 732</b>	<b>41 718</b>	<b>37 942</b>	<b>33 406</b>	<b>15 921</b>	<b>18 495</b>	<b>94 597</b>	<b>93 619</b>
<b>Income</b>								
User charges and fees	20	2	1	1	27	48	48	51
Commonwealth grants and contributions	133	77	160	82	2	547	296	706
Other revenue	1 572	1 584	920	411	575	274	3 065	2 269
Gain on disposal of non-current assets	-	-	-	-	-	-	-	-
<b>Total income other than income from state government</b>	<b>1 725</b>	<b>1 663</b>	<b>1 081</b>	<b>494</b>	<b>604</b>	<b>869</b>	<b>3 409</b>	<b>3 026</b>
<b>Net cost of services</b>	<b>39 007</b>	<b>40 055</b>	<b>36 861</b>	<b>32 912</b>	<b>15 317</b>	<b>17 626</b>	<b>91 188</b>	<b>90 593</b>

Schedule of income and expenses by service (continues)

For the year ended 30 June 2017

	Water information and advice		Water planning, allocation and optimisation		Water regulation, licensing and industry governance		Total	
	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)
<b>Income from state government</b>								
Service appropriation	32 044	33 695	23 047	20 458	16 427	18 206	71 518	72 359
Services received free of charge	992	341	29	207	46	184	1 067	732
Royalties for Regions fund	2 404	1 022	16 729	11 108	23	19	19 156	12 149
State grants	990	452	2 274	2 452	333	134	3 597	3 038
<b>Total income from state government</b>	<b>36 431</b>	<b>35 510</b>	<b>42 079</b>	<b>34 225</b>	<b>16 829</b>	<b>18 543</b>	<b>95 339</b>	<b>88 278</b>
<b>Surplus/(deficit) for the period</b>	<b>(2 576)</b>	<b>(4 545)</b>	<b>5 218</b>	<b>1 313</b>	<b>1 512</b>	<b>917</b>	<b>4 151</b>	<b>(2 315)</b>

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

## Schedule of assets and liabilities by service

As at 30 June 2017

	Water information and advice		Water planning, allocation and optimisation		Water regulation, licensing and industry governance		Total	
	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)
<b>Assets</b>								
Current assets	16 622	11 622	11 955	7 056	8 521	6 280	37 097	24 958
Non-current assets	168 153	141 605	120 942	85 975	86 201	76 514	375 296	304 093
<b>Total assets</b>	<b>184 775</b>	<b>153 227</b>	<b>132 896</b>	<b>93 031</b>	<b>94 722</b>	<b>82 793</b>	<b>412 393</b>	<b>329 051</b>
<b>Liabilities</b>								
Current liabilities	7 509	6 272	5 400	3 808	3 849	3 389	16 758	13 468
Non-current liabilities	1 068	1 253	768	761	548	677	2 384	2 690
<b>Total liabilities</b>	<b>8 577</b>	<b>7 524</b>	<b>6 169</b>	<b>4 568</b>	<b>4 397</b>	<b>4 066</b>	<b>19 142</b>	<b>16 158</b>
<b>Net assets</b>	<b>176 198</b>	<b>145 703</b>	<b>126 728</b>	<b>88 463</b>	<b>90 325</b>	<b>78 728</b>	<b>393 251</b>	<b>312 893</b>

The Schedule of assets and liabilities by service should be read in conjunction with the accompanying notes.



## Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2017

	2017 Estimate (\$'000)	2017 Actual (\$'000)	Variance (\$'000)	2017 Actual (\$'000)	2016 Actual (\$'000)	Variance (\$'000)
<b>Delivery of services</b>						
Item 106 Net amount appropriated to deliver services	69 312	62 457	(6 855)	62 457	64 845	(2 388)
Amount authorised by other statutes						
– <i>Salaries and Allowances Act 1975</i>	288	315	27	315	288	27
<b>Total appropriations provided to deliver services</b>	<b>69 600</b>	<b>62 772</b>	<b>(6 828)</b>	<b>62 772</b>	<b>65 133</b>	<b>(2 361)</b>
<b>Capital</b>						
Item 161 Capital appropriation	10 100	11 356	1 256	11 356	5 250	6 106
<b>Administered transactions</b>						
Item 71 Administered grants and subsidies and other transfer payments	-	57	57	57	23	34
<b>Grand total</b>	<b>79 700</b>	<b>74 185</b>	<b>(5 515)</b>	<b>74 185</b>	<b>70 406</b>	<b>3 779</b>
<b>Details of expenses by service</b>						
Water information and advice	40 204	40 732	528	40 732	41 718	(986)
Water planning allocation and optimisation	36 017	37 942	1 925	37 942	33 406	4 536
Water regulation, licensing and industry governance	16 405	15 921	(484)	15 921	18 495	(2 574)
<b>Total cost of services</b>	<b>92 626</b>	<b>94 595</b>	<b>1 969</b>	<b>94 595</b>	<b>93 619</b>	<b>976</b>
Less total income	(4 297)	(3 409)	888	(3 409)	(3 026)	(383)
<b>Net cost of services</b>	<b>88 329</b>	<b>91 188</b>	<b>2 857</b>	<b>91 188</b>	<b>90 593</b>	<b>593</b>
Adjustments	(8 629)	(28 416)	(19 787)	(28 416)	(25 460)	(2 956)
<b>Total appropriations provided to deliver services</b>	<b>79 700</b>	<b>62 772</b>	<b>(16 930)</b>	<b>62 772</b>	<b>65 133</b>	<b>(2 363)</b>

Summary of consolidated account appropriations and income estimates (continues)

For the year ended 30 June 2017

	2017 Estimate (\$'000)	2017 Actual (\$'000)	Variance (\$'000)	2017 Actual (\$'000)	2016 Actual (\$'000)	Variance (\$'000)
Capital expenditure						
Purchase of non-current physical assets	18 970	14 416	(4 554)	14 416	18 545	(4 129)
Adjustments for other funding sources	(8 858)	(2 063)	6 795	(2 063)	(13 295)	11 232
<b>Capital contribution (appropriation)</b>	<b>10 100</b>	<b>11 357</b>	<b>2 241</b>	<b>12 353</b>	<b>5 250</b>	<b>7 103</b>
Details of income estimates						
Income disclosed as administered income	-	39	39	39	23	16
	-	<b>39</b>	<b>39</b>	<b>39</b>	<b>23</b>	<b>16</b>

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

Note 34 Explanatory statements and Note 42 Explanatory statement for administered items provides details of any significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016.

## Notes to the financial statements — For the year ended 30 June 2017

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### 1 Australian Accounting Standards

#### General

The department's financial statements for the year ended 30 June 2017 have been prepared in accordance with Australian Accounting Standards. The term *Australian Accounting Standards* includes standards and interpretations issued by the Australian Accounting Standards Board (AASB).

The department has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

#### Early adoption of standards

The department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements. There has been no early adoption of any other Australian Accounting Standards that have been issued or amended (but not operative) by the department for the annual reporting period ended 30 June 2017.

### 2 Summary of significant accounting policies

#### (a) General statement

The department is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

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, except for 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.



## 2 Summary of significant accounting policies (continues)

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

Note 3 *Judgements made by management in applying accounting policies* discloses judgements that have been made in the process of applying the department's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 *Key sources of estimation uncertainty* discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The financial statements have been prepared on a going concern basis which assumes that the department will be able to generate sufficient positive cash flows to meet its financial obligations and realise its assets and extinguish its liabilities in the normal course of business. The Department of Water ceased to exist as a department on 30 June 2017 as the Department of Water and Environmental Regulation was created on 1 July 2017. All the assets, rights and liabilities of Department of Water as at 30 June 2017 were transferred to Department of Water and Environmental Regulation as opening balances as at 1 July 2017.

### (c) Reporting entity

The reporting entity is comprised of the Department of Water. There are no related or affiliated bodies as disclosed in note 39.

#### Mission

The department supports Western Australia's growth and development by managing the availability and quantity of water sustainably – now and for the future.

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

#### Services

##### Service 1: Water information and advice

The department enables investment decisions of regional and state significance through the provision of data and information on the quantity, quality, location of, and demand for, water across the state. The information also underpins policy advice for consideration by government and supports other government agencies and stakeholders in their planning for future economic growth and urban and rural development.

##### Service 2: Water planning, allocation and optimisation

Water planning, allocation and optimisation ensure the sustainable management of water resources for the long-term benefit of the state and rely on good science. This includes planning and allocating water for sustainable productive use, protecting public drinking water sources, and ensuring the sustainability of water resources and their dependent ecosystems.

##### Service 3: Water regulation, licensing and industry governance

Responsible, proportional regulation ensures investment, growth and development is underpinned by the sustainable management of the state's water resources for the long-term benefit of the state. This service includes the management of water licensing. It also includes the management of the legislation governing the operations of water service providers.

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 42 *Administered income and expenses* and Note 43 *Administered assets and liabilities*.

2 Summary of significant accounting policies (continues)

**(d) Contributed equity**

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, 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 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.

The transfers 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.

**(e) Income**

**Revenue recognition**

Revenue is recognised and 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 transfer to the purchaser and can be measured reliably.

**Provision of services**

Revenue is recognised by reference to the stage of completion of the transaction.

**Service appropriations**

Service appropriations are recognised as revenues at fair value 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 to the bank account or credited to the *Amounts receivable for services* (holding account) held at Treasury.

**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 most recent determination as quantified in the 2016–2017 budget statements, the department retained \$1.506 million in 2017 (\$3.026 million in 2016) from the following:

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

**Grants, donations, gifts and other non-reciprocal contributions**

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

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

Royalties for Regions funds are recognised as revenue at fair value in the period in which the department obtains control over the funds. The department obtains control of the funds at the time the funds are deposited into the department's bank account.

**Gains**

Realised or unrealised gains 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.

## 2 Summary of significant accounting policies (continues)

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### (f) Property, plant, equipment and infrastructure

#### 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 Statement of comprehensive income (other than where they form part of a group of similar items which are significant in total).

#### Initial recognition and measurement

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 cost, the cost is the fair value at the date of acquisition.

#### Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land, buildings and measurement sites and historical cost for all other property, plant and equipment and infrastructure. Land, buildings and measurement sites are carried at fair value less accumulated depreciation (buildings and measurement sites only) and accumulated impairment losses. All other items of property, plant and equipment and infrastructure 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.

In the absence of market-based evidence, 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 buildings 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 determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

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.

Measurement sites are to be revalued at least every third year following a formal revaluation with an assessment being conducted annually to ascertain if the measurement sites require revaluation earlier than its rotational revaluation.

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 23 *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 transferred to the accumulated surplus.



2 Summary of significant accounting policies (continues)

**Asset revaluation surplus**

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis.

**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.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Buildings	20–40 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 controlled by the department are classified as property, plant and equipment. These are anticipated to have indefinite useful lives. Their service potential has not, in any material sense, been consumed during the reporting period and consequently no depreciation has been recognised.

Land is not depreciated.

**(g) Intangible assets**

**Capitalisation/expensing of assets**

Acquisitions of intangible assets costing \$5 000 or more and internally generated intangible assets costing \$5 000 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 Statement of comprehensive income.

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 which is reviewed annually) on the straight line basis. All intangible assets controlled by the department have a finite useful life and zero residual value, except analytical product.

The expected useful lives for each class of intangible asset are:

Development costs	3 to 5 years
Computer software <sup>(a)</sup>	3 to 5 years
Software licences	3 to 5 years
Analytical products	Indefinite

<sup>(a)</sup> Software that is not integral to the operation of any related hardware.

**Development costs**

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can reasonably be regarded as assured and the total project costs are likely to exceed \$5 000. Other development costs are expensed as incurred.

**Computer software**

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

## 2 Summary of significant accounting policies (continues)

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### Software licences

Software licences are charged as expenses when they are incurred unless they are for a period of greater than two years. Software licences are capitalised when the probable future economic benefits that can be reliably measured.

### Analytical product

Analytical products are intangible assets such as geophysical datasets and numerical groundwater models which are usually produced as a part of project work. These products are used by the department to improve its understanding of water resources and management therein.

### (h) Impairment of assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at the end of each reporting period. 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 is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the department is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an 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 the end of each reporting period 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-based 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 the end of each reporting period.

### (i) Non-current assets (or disposal groups) classified as held for sale

Non-current assets (or disposal groups) classified as held for sale are recognised at the lower of carrying amount and fair value less costs to sell, and are disclosed separately from other assets in the Statement of financial position. Assets classified as held for sale are not depreciated or amortised.

All Crown land holdings are vested in the department by the government. The Department of Lands is the only agency with the power to sell Crown land. The department transfers the Crown land and any attached buildings to Department of Lands when the land becomes available for sale.

### (j) 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.

## 2 Summary of significant accounting policies (continues)

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

### (k) Financial instruments

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

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

Financial instruments 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.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face 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 not material.

### (l) Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand at banks.

### (m) Accrued salaries

Accrued salaries (see Note 27 *Payables*) represent the amount due to staff but unpaid at 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 fair value.

The accrued salaries suspense account (see Note 18 *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.

### (n) Amounts receivable for services (holding account)

The department receives a funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

### (o) Receivables

Receivables are recognised at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. 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 37 *Financial instruments* and Note 19 *Receivables*.

### (p) Payables

Payables are recognised at the amounts payable 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 settlement is generally within 30 days.



## 2 Summary of significant accounting policies (continues)

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### (q) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal 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 period. See Note 28 *Provisions*.

#### Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

##### Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be other long-term employee benefits. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

##### Long service leave

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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 end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

##### 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 Statement of comprehensive income for this leave as it is taken.

##### Deferred leave

The provision for deferred leave relates to public service employees who have entered into an agreement to self-fund an additional twelve months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

## 2 Summary of significant accounting policies (continues)

### Purchased leave

The provision for purchased leave relates to public service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the undiscounted amounts expected to be paid when the liabilities are settled.

### Superannuation

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS 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 (GESBS).

From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The department makes contributions to GESB or other fund providers on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

The department has no liabilities under the Pension Schemes or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the department to the GESB.

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

See also note 2(s).

### 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 12 *Other expenses* and Note 28 *Provisions*.

#### Remediation costs

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

### (r) Superannuation expense

Superannuation expense is recognised in the profit or loss of the Statement of comprehensive income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

## 2 Summary of significant accounting policies (continues)

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### (s) Assets and services received free of charge or for nominal cost

Assets or services received free of charge or for nominal cost that the department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of financial position.

Assets or services received from other state government agencies are separately disclosed under Income from state government in the Statement of comprehensive income.

### (t) Comparative figures

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

## 3 Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The department evaluates these judgements regularly.

### Operating lease commitments

The department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains all of the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

## 4 Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various factors that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

### Long service leave

Several estimations and assumptions used in calculating the department's long service leave provision include expected future salary rates, discount rates, employee retention rates and future expected payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.



## 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 effective, or adopted, for annual reporting periods beginning on or after 1 July 2016 that impacted on the department.

<p><b>AASB 1057</b></p>	<p><b>Application of Australian Accounting Standards</b></p> <p>This standard lists the application paragraphs for each other standard (and interpretation), grouped where they are the same. There is no financial impact.</p>	<p><b>AASB 2015-1</b></p>	<p><b>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012 2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 &amp; 140]</b></p> <p>These amendments arise from the issuance of international Financial Reporting Standard Annual improvements to IFRSs 2012 2014 Cycle in September 2014, and editorial corrections. The department has determined that the application of the standard has no financial impact.</p>
<p><b>AASB 2014-4</b></p>	<p><b>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 &amp; 138]</b></p> <p>The adoption of this standard has no financial impact for the department as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</p>	<p><b>AASB 2015-6</b></p>	<p><b>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 &amp; 1049]</b></p> <p>The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the standard by not-for-profit public sector entities. There is no financial impact.</p>
<p><b>AASB 2015-2</b></p>	<p><b>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 &amp; 1049]</b></p> <p>This standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgment when applying a standard in determining what information to disclose in their financial statements. There is no financial impact.</p>		

## 5 Disclosure of changes in accounting policy and estimates (continues)

### Future impact of Australian Accounting Standards not yet operative

The department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101. By virtue of a limited exemption, the department has early adopted AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. Where applicable, the department plans to apply the following Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on or after			Operative for reporting periods beginning on or after
<b>AASB 9</b>	<p><b>Financial Instruments</b></p> <p>This standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9, and, AASB 2014-1 Amendments to Australian Accounting Standards. The department has not yet determined the application or the potential impact of the standard.</p>	1 Jan 2018	<b>AASB 16</b>	<p><b>Leases</b></p> <p>This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating lease commitments for \$8 025 million over 5 years. The department anticipates most of this amount will be brought onto the statement of financial position, excepting amounts pertinent to short-term or low-value leases. Interest and amortisation expense will increase and rental expense will decrease.</p>	1 Jan 2019
<b>AASB 15</b>	<p><b>Revenue from Contracts with Customers</b></p> <p>This standard establishes the principles that the department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The department has not yet determined the application or the potential impact of the standard.</p>	1 Jan 2019	<b>AASB 1058</b>	<p><b>Income of Not-for-Profit Entities</b></p> <p>This standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The department has not yet determined the application or the potential impact of the standard.</p>	1 Jan 2019

5 Disclosure of changes in accounting policy and estimates (continues)

		Operative for reporting periods beginning on or after			Operative for reporting periods beginning on or after
<b>AASB 2010-7</b>	<p><b>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</b> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</p> <p>This standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this standard has been amended by AASB 2012 6 and AASB 2014 1 to 1 January 2018. The department has not yet determined the application or the potential impact of the standard.</p>	1 Jan 2018	<b>AASB 2014-7</b>	<p><b>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</b></p> <p>This standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The department has not yet determined the application or the potential impact of the standard.</p>	1 Jan 2018
<b>AASB 2014-1</b>	<p><b>Amendments to Australian Accounting Standards</b></p> <p>Part E makes amendments to AASB 9 and consequential amendments to other standards. It has not yet been assessed by the department to determine the application or potential impact of the standard</p>	1 Jan 2018	<b>AASB 2014-10</b>	<p><b>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (AASB 1. 127 &amp; 128)</b></p> <p>This standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The mandatory effective date (application date) for the standard has been deferred to 1 Jan 2018 by AASB 2015 10. The department has determined that the standard has no financial impact.</p>	1 Jan 2018
<b>AASB 2014-5</b>	<p><b>Amendments to Australian Accounting Standards arising from AASB 15</b></p> <p>This standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this standard has been amended by AASB 2015-8 to 1 January 2018. The department has not yet determined the application or the potential impact of the standard.</p>	1 Jan 2018	<b>AASB 2015-8</b>	<p><b>Amendments to Australian Accounting Standards – Effective Date of AASB 15</b></p> <p>This standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. For not-for-profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016 7. The department has not yet determined the application or the potential impact of AASB 15.</p>	1 Jul 2019

## 5 Disclosure of changes in accounting policy and estimates (continues)

		Operative for reporting periods beginning on or after			Operative for reporting periods beginning on or after
<b>AASB 2016-2</b>	<b>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</b> This standard amends AASB 107 Statement of Cash Flows (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.	1 Jan 17	<b>AASB 2016-7</b>	<b>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not for Profit Entities</b> This standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 2014 5 Amendments to Australian Accounting Standards arising from AASB 15 for not for profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact.	1 Jan 17
<b>AASB 2016-3</b>	<b>Amendments to Australian Accounting Standards – Clarifications to AASB 15</b> This standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The department has not yet determined the application or the potential impact.	1 Jan 18	<b>AASB 2016-8</b>	<b>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for Profit</b> This standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement. The department has not yet determined the application or the potential impact.	1 Jan 19
<b>AASB 2016-4</b>	<b>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-profit Entities</b> This standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement. The department has not yet determined the application or the potential impact.	1 Jan 17	<b>AASB 2017-2</b>	<b>Amendments to Australian Accounting Standards – Further Annual Improvements 2014 2016 Cycle</b> This standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.	1 Jan 17



## 6 Employee benefits expense

	2017 \$000	2016 \$000
Wages and salaries	38 939	40 410
Superannuation – defined contribution plans <sup>(a),(d)</sup>	4 507	4 436
Annual leave <sup>(b)</sup>	5 397	3 019
Long service leave <sup>(b)</sup>	709	2 054
Other related expenses <sup>(c)</sup>	600	607
<b>Total employee benefits expense</b>	<b>50 152</b>	<b>50 526</b>

(a) Defined contribution plans include WestState, Gold State, GESB Schemes and other eligible funds.

(b) Includes a superannuation contribution component.

(c) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component and staff housing expenses for regional employees.

(d) Superannuation cost include \$4.104 million paid to GESB during the year (2016: \$3 946 million).

Employment on-costs such as workers compensation insurance are included at Note 12 *Other expenses*.  
The employment on-costs liability is included at Note 28 *Provision*.



## 7 Compensation to key management personnel

The department has determined that key management personnel include the responsible minister(s) and senior officers of the department. However, the department is not obligated to compensate the responsible minister(s) and therefore disclosures in relation to ministers' compensation may be found in the annual report on state finances.

Total compensation for key management personnel, comprising the accountable authority and other senior officers, of the department for the reporting period are presented within the following bands:

	2017	2016
Compensation band (\$)		
50 001–60 001		1
120 001–130 001	1	-
150 001–160 001	-	1
170 001–180 000	1	-
180 001–190 000 <sup>(a)</sup>	3	1
190 001–200 000	1	1
200 001–210 000 <sup>(a)</sup>	1	3
210 001–220 000	2	2
220 001–230 000	-	1
270 001–280 000	-	1
280 001–290 000	1	-
290 001–300 000	1	-

	\$000	\$000
Short-term employee benefits	1 811	1 745
Post-employment benefits	200	199
Other long-term benefits	201	200
Termination benefits	52	-
	<b>2 264</b>	<b>2 144</b>

(a) The movements were due to key management personnel leaving the department during the year, and movements within the compensation bands.

## 8 Supplies and services

	2017 \$000	2016 \$000
Communications	997	876
Consultants and contractors	16 600	14 964
Consumables	183	755
Materials	15	7
Vehicle lease and hire <sup>(a)</sup>	1 356	1 540
Minor plant, machinery and equipment	752	1 024
Plant, machinery and equipment lease	350	304
Chemical analysis expense	1 533	1 040
Software licences, fees and registration	29	1 742
Other staff-related expenses	604	572
Travel	713	695
Other	548	1 541
<b>Total supplies and services</b>	<b>23 680</b>	<b>25 060</b>

(a) Vehicle lease and hire include \$707 000 (2016: \$722 000) paid to Department of Finance for vehicle lease during the year.

## 9 Depreciation and amortisation expense

	2017 \$000	2016 \$000
<b>Depreciation</b>		
Buildings	1 355	1 197
Infrastructure	18	16
Computing equipment	452	520
Furniture and fittings	2	29
Measurement sites	4 322	4 207
Plant and equipment	451	445
Leasehold improvements	110	48
<b>Total depreciation</b>	<b>6 710</b>	<b>6 462</b>
<b>Amortisation</b>		
Intangible assets	2 578	1 990
<b>Total amortisation</b>	<b>2 578</b>	<b>1 990</b>
<b>Total depreciation and amortisation expense</b>	<b>9 288</b>	<b>8 452</b>

## 10 Accommodation expenses

	2017 \$000	2016 \$000
Lease rentals	3 249	2 928
Repairs and maintenance	863	447
Power and water consumption	559	600
Security	41	34
Rates and taxes	239	244
Cleaning	308	289
<b>Total accommodation expense</b>	<b>5 259</b>	<b>4 542</b>

## 11 Grants and subsidies

	2017 \$000	2016 \$000
Recurrent	3 749	2 372
<b>Total grants and subsidies</b>	<b>3 749</b>	<b>2 372</b>

## 12 Other expenses

Audit fees	260	481
Employment on-costs <sup>(a)</sup>	215	245
Bad and doubtful debts expense <sup>(b)</sup>	204	122
Equipment repairs and maintenance	890	783
Refund of prior year revenue	2	3
Write-down of non current assets classified as held for sale	346	437
Other	388	175
<b>Total other expenses</b>	<b>2 305</b>	<b>2 246</b>

(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 28 Provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

(b) Includes a debt that was raised and written off within this financial year due to disputes. A provision for doubtful debt was not previously raised.

## 13 Related party transactions

The department is a wholly-owned and controlled entity of the state of Western Australia. In conducting its activities, the department is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the state and entities related to state.

Related parties of the department include:

- all ministers and their close family members, and their controlled or jointly-controlled entities
- all senior officers and their close family members, and their controlled or jointly controlled entities
- other departments and public sector entities, including related bodies included in the whole-of-government consolidated financial statements
- associates and joint ventures, that are included in the whole-of-government consolidated financial statements; and

### Significant transactions with government-related entities

- Service appropriations (note 17); capital appropriations (note 30);
- Services rendered or received free of charge (note 32 and note 17);
- Royalties for Regions fund (note 17);
- Remuneration for services provided by the auditor general (note 38);
- Insurance premium paid to Risk Cover during the year (note 12);
- Lease rental paid to Department of Finance during the year (note 10);
- Vehicle hire charges paid to Department of Finance during the year (note 8 (a));
- Grants received from other state agencies during the year (note 17 (d));
- Commitment relating to lease rental payable to Department of Finance (note 33 (a));

### Material transactions with related parties

- The department had no material related party transaction with Minister(s)/senior officers or their close family members or their controlled (or jointly controlled) entities.

### Material transactions with other related parties

- Superannuation cost paid to GESB during the year (note 6 (d)).



## 14 Commonwealth grants and contributions

	2017 (\$'000)	2016 (\$'000)
Recurred grants	296	706
<b>Total Commonwealth grants and contributions</b>	<b>296</b>	<b>706</b>

## 15 Other revenue

Lease of commercial land and buildings	267	810
Other grants	151	257
Other miscellaneous revenues	744	1 202
Initial recognition of assets not previously recognised <sup>(a)</sup>	1 903	-
<b>Total other revenue</b>	<b>3 065</b>	<b>2 269</b>

(a) Assets purchased in prior financial year that have been classified and disclosed accordingly in the financial statements for the first time.

## 16 Net gain/loss on disposal non-current assets

	2017 (\$'000)	2016 (\$'000)
Proceeds from disposal of non-current assets		
Land	282	1 460
Carrying amount of non-current assets disposed		
Land	(255)	(1 510)
Measurement sites	(192)	(76)
Infrastructure	-	(35)
Leasehold Improvement	-	(260)
<b>Net gain/(loss)</b>	<b>(164)</b>	<b>(421)</b>

See also Note 23 *Property, plant and equipment*

## 17 Income from state government

	2017 (\$'000)	2016 (\$'000)
Appropriation received during the period	71 519	72 359
Service appropriation <sup>(a)</sup>	71 519	72 359
Services received free of charge <sup>(b)</sup>		
Determined on the basis of estimates provided by agencies		
State Solicitors Office	294	219
Landgate	684	232
Department of Finance	86	277
Department of Agriculture and Food	3	4
	<b>1 067</b>	<b>732</b>
Royalties for Regions fund		
Regional infrastructure and headworks account <sup>(c)</sup>	8 695	3 725
Regional community services account	10 461	8 424
	<b>19 156</b>	<b>12 149</b>
State grants		
State grants <sup>(d)</sup>	3 597	3 038
<b>Total revenues from government</b>	<b>95 339</b>	<b>88 278</b>

- (a) Service appropriations fund the net cost of services delivered. 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) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity.
- (c) This is a sub-fund within the over-arching Royalties for Regions fund. The recurrent funds are committed to projects and programs in Western Australian regional areas.
- (d) State grants received from various agencies are listed below.

	2017 (\$'000)	2016 (\$'000)
Department of Housing	195	-
Department of Parks and Wildlife	2 274	2 636
Department of Planning	35	-
Department Regional Development	-	10
Fremantle Ports	24	24
Main Roads WA	116	37
Peel Development Commission	820	-
State Emergency Management Committee Secretariat	-	96
WA Planning Commission	120	211
Water Corporation	13	24
	<b>3 597</b>	<b>3 038</b>



## 18 Restricted cash and cash equivalents

	2017 (\$'000)	2016 (\$'000)
<b>Current</b>		
Royalties for Regions fund <sup>(a)</sup>	2 942	798
Specific purpose grants <sup>(b)</sup>	3 524	3 157
	<b>6 466</b>	<b>3 955</b>
<b>Non-current</b>		
Accrued salaries suspense account <sup>(c)</sup>	169	-

(a) These unspent funds are committed to projects and programs in Western Australian regional areas.

(b) The balance includes unspent externally-funded projects.

(c) 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.

## 19 Receivables

Current receivables	644	616
Allowance for impairment of receivables	(290)	(114)
GST receivable	1 447	1 234
<b>Total current receivables</b>	<b>1 801</b>	<b>1 736</b>
Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of period	114	12
Doubtful debts expense	204	122
Amounts written off during the period	(16)	(18)
Amount recovered during the period	(12)	(2)
<b>Balance at end of period</b>	<b>290</b>	<b>114</b>

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

## 20 Amounts receivable for services

	2017 (\$'000)	2016 (\$'000)
Current	6 617	6 336
Non-current	19 867	18 162
<b>Total amounts receivable for services</b>	<b>26 484</b>	<b>24 498</b>

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

## 21 Other assets

<b>Current</b>		
Prepayments	1 330	1 157
<b>Total current</b>	<b>1 330</b>	<b>1 157</b>
<b>Non-current</b>		
Prepayments	-	17
<b>Total non-current</b>	<b>-</b>	<b>17</b>

## 22 Non current assets classified as held for sale

	2017 (\$'000)	2016 (\$'000)
Opening balance		
Land <sup>(a)</sup>	2 007	2 077
Less write down from cost to fair value less selling cost	<b>(306)</b>	<b>(277)</b>
Plant and equipment at fair value	-	437
	<b>1 701</b>	<b>2 237</b>
Assets reclassified as held for sale		
Land <sup>(a)</sup>	-	1 150
Transfer of asset held for sale back to class	(299)	-
Less write down from cost to fair value less selling cost	-	(134)
Plant and equipment at fair value	-	-
Less write down from cost to fair value less selling cost	-	(437)
	<b>(299)</b>	<b>579</b>
Total assets classified as held for sale		
Land <sup>(a)</sup>	1 401	3 227
Less write down from cost to fair value less selling cost	(346)	(411)
Plant and equipment at fair value	-	437
Less write down from cost to fair value less selling cost	-	(437)
	<b>1 055</b>	<b>2 816</b>
Less assets sold		
Land <sup>(a)</sup>	-	1 220
Less write down from cost to fair value less selling cost	-	(105)
	<b>-</b>	<b>1 115</b>

	2017 (\$'000)	2016 (\$'000)
Closing balance		
Land <sup>(a)</sup>	1 401	2 007
Less write down from cost to fair value less selling cost	<b>(346)</b>	<b>(306)</b>
Plant and equipment at fair value	-	-
	<b>1 055</b>	<b>1 701</b>

(a) During the 2012–13 year, the Minister agreed to the sale of a series of land parcels owned by the department, but are no longer required. It is anticipated that these parcels of land will be sold in the 2017 financial year.



## 23 Property plant and equipment

	2017 (\$'000)	2016 (\$'000)
Land at fair value <sup>(a)</sup>	149 098	148 919
	<b>149 098</b>	<b>148 919</b>
Works of art	10	10
	<b>10</b>	<b>10</b>
Buildings at fair value <sup>(a)</sup>	5 063	5 250
Accumulated depreciation	-	-
	<b>5 063</b>	<b>5 250</b>
Infrastructure at cost	2 881	2 881
Accumulated depreciation	(2 313)	(2 295)
	<b>568</b>	<b>586</b>
Computing equipment at cost	3 789	3 724
Accumulated depreciation	(3 415)	(2 969)
	<b>374</b>	<b>755</b>
Furniture and fittings at cost	24	340
Accumulated depreciation	(20)	(45)
	<b>4</b>	<b>295</b>
Measurement sites at fair value	336 159	227 579
Accumulated depreciation	(173 873)	(130 524)
	<b>162 286</b>	<b>97 055</b>
Plant and equipment at cost	11 969	11 243
Accumulated depreciation	(7 617)	(7 166)
Accumulated impairment losses	(437)	(437)
	<b>3 915</b>	<b>3 640</b>

	2017 (\$'000)	2016 (\$'000)
Leasehold improvements at cost	1 147	831
Accumulated depreciation	(383)	(246)
	<b>764</b>	<b>585</b>
Capital works in progress at cost	5 834	3 133
	<b>5 834</b>	<b>3 133</b>
<b>Total property plant and equipment</b>	<b>327 916</b>	<b>260 228</b>

(a) Land and buildings were revalued as at 1 July 2016 by the Western Australian Land Information Authority (valuation services). The valuations were performed during the year ended 30 June 2017 and recognised at 30 June 2017. In undertaking the revaluation, fair value was determined by reference to market values for land, \$37 117k (2016: \$37 750k) and buildings \$2 928k (2016: \$3 446k). For the remaining balance, fair value of land and buildings was determined on the basis of depreciated replacement costs and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

Information on fair value measurements is provided in note 24.



## 23 Property, plant and equipment (continues)

## Reconciliations

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

2017	Capital works in progress	Furniture and fittings	Computer equipment	Plant and equipment	Buildings	Leasehold improvements	Measurement sites	Infrastructure	Works of art	Land	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Carrying amount at start of year</b>	<b>3 133</b>	<b>295</b>	<b>755</b>	<b>3 640</b>	<b>5 250</b>	<b>585</b>	<b>97 055</b>	<b>586</b>	<b>10</b>	<b>148 919</b>	<b>260 228</b>
Additions	8 284	-	-	-	-	-	1 442	-	-	245	9 971
Disposals	-	-	-	-	-	-	(208)	-	-	(379)	(587)
Reclassification <sup>(a)</sup>	100	-	-	-	-	-	-	-	-	-	100
Transfer in/(out) <sup>(b)</sup>	(5 683)	(289)	70	725	(20)	289	4 791	-	-	299	182
Revaluation increments/ (decrements)	-	-	-	-	1 189	-	63 530	-	-	13	64 732
Depreciation	-	(2)	(452)	(450)	(1 356)	(110)	(4 322)	(18)	-	-	(6 710)
<b>Carrying amount at end of year</b>	<b>5 834</b>	<b>4</b>	<b>373</b>	<b>3 915</b>	<b>5 063</b>	<b>764</b>	<b>162 288</b>	<b>568</b>	<b>10</b>	<b>149 097</b>	<b>327 916</b>

(a) Reclassification from tangible capital works in progress to intangible capital works in progress.

(b) Transfer in/(out) from tangible capital works in progress to assets and expense.

## Reconciliations

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

2016	Capital works in progress	Furniture and fittings	Computer equipment	Plant and equipment	Buildings	Leasehold improvements	Measurement sites	Infrastructure	Works of art	Land	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Carrying amount at start of year</b>	5 264	8	918	3 710	5 300	893	96 252	508	10	152 087	264 950
Additions	7 825	-	166	280	17	-	-	-	-	-	8 288
Disposals	-	-	-	-	-	(260)	(76)	(35)	-	(2 703)	(3 074)
Reclassification <sup>(a)</sup>	(3 782)	-	-	437	-	-	-	-	-	-	(3 345)
Transfers in/(out)	(6 173)	316	191	95	357	-	5 085	129	-	-	(0)
Classified as held for sale	-	-	-	-	-	-	-	-	-	(1 150)	(1 150)
Revaluation increments/(decrements)	-	-	-	-	775	-	-	-	-	685	1 460
Impairment losses	-	-	-	(437)	-	-	-	-	-	-	(437)
Depreciation	-	(29)	(519)	(445)	(1 199)	(48)	(4 207)	(16)	-	-	(6 463)
<b>Carrying amount at end of year</b>	<b>3 133</b>	<b>295</b>	<b>755</b>	<b>3 640</b>	<b>5 250</b>	<b>585</b>	<b>97 055</b>	<b>586</b>	<b>10</b>	<b>148 919</b>	<b>260 228</b>

(a) Reclassification from tangible capital works in progress to intangible capital works in progress.

(b) Transfer in/(out) from tangible capital works in progress to assets and expense.

## 24 Fair value measurements

Assets measured at fair value:

<b>2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value at end of period</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
Non-current assets classified as held for sale (note 22)	-	1 055	-	1 055
Land (note 23)	-	37 117	111 980	149 097
Buildings (note 23)	-	2 928	2 135	5 063
Measurement sites (note 23)	-	-	162 288	162 288
	-	<b>41 100</b>	<b>276 403</b>	<b>317 503</b>

<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value at end of period</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
Non-current assets classified as held for sale (note 22)	-	1 701	-	1 701
Land (note 23)	-	37 750	111 169	148 919
Buildings (note 23)	-	3 913	1 337	5 250
Measurement sites (note 23)	-	-	97 055	97 055
	-	<b>43 364</b>	<b>209 561</b>	<b>252 925</b>

### Valuation techniques to derive level 2 fair values

Level 2 fair values of non-current assets held for sale, land and buildings (office accommodation) are derived using the market approach. Market evidence of sales prices of comparable land and buildings (office accommodation) in close proximity is used to determine price per square metre.

Non-current assets held for sale have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.



24 Fair value measurements (continues)

Fair value measurements using significant unobservable inputs (level 3)

<b>2017</b>	<b>Land (\$'000)</b>	<b>Buildings (\$'000)</b>	<b>Measurement sites (\$'000)</b>
Fair value at start of period	111 169	1 337	97 055
Additions	50	-	6 233
Revaluation increments/(decrements) Recognised in other comprehensive income	(1 361)	17	63 530
Transfer (from/to) level 2	2 499	1 239	-
Disposals	(377)	-	(208)
Depreciation expenses	-	(458)	(4 322)
<b>Fair value at end of period</b>	<b>111 980</b>	<b>2 135</b>	<b>162 288</b>

<b>2016</b>	<b>Land (\$'000)</b>	<b>Buildings (\$'000)</b>	<b>Measurement sites (\$'000)</b>
Fair value at start of period	113 114	1 288	96 252
Additions	-	-	5 085
Revaluation increments/(decrements) Recognised in other comprehensive income	323	243	-
Transfer (from/to) level 2	(1 038)	-	-
Disposals	(1 230)	-	(76)
Depreciation expenses	-	(194)	(4 206)
<b>Fair value at end of period</b>	<b>111 169</b>	<b>1 337</b>	<b>97 055</b>

## 24 Fair value measurements (continues)

### Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's Instructions require valuations of land, buildings and infrastructure to be categorised within level 3 where the valuations will utilise significant level 3 inputs on a recurring basis.

### Land (level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (valuation services) and represents the application of a significant level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

### Buildings and measurement sites (level 3 fair values)

Fair value for existing use specialised buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Valuation using depreciation replacement cost utilises the significant level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (valuation services) for buildings and internally for measurement sites. The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings.

### Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

Information about significant unobservable inputs (level 3) in fair value measurements

Description	Fair value 2017	Fair value 2016	Valuation technique(s)	Unobservable inputs
(\$'000)	(\$'000)	(\$'000)		
Land	111 980	111 169	Market approach	Selection of land with similar approximate utility
Buildings	2 135	1 337	Depreciated replacement costs	Consumed economic benefit/obsolescence of asset Historical cost per square metre floor area (m <sup>2</sup> )
Measurement sites	162 288	97 055	Depreciated replacement costs	Consumed economic benefit/obsolescence of asset Historical drilling cost per metre depth adjusted for regional costs

Reconciliations of the opening and closing balances are provided in note 23.

## 25 Intangible assets

	2017 (\$'000)	2016 (\$'000)
<b>Computer software</b>		
At cost	20 416	13 076
Accumulated amortisation	(6 592)	(4 014)
Accumulated impairment losses	-	-
	<b>13 824</b>	<b>9 062</b>
<b>Software licences</b>		
At cost	345	345
Accumulated amortisation	(345)	(345)
	-	-
<b>Analytical products</b>		
At cost	8 382	8 146
<b>Work in progress</b>		
At cost	5 138	8 478
	<b>5 138</b>	<b>8 478</b>
<b>Total intangible assets</b>	<b>27 344</b>	<b>25 686</b>
<b>Reconciliations</b>		
<b>Computer software</b>		
Carrying amount at start of period	9 062	4 468
Additions	7 340	-
Transfers in/(out)	-	6 573
Amortisation expense	(2 578)	(1 979)
<b>Carrying amount at end of period</b>	<b>13 824</b>	<b>9 062</b>

	2017 (\$'000)	2016 (\$'000)
<b>Software licences</b>		
Carrying amount at start of period	-	10
Amortisation expense	-	(10)
<b>Carrying amount at end of period</b>	<b>-</b>	<b>-</b>
<b>Analytical products</b>		
Carrying amount at start of period	8 146	3 666
Additions	236	4 480
Amortisation expense	-	-
<b>Carrying amount at end of period</b>	<b>8 382</b>	<b>8 146</b>
<b>Work in progress</b>		
Carrying amount at start of period	8 478	5 607
Additions	4 363	10 143
Reclassification from tangible work in progress	(22)	3 782
Transfers (out) to computer software	(7 340)	(6 573)
Transfers (out) to analytical products	(237)	(4 480)
Transfers in/(out) of non-capital transaction	(104)	-
<b>Carrying amount at end of period</b>	<b>5 138</b>	<b>8 478</b>



## 26 Impairment of assets

As disclosed in note 2 (g), the department recognised impairment loss of property, plant and equipment as at 30 June 2017.

The department held intangible assets (analytical products) with an indefinite useful life during the reporting period. There was no indication of impairment. At the end of the reporting period there were no intangible assets not yet available for use.

## 27 Payables

	2017 (\$'000)	2016 (\$'000)
<b>Current</b>		
Trade payables	380	1 068
Accrued expense	2 660	559
Accrued salaries	173	-
Accrued fringe benefits tax	-	57
<b>Total current payables</b>	<b>3 213</b>	<b>1 684</b>

## 28 Provisions

<b>Current</b>		
<b>Employee benefits provision</b>		
Annual leave <sup>(a)</sup>	4 701	3 167
Long service leave <sup>(b)</sup>	7 496	7 889
Purchased leave <sup>(c)</sup>	45	131
Deferred salary scheme <sup>(d)</sup>	7	2
	<b>12 249</b>	<b>11 189</b>

	2017 (\$'000)	2016 (\$'000)
<b>Other provisions</b>		
Employment on-costs <sup>(e)</sup>	20	456
Provision rural water grants <sup>(f)</sup>	1 104	-
	<b>1 124</b>	<b>456</b>
	<b>13 373</b>	<b>11 645</b>
<b>Non-current</b>		
<b>Employee benefits provision</b>		
Long service leave <sup>(b)</sup>	2 380	2 584
	<b>2 380</b>	<b>2 584</b>
<b>Other provisions</b>		
Employment on-costs <sup>(e)</sup>	4	106
	<b>2 384</b>	<b>2 690</b>

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlements will occur as follows:

Within 12 months of the end of the reporting period	3 103	2 085
More than 12 months after the end of the reporting period	1 598	1 082
	<b>4 701</b>	<b>3 167</b>

(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 the end of the reporting period. Assessments indicate that actual settlements will occur as follows:

Within 12 months of the end of the reporting period	3 160	3 387
More than 12 months after the end of the reporting period	6 716	7 086
	<b>9 876</b>	<b>10 473</b>

## 28 Provisions (continues)

- (c) Purchased leave scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

	2017 (\$'000)	2016 (\$'000)
Within 12 months of the end of the reporting period	45	131
More than 12 months after the end of the reporting period	-	-
	<b>45</b>	<b>131</b>

- (d) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

	2017	2016
Within 12 months of the end of the reporting period	7	2
More than 12 months after the end of the reporting period	-	-
	<b>7</b>	<b>2</b>

- (e) The settlement of annual and long service leave liabilities gives rise to the payment of employment on costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense is disclosed in Note 11 *Other expenses*.

- (f) An independent department- approved water auditor conducts an on-farm water audit, sends a schedule of works based on the audit. The department reviews the schedule of works and approves. Works on the farm are verified and the farmer makes an application for a rebate. The department reviews and pays the rebate claim. Based on the historical profile of rebates for eligible audits and the number of completed works as at 30 June 2017, the total provision for farm water rebate scheme is estimated to be \$1.1m.

<b>Movements in other provisions</b>		
<b>Employment on cost provision</b>		
Carrying amount at start of period	562	1 820
Additional/(reversals of) provisions recognised	215	245
Payments/other sacrifices of economic benefits	(753)	(1 503)
<b>Carrying amount at end of period</b>	<b>24</b>	<b>562</b>
<b>Rural Water Grants provision</b>		
Carrying amount at start of period	-	-
Additional/(reversals of) provisions recognised	1 104	-
Payments/other sacrifices of economic benefits	-	-
<b>Carrying amount at end of period</b>	<b>1 104</b>	<b>-</b>

## 29 Other liabilities

	2017 (\$'000)	2016 (\$'000)
<b>Current</b>		
Revenue received in advance	131	98
Stale cheque holding account	41	41
<b>Total current other liabilities</b>	<b>172</b>	<b>139</b>

## 30 Equity

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

	2017 (\$'000)	2016 (\$'000)
<b>Contributed equity</b>		
Balance at start of reporting period	266 674	262 430
<b>Contributions by owners</b>		
Capital contribution	11 357	5 250
<b>Other contributions by owners</b>		
Regional infrastructure and headworks account	524	1 449
<b>Total contributions by owners</b>	<b>11 881</b>	<b>6 699</b>
<b>Distribution to owners</b>		
<b>Net assets transferred to government</b>		
Transfer of net assets to other government agencies <sup>(a)</sup>	(407)	(2 309)
Proceeds for disposal of assets paid to Consolidated Account	-	(146)
<b>Total distribution to owners</b>	<b>(407)</b>	<b>(2 455)</b>
<b>Balance at end of reporting period</b>	<b>278 148</b>	<b>266 674</b>

(a) The department transferred parcels of land to the state of Western Australia at nil consideration. The loss on disposal of these assets is accounted for as a distribution to owners/withdrawal of capital as required by Treasurer's Instruction 955.

	2017 (\$'000)	2016 (\$'000)
<b>Reserves</b>		
<b>Asset revaluation reserve:</b>		
<b>Balance at start of reporting period</b>	<b>60 500</b>	<b>57 539</b>
Net revaluation increments/(decrements):		
Land	13	556
Buildings	1 189	775
Measurement sites	63 530	-
	<b>64 732</b>	<b>1 331</b>
Derecognised revaluation assets <sup>(a)</sup>	(36)	1 630
<b>Balance at end of reporting period</b>	<b>125 196</b>	<b>60 500</b>
<b>Accumulated surplus/(deficit)</b>		
Balance at start of reporting period	(14 281)	(10 336)
Derecognised revaluation assets <sup>(a)</sup>	36	(1 630)
Result for the period surplus/(deficit)	4 151	(2 315)
<b>Balance at end of reporting period</b>	<b>(10 093)</b>	<b>(14 281)</b>
<b>Total equity at end of the period</b>	<b>393 251</b>	<b>312 893</b>

(a) This represents the increment/(decrement) in the asset revaluation reserves on derecognition of land, buildings and infrastructure transferred directly to accumulated funds as per AASB 116, para 41.

## 31 Notes to the statement of cash flows

### Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:

	2017 (\$'000)	2016 (\$'000)
Cash and cash equivalents	19 828	10 073
Restricted cash and cash equivalents (refer to Note 18 <i>Restricted cash and cash equivalents</i> )	6 635	3 955
	<b>26 463</b>	<b>14 028</b>
<b>Reconciliation of net cost of services to net cash flows provided by operating activities</b>		
Net cost of services	(91 188)	(90 594)
<b>Non-cash items:</b>		
Depreciation and amortisation expense (Note 9 <i>Depreciation and amortisation expense</i> )	9 288	8 452
Net (gain)/loss on disposal of non-current assets (Note 16 <i>Net gain/(loss) on disposal of non current assets</i> )	164	421
Services received free of charge (Note 17 <i>Resources received free of charge</i> )	1 067	732
Initial recognition of assets (Note 15 <i>Other revenue</i> )	247	-
Write down of non-current assets classified as held for sale (Note 12 <i>Other expenses</i> )	-	437

	2017 (\$'000)	2016 (\$'000)
<b>(Increase)/decrease in assets:</b>		
Current receivables <sup>(a)</sup>	148	(229)
Other current assets	(173)	588
Other non current assets	17	145
<b>Increase/(decrease) in liabilities:</b>		
Current payables <sup>(a)</sup>	1 535	(2 417)
Current provisions	1 728	(1 172)
Other current liabilities	33	97
Non-current provisions	(306)	378
Net GST receipts/(payments) <sup>(b)</sup>	3 324	3 858
Change in GST in (receivables)/payables <sup>(c)</sup>	(3 537)	(3 630)
<b>Net cash provided by/(used in) operating activities</b>	<b>(77 653)</b>	<b>(82 933)</b>

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e. cash transactions.

(c) This reverses out the GST in receivables and payables.



## 32 Resources provided free of charge

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

	2017 (\$'000)	2016 (\$'000)
Busselton Water	-	17
Department of Agriculture and Food	-	17
Department of Finance	-	19
Department of Mines and Petroleum	-	322
Department of Parks and Wildlife	2	1
Department of Planning	2	10
Department of Transport	-	5
Landgate	-	154
Main Roads	2	1
Other Agencies	4	1
Public Transport Authority	4	2
State Heritage office	18	-
Water Corporation	25	14
Western Australian Planning Commission	13	6
<b>Total resources provided free of charge</b>	<b>70</b>	<b>569</b>

## 33 Commitments

### Non-cancellable operating lease commitments

Commitments in relation to leases contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	2017 (\$'000)	2016 (\$'000)
Within 1 year	3 000	3 076
Later than 1 year and not later than 5 years	4 622	6 743
Later than 5 years	403	7
	<b>8 025</b>	<b>9 826</b>

a) Above lease commitment include \$6.573million (2016: \$8.145million) payable to department of finance relating to accommodation.

### Capital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2017 (\$'000)	2016 (\$'000)
Within 1 year	10 297	6 743
Later than 1 year and not later than 5 years	2 492	8 343
	<b>12 789</b>	<b>15 086</b>

	2017 (\$'000)	2016 (\$'000)
The capital commitments include amounts for:		
Groundwater bores	8 171	9 956
Surface water infrastructure	149	426
Information technology infrastructure	-	1 753
Purchase of boat and trailer – Peel Region	122	-
Water Online – information technology infrastructure	430	-
Upgrades to oxygenation plants – Bacon Street and Camsell Way	49	-
State Ground Water Investigation Program	2 781	-
Swan River Trust Nicholson Oxygenation Plant	-	80
Kent St Weir	899	12
Models and analytical tools	188	726
Perth Confined Aquifer	-	2 133
<b>Total</b>	<b>12 789</b>	<b>15 086</b>

## 34 Contingent liabilities and contingent assets

### Contingent liabilities

The following contingent liabilities are additional to the liabilities incorporated in the financial statements:

### Contaminated sites

Under the *Contaminated Sites Act 2003*, the department is required to report known and suspected contaminated sites to the Department of Environment Regulation (DER). In accordance with the Act, the DER 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 of Water has reported one suspected contaminated site to DER. The Contaminated Sites team from DER have not confirmed the presence of contamination and have listed it as requiring investigation. In the circumstances, it is not practicable for the Department to assess the level of remediation work required and costs involved.

### Contingent assets

The department has no contingent assets at 30 June 2017.

## 35 Events occurring after the end of the reporting period

The department has no adjusting or non adjusting events after the end of the reporting period except for, the Department of Water ceased to exist as a department on 30 June 2017 as the Department of Water and Environmental Regulation was created on 01 July 2017. All the assets, rights and liabilities of Department of Water as at 30 June 2017 were transferred to Department of Water and Environmental Regulation as opening balances as at 01 July 2017.

## 36 Explanatory statements

Variances between estimates (original budget) and actual results for 2017 and between the actual results for 2017 and 2016 are shown below. Narratives are provided for key variations selected from observed major variances which are generally greater than:

5% and \$1.8 million for the Statements of comprehensive income and Statement of cash flows; and 5% and \$6.6 million for the Statement of financial position.

### Statement of comprehensive income - controlled operations

	Variance	Original estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual results for 2017 and 2016
	Note	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Cost of services</b>						
Expenses						
Employee benefits expense		51 097	50 152	50 526	(945)	(374)
Supplies and services		22 452	23 680	25 060	1 228	(1 380)
Depreciation and amortisation expense	A	8 712	9 288	8 452	576	836
Accommodation expenses		4 892	5 259	4 542	367	717
Grants and subsidies		2 817	3 749	2 372	932	1 377
Other expenses		2 656	2 305	2 246	(351)	59
Loss on disposal of non-current assets		-	164	421	164	(257)
<b>Total cost of services</b>		<b>92 626</b>	<b>94 597</b>	<b>93 619</b>	<b>1 971</b>	<b>978</b>
Income						
Revenue						
User charges and fees		54	48	51	(6)	(3)
Commonwealth grants and contributions	1	2 467	296	706	(2 171)	(410)
Other revenue		1 776	3 065	2 269	1 289	796
<b>Total revenue</b>		<b>4 297</b>	<b>3 409</b>	<b>3 026</b>	<b>(888)</b>	<b>383</b>
<b>Total income other than income from state government</b>		<b>4 297</b>	<b>3 409</b>	<b>3 026</b>	<b>(888)</b>	<b>383</b>
<b>Net cost of services</b>		<b>88 329</b>	<b>91 188</b>	<b>90 594</b>	<b>2 859</b>	<b>594</b>



Statement of comprehensive income - controlled operations (continues)

	Variance	Original estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual results for 2017 and 2016
	Note	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Income from state government						
Service appropriation		69 600	71 519	72 359	1 919	(840)
Services received free of charge		947	1 067	732	120	335
Royalties for regions fund	B	17 965	19 156	12 149	1 191	7007
State grants	2	-	3 597	3 038	3 597	559
<b>Total income from state government</b>		88 512	<b>95 339</b>	<b>88 278</b>	<b>6 827</b>	<b>7 061</b>
<b>Surplus/(deficit) for the period</b>		<b>(183)</b>	<b>4 151</b>	<b>(2 315)</b>	<b>4 334</b>	<b>6 466</b>
<b>Other comprehensive income</b>						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus	3, C	-	64 732	1 331	64 732	63 401
<b>Total other comprehensive income</b>		-	<b>64 732</b>	<b>1 331</b>	<b>64 732</b>	<b>63 401</b>
<b>Total comprehensive income/(deficit) for the period</b>		<b>(183)</b>	<b>68 883</b>	<b>(984)</b>	<b>69 066</b>	<b>69 867</b>

## 36 Explanatory statements (continues)

## Statement of financial position - controlled operations

	Variance	Original estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual results for 2017 and 2016
	Note	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Assets</b>						
Current assets						
Cash and cash equivalents	4, D	11 582	19 828	10 073	8 246	9 755
Restricted cash and cash equivalents		3 133	6 466	3 955	3 333	2 511
Receivables		1 813	1 801	1 736	(12)	65
Amounts receivable for services		6 567	6 617	6 336	50	281
Other current assets		1 979	1 330	1 157	(649)	173
Non-current assets classified as held for sale		2 237	1 055	1 701	(1 182)	(646)
<b>Total current assets</b>		<b>27 311</b>	<b>37 097</b>	<b>24 958</b>	<b>9 786</b>	<b>12 139</b>
Non-current assets						
Restricted cash and cash equivalents		166	169	-	3	169
Amounts receivable for services		20 307	19 867	18 162	(440)	1 705
Property plant and equipment	5, E	290 283	327 916	260 228	37 633	67 688
Intangible assets	6	11 495	27 344	25 686	15 849	1 658
Other		162	-	17	(162)	(17)
<b>Total non-current assets</b>		<b>322 413</b>	<b>375 296</b>	<b>304 093</b>	<b>52 883</b>	<b>71 203</b>
<b>Total assets</b>		<b>349 724</b>	<b>412 393</b>	<b>329 051</b>	<b>62 669</b>	<b>83 342</b>

Statement of financial position - controlled operations (continues)

	Variance	Original estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual results for 2017 and 2016
	Note	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Liabilities</b>						
Current liabilities						
Payables		4 411	3 213	1 684	(1 198)	1 529
Provisions		12 577	13 373	11 645	796	1 728
Other current liabilities		42	172	139	130	33
<b>Total current liabilities</b>		<b>17 030</b>	<b>16 758</b>	<b>13 468</b>	<b>(272)</b>	<b>3 290</b>
Non-current liabilities						
Provisions		2 267	2 384	2 690	117	(306)
<b>Total non-current liabilities</b>		<b>2 267</b>	<b>2 384</b>	<b>2 690</b>	<b>117</b>	<b>(306)</b>
<b>Total liabilities</b>		<b>19 297</b>	<b>19 142</b>	<b>16 158</b>	<b>(155)</b>	<b>2 984</b>
<b>Net assets</b>		<b>330 427</b>	<b>393 251</b>	<b>312 893</b>	<b>62 824</b>	<b>80 358</b>
<b>Equity</b>						
Contributed equity	F	279 838	278 148	266 674	(1 690)	11 474
Reserves	7, G	57 539	125 196	60 500	67 657	64 696
Accumulated (deficit)/surplus		(6 950)	(10 093)	(14 282)	(3 143)	4 189
<b>Total equity</b>		<b>330 427</b>	<b>393 251</b>	<b>312 892</b>	<b>62 824</b>	<b>80 359</b>

## 36 Explanatory statements (continues)

## Statement of cash flows - controlled operations

	Variance	Original estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual results for 2017 and 2016
	Note	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Cash flows from state government</b>						
Service appropriation	8, H	60 888	62 772	65 133	1 884	(2 361)
Capital contributions	I	10 100	11 356	5 250	1 256	6 106
Holding account drawdowns		6 336	6 762	5 970	426	792
Royalties for regions fund	J	18 500	19 680	13 599	1 180	6 081
State grants	9		3 652	3 116	3 652	536
<b>Net cash provided by state government</b>		<b>95 824</b>	<b>104 222</b>	<b>93 068</b>	<b>8 398</b>	<b>11 154</b>
Utilised as follows:						
<b>Cash flows from operating activities</b>						
Payments						
Employee benefits	K	(50 474)	(48 772)	(52 152)	1 702	3 380
Supplies and services	L	(20 954)	(21 308)	(24 700)	(354)	3 392
Accommodation		(4 892)	(5 182)	(4 373)	(290)	(809)
Grants and subsidies		(2 817)	(3 685)	(2 906)	(868)	(779)
GST payments on purchases		(4 845)	(4 079)	(4 421)	766	342
Other payments		(3 275)	(1 986)	(1 734)	1 289	(252)
Receipts						
User charges and fees		54	338	51	284	287
Commonwealth grants and contributions		2 467	296	706	(2 171)	(410)
GST receipts on sales		-	441	592	441	(151)
GST receipts from taxation authority		4 845	3 324	3 858	(1 521)	(534)
Other receipts		1 776	2 960	2 146	1 184	814
<b>Net cash provided by/(used in) operating activities</b>		<b>(78 115)</b>	<b>(77 653)</b>	<b>(82 933)</b>	<b>462</b>	<b>5 280</b>



Statement of cash flows - controlled operations (continues)

	Variance	Original estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual results for 2017 and 2016
	Note	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Cash flows from investing activities</b>						
Payments						
Purchase of non-current assets	10, M	(18 970)	(14 416)	(18 545)	4 554	4 129
Net proceeds on sale of land remitted to Treasury		-	-	(146)	-	146
Receipts						
Proceeds from sale of non-current physical assets			282	1 460	282	(1 178)
<b>Net cash provided by/(used in) investing activities</b>		<b>(18 970)</b>	<b>(14 134)</b>	<b>(17 231)</b>	<b>4 836</b>	<b>3 097</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 261)</b>	<b>12 435</b>	<b>(7 096)</b>	<b>13 696</b>	<b>19 531</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>16 142</b>	<b>14 028</b>	<b>21 124</b>	<b>(2 114)</b>	<b>(7 096)</b>
<b>Cash and cash equivalents at the end of period</b>		<b>14 881</b>	<b>26 463</b>	<b>14 028</b>	<b>11 582</b>	<b>12 435</b>

36 Explanatory statements (continues)

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### Statement of comprehensive income

#### Major estimate and actual (2017) variance narratives for controlled operations

- 1 Commonwealth grants and contributions were \$2.2 million (88%) less than expected due to Commonwealth National Partnership payments (\$2.4 million) being treated as administered contributions instead of controlled contributions.
- 2 No state grants were expected at the time of budget preparation; however \$3.6 million was received for environmental monitoring and for the operation of oxygenation plants in the Swan Canning Estuary and analysis for the Peel Integrated Water Initiative.
- 3 The asset revaluation surplus was \$65 million greater than forecast due to revaluation of measurement sites including ground water monitoring bores.

#### Major actual (2017) and comparative (2016) variance narratives for controlled operations

- A Supplies and services decreased by \$1.4 million (6%) mainly due to decreases in software licenses (\$1.9 million); consumables (\$578k); other supplies and services (\$981k) and other staff expenses (\$551k).
- B Funding for the Royalties for Regions increased by \$7.0 million. Additional fundings were received during the year for the Regional Estuaries Initiative (\$3.9 million); Water for Food program (\$1.7 million) and revitalising Geographe Bay (\$1.7 million).
- C The asset revaluation surplus increased by \$63 million due to revaluations of measurement sites including ground water monitoring bores.

### Statement of financial position

#### Major estimate and actual (2017) variance narratives for controlled operations

- 4 Cash and cash equivalents is \$8 million (71%) greater than forecast. The increase was mainly due to reduced payments for Employee Benefits (\$1.0 million); and deferred capital acquisitions (\$5.4 million).
- 5 Property plant and equipment was \$38.0 million (13%) greater than forecast mainly due to a higher than expected revaluation of measurement sites of (\$63 million). This was partly offset by deferred capital expenditure of \$5.6 million and \$5.0 million of work in progress reclassified as intangible asset work in progress.
- 6 Intangible assets is \$15.8 million (138%) greater than forecast. The increase is mainly due to a reclassification of Property Plant and Equipment works in progress to Intangible Assets (\$5 million) and Intangible Assets Work in Progress being \$5 million greater than anticipated.
- 7 Reserves were \$68.0 million greater than forecast mainly due to asset revaluations of \$66 million in measurement sites.

#### Major actual (2017) and comparative (2016) variance narratives for controlled operations

- D Cash and cash equivalents increased by \$10.0 million mainly due to reduced payments for employee expenses (\$1.1 million); Other payments (\$2.3 million) and deferred capital of (\$5.6 million).
- E Property plant and equipment increased by \$68 million mainly due to revaluations of measurement sites (\$63 million increase) including ground water monitoring bores.
- F Contributed equity increased by \$11.5 million due to capital contributions of \$11.5 million.
- G Reserves increased by \$68.0 million mainly due to asset revaluations of \$65 million in measurement sites.

## Statement of cash flows

### Major estimate and actual (2017) variance narratives for controlled operations

- 8 Service appropriation \$1.9 million greater than forecast due to Royalties for Regions funding being brought forward.
- 9 State Grants of \$3.6 million were received which were not expected at the time of budget preparation. Major contributions were from the Department of Parks and Wildlife (\$2.3 million); the Peel Development Commission (\$1.2 million) and the State Emergency Management Committee (\$619k).
- 10 Payments for the purchase of non-current assets are \$4.5 million less than forecast mainly due to deferred spending for the Kent Street Weir (\$3 million) and land acquisitions (\$2.7 million).

### Major actual (2017) and comparative (2016) variance narratives for controlled operations

- H Receipts for service appropriations reduced by \$2.4 million. Agency expenditure reviews identified \$926k of recurrent savings; the Rural Water Planning Program ceased (\$800k); procurement savings (\$166k) and efficiency dividends (\$100k).
- I Receipts for capital appropriations increased by \$6.1 million mainly due to funding for the Kent Street Weir upgrade (\$4.4 million).
- J Receipts from the Royalties for Regions Fund increased by \$6.1 million as additional water programs were funded. Additional funding was received for the Regional Estuaries Initiative (\$3.9 million) and Water for Food program (\$1.7 million) and revitalising Geographe Bay.

- K Payments for employee benefits reduced by \$3.4 million as compared to 2016 which had an additional (27th) pay period. Payments also reduced in 2017 due to the government's workforce renewal policy.
- L payments for supplies and services reduced by \$3.4 million due to decreases in software licences (\$1.9 million) consumables (\$578 thousand) other supplies and services (\$981 thousand) and other staff expenses (\$551 thousand). Which offset and increase of \$1.1 million for consultants and contractors).
- M payments for the purchase of non-current assets reduced by \$4.0 million mainly due to deferred expenditure in 2017 for the Kent Street Weir (\$3 million) and land acquisitions (\$2.7 million).

## 37 Financial instruments

### (a) Financial risk management objectives and policies

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

#### Credit risk

Credit risk arises when there is the possibility of the department's receivables defaulting on their contractual obligations resulting in financial loss to the department.

The maximum exposure to credit risk at end of reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 37 (c) 'Financial Instruments Disclosures' and note 19 '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 departments exposure to bad debts is minimal. At the end of the reporting period 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 drawdowns 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 materially exposed to other price risks. The department is not exposed to interest rate risk because all cash and cash equivalents cash are non-interest bearing and have no borrowings.

### (b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2017 (\$'000)	2016 (\$'000)
<b>Financial assets</b>		
Cash and cash equivalents	19 828	10 073
Restricted cash and cash equivalents	6 635	3 955
Receivables <sup>(a)</sup>	354	502
Amounts receivable for services	26 484	24 498
	<b>53 301</b>	<b>39 028</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	3 213	1 684
	<b>3 213</b>	<b>1 684</b>

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



(c) Financial instrument disclosures

**Credit risk**

The following table discloses the department's maximum exposure to credit risk and the ageing analysis of financial assets. The department's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the department.

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

**Ageing analysis of financial assets**

	Carrying Amount (\$'000)	Not past due and not impaired (\$'000)	Past due but not impaired					Impaired financial assets (\$'000)
			Up to 1 month (\$'000)	1-3 months (\$'000)	3 months to 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)	
<b>2017</b>								
Cash and cash equivalents	19 828	19 828	-	-	-	-	-	-
Restricted cash and cash equivalents	6 635	6 635	-	-	-	-	-	-
Receivables <sup>(a)</sup>	354	127	138	36	53	-	-	-
Amounts receivable for services	26 484	26 484	-	-	-	-	-	-
	<b>53 301</b>	<b>53 074</b>	<b>138</b>	<b>36</b>	<b>53</b>	-	-	-
<b>2016</b>								
Cash and cash equivalents	10 073	10 073	-	-	-	-	-	-
Restricted cash and cash equivalents	3 955	3 955	-	-	-	-	-	-
Receivables <sup>(a)</sup>	502	195	267	15	25	-	-	-
Amounts receivable for services	24 498	24 498	-	-	-	-	-	-
	<b>39 028</b>	<b>38 721</b>	<b>267</b>	<b>15</b>	<b>25</b>	-	-	-

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

## 37 Financial instruments (continues)

**Liquidity risk and interest rate exposure**

The following table discloses the department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities.

The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amount for each item.

**Interest rate exposure and maturity analysis of financial assets and financial liabilities**

	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Nominal amount	Maturity dates				
			Fixed Interest rate	Variable Interest rate	Non-Interest bearing		Up to 1 month	1-3 months	3 months to - 1 year	1-5 years	More than 5 years
2017	%	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Financial assets</b>											
Cash and cash equivalents		19 828	-	-	19 828	19 828	19 828	-	-	-	-
Restricted cash and cash equivalents		6 635	-	-	6 635	6 635	6 635	-	-	-	-
Receivables <sup>(a)</sup>		354	-	-	354	354	354	-	-	-	-
Amounts receivable for services		26 484	-	-	26 484	26 484	500	1 337	4 780	19 867	-
		<b>53 301</b>	-	-	<b>53 301</b>	<b>53 301</b>	<b>27 317</b>	<b>1 337</b>	<b>4 780</b>	<b>19 867</b>	-
<b>Financial liabilities</b>											
Payables		3 213	-	-	3 213	3 213	3 213	-	-	-	-
		<b>3 213</b>	-	-	<b>3 213</b>	<b>3 213</b>	<b>3 213</b>	-	-	-	-
<b>2016</b>											
<b>Financial assets</b>											
Cash and cash equivalents		10 073	-	-	10 073	10 073	10 073	-	-	-	-
Restricted cash and cash equivalents		3 955	-	-	3 955	3 955	3 955	-	-	-	-
Receivables <sup>(a)</sup>		502	-	-	502	502	502	-	-	-	-
Amounts receivable for services		24 498	-	-	24 498	24 498	851	1 824	3 661	18 162	-
		<b>39 028</b>	-	-	<b>39 028</b>	<b>39 028</b>	<b>15 381</b>	<b>1 824</b>	<b>3 661</b>	<b>18 162</b>	-
<b>Financial liabilities</b>											
Payables		1 684	-	-	1 684	1 684	1 684	-	-	-	-
		<b>1 684</b>	-	-	<b>1 684</b>	<b>1 684</b>	<b>1 684</b>	-	-	-	-

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

37 Financial instruments (continues)

**Interest rate sensitivity analysis**

Interest rate sensitivity has not been disclosed as the department is not exposed to interest rate risk as it has no assets or liabilities that are interest bearing.

**Fair values**

All financial assets and liabilities recognised in the Statement of Financial Position 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.

## 38 Remuneration of auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2017 (\$'000)	2016 (\$'000)
Auditing the accounts controls financial statements and performance indicators	116	123

## 39 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".

## 40 Special purpose accounts

**Developer bonds**

The purpose of the account is to hold funds paid by developers and held in trust. Amounts are refunded on completion of works per agreed contract.

	2017 (\$'000)	2016 (\$'000)
Balance at start of period	64	64
Receipts	-	-
Payments	(64)	
<b>Balance at end of period</b>	<b>-</b>	<b>64</b>

**Reserve 31165 Trust Account**

The purpose of the account is to Joint management as specifies in clause 9 of the agreement and in relation to land south of Lake Argyle for the purposes of protecting the water resource value of Lake Argyle and the Ord River Dam.

	2017 (\$'000)	2016 (\$'000)
Balance at start of period	-	-
Receipts	399	-
Payments	(12)	-
<b>Balance at end of period</b>	<b>387</b>	<b>-</b>

## 41 Supplementary financial information

	2017 (\$'000)	2016 (\$'000)
<b>(a) Write offs</b>		
Public property written-off by the accountable authority during the financial year	(16)	(15)
<b>(b) Loss through theft defaults and other causes</b>		
Losses of public properties through theft or default	-	(15)
Amounts recovered	-	1
	-	<b>(14)</b>
<b>(c) Gifts of public property</b>		
The department had no gifts of public property during the financial year.		





## 42 Administered income and expenses by service

	Urban Water Management and Industry Services		Water Use Allocation and Optimisation		Catchment and waterways health		General – not attributed		Total	
	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)	2017 (\$'000)	2016 (\$'000)
<b>Income from administered items</b>										
Income										
For transfer:										
Regulatory fees and other charges <sup>(a)</sup>	-	-	-	-	-	-	39	23	39	23
National partnership payments <sup>(b)</sup>	-	-	-	-	-	-	2 386	-	2 386	-
<b>Expenses</b>										
Payments into the consolidated account	-	-	-	-	-	-	57	23	57	23
Grants and subsidies–recurrent	-	-	-	-	-	-	2 131	-	2 131	-

(a) Payments into the consolidated account included water fines collected on behalf of Water Corporation.

(b) Commonwealth grant received for National Water Infrastructure Development Fund project during the year.

## 43 Administered assets and liabilities

	2017 (\$'000)	2016 (\$'000)
<b>Asset</b>		
Current asset		
Cash and cash equivalents	-	18
Other debtors	237	-
<b>Total administered current assets</b>	<b>237</b>	<b>18</b>
<b>Total administered assets</b>	<b>237</b>	<b>18</b>
<b>Liability</b>		
Current liability		
Amounts owing to controlled entity	237	18
<b>Total administered current liabilities</b>	<b>237</b>	<b>18</b>
<b>Total administered liabilities</b>	<b>237</b>	<b>18</b>

## 44 Explanatory statement for administered items

	Variance	Original budget 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual results for 2017 and 2016
	Note	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Income from administered items</b>						
Income						
For transfer:						
Regulatory fees and other charges <sup>(a)</sup>		25	39	23	14	16
National partnership payments <sup>(b)</sup>	A	-	2 386	-	2 386	2 386
<b>Expenses</b>						
Payments into the consolidated account		25	57	23	32	34
Fees and registrations		-	-	-	-	-
Grants and subsidies–recurrent	A	-	2 131	-	2 131	2 131
<b>Net income from administered items</b>		-	<b>237</b>		<b>237</b>	<b>237</b>

(a) Payments into the consolidated account included water fines collected on behalf of Water Corporation.

(b) Commonwealth grant received for National Water Infrastructure Development Fund project during the year.

### Major estimate and actual (2017) variance narratives for controlled operations

A New funding agreement with Commonwealth for National Water Infrastructure development fund–feasibility component started during the year. However this was not initially budgeted.

## Ministerial directives

There were no Ministerial directives in 2016–17.

## Other financial disclosures

### Pricing policies of services provided

Through a service agreement with the Commonwealth Government, the department provided technical services to the Indian Ocean Territories of Christmas and the Cocos (Keeling) Islands. These services include policy advice, as well as planning, assessment, allocation and protection of groundwater resources.

Services are provided on a cost recovery basis which includes the incurred salary and operational costs plus on-costs calculated at the rate specified by the Department of Infrastructure and Regional Development.

### Capital works

The Department of Water's capital works consisted of asset replacement programs and new projects.

The ongoing asset replacement program includes installing, replacing and upgrading groundwater monitoring bores and river gauging stations throughout the state and an asset replacement program associated with computer hardware and office equipment.

## Governance disclosures

### Executive recruitment

No executive recruitment occurred during the fiscal year.

The senior executive service contracts of Don Crawford, Director Water and Land Use Planning, and Iqbal Samnakay, Director Strategic Policy, were extended until 31 December 2017.

### Unauthorised use of credit cards

Officers of the department hold corporate purchasing cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the department's corporate purchasing card policy, nineteen employees inadvertently utilised the corporate purchasing card for their personal expenditures.

The matters were not referred for disciplinary actions as the Chief Finance Officer noted prompt advice and settlement of the majority of personal use amounts, and, that the nature of the expenditure was immaterial and characteristic of an honest mistake. All amounts outstanding at the balance date have been recovered in July 2017.

	<b>2017</b> <b>(\$)</b>
Aggregate amount of personal use expenditure for the reporting period	1 538.53
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	832.90
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	660.15
Aggregate amount of personal use expenditure outstanding at balance date	45.48



## Government policy requirements

### Government building contracts

The department has a commitment to the government building training policy, having altered prospective tender documentation and developed a monitoring plan for building and construction or maintenance projects with a duration of greater than three months, a value of greater than \$2 million and tendered after 1 October 2015.

At the balance date, no contracts subject to the government building training policy had been awarded.

	Building and construction projects	Maintenance projects
	2017	2017
Active contracts within the scope of the policy in the reporting period	-	-
Contracts granted a variation to the target training rate in the reporting period	-	-
Head contractors involved in the contracts	-	-
Construction apprentices/trainees required to meet target training rate across all contracts	-	-
Construction apprentices/trainees employed by head contractors; and the subcontractors they are using for the contracts	-	-
Contracts which met or exceeded the target training rate	-	-

## Boards and committee remuneration

All remuneration paid by the Department of Water during 2016–17 to positions on boards and committees is summarised in the table below.

Boards and committee remuneration 2016–17	Remuneration (\$)
Carnarvon Water Allocation Advisory Committee	990
Geographe Catchment Council	14 722
Warren Donnelly Water Advisory Committee	4800
<b>Total</b>	<b>20 512</b>

## Other legal requirements

### Expenditure on advertising 2016–17 financial year

Expenditure for the 2016–17 financial year on advertising, market research, polling and direct mail (*Electoral Act 1907 s175ZE*):

Category	Actual (\$)
<b>Information advertising:</b>	
ADCORP Australia	2 532.10
Fairfax Media	381.58
Google Co	2 727.24
State Law Publisher	16 064.53
WA Newspapers	681.90
WorldWide online	436.36
<b>Subtotal</b>	<b>22 823.71</b>
<b>Recruitment advertisements:</b>	
NRMjobs	300.00
Public Sector Commission	10 674.20
<b>Subtotal</b>	<b>10 974.20</b>
<b>Total advertising costs</b>	<b>33 797.91</b>

### Disability access and inclusion

In 2016–17, the Department of Water continued its commitment to ensuring people with disabilities, their families and carers can fully access its events, buildings, facilities, information and services.

In 2015–16, the department endorsed a new five-year *Workforce and diversity plan* and subsequently established an Equity and Diversity Reference Group with representation from across the agency.

The Equity and Diversity Reference Group met four times through 2016–17 to advance and highlight equity and diversity strategies in the organisation including those outlined in the department's *Disability access and inclusion plan*. The group focused on:

- women in leadership
- developing strategies for increasing the employment of people with disability
- reporting on the department's equity index
- Aboriginal employment.

### Public sector standards and ethical codes

No claims of breaches of the Western Australian Public Sector Standards in Human Resources (Employment Standard) were lodged.

### Record-keeping

In accordance with Section 61 of the *State Records Act 2000*, the Department of Water provides the following information according to the State Records Commission's standard 2 (principle 6).

The Department of Water's record-keeping plan has been submitted to the State Records Commission for its five-yearly review in accordance with the *State Records Act 2000*.

Activities undertaken this year included the continued identification and assessment of records from legacy agencies and the deployment of a business classification scheme to improve the management of non-current records.

A record-keeping awareness training program was provided to staff members. The course is delivered online to all new staff as a mandatory part of induction. Existing staff members must also complete this course.

A refresher record-keeping awareness course was also introduced to maintain staff awareness of their record-keeping obligations.

The induction process directed new staff to their record-keeping obligations through the record-keeping manual and the HP Records Manager training schedule. All staff members have access to the records management system.

TRIM was upgraded to the HP Records Manager platform, which enhanced search and saving options for users.

A record-keeping awareness training program was provided to staff members. The course is delivered online to all new staff as a mandatory part of induction. Existing staff members must also complete this course.

Our induction process directed new staff to their record-keeping obligations through the record-keeping manual and the TRIM/ HP Records Manager training schedule. All staff members have access to the records management system.

Face-to-face TRIM/HP Records Manager training was provided on a weekly basis. This course included roles and responsibilities relating to obligations under the *State Records Act 2000*.

The training modules addressed particular work practices (such as saving emails into HP Records Manager) rather than describing all the platform's capabilities.

Training was also provided to regional offices through the use of video conference and remote access technology. Staff training is also supported by a comprehensive HP Records Manager manual which is available online through our intranet. Record-keeping information was provided through the internal news broadcasts.

The efficiency and effectiveness of the record-keeping awareness program was assessed periodically through participant feedback received in person or online.

The program continues to produce satisfactory results.

Feedback from staff indicated their skills improved significantly as a result of the awareness program and the accessibility of advisory staff.

Other measures of performance included the number of records saved to the record-keeping system, the numbers of files created, and the response times to service requests.

## Government policy requirements

### Substantive equality

The Department of Water is committed to implementing substantive equality measures and strives to make its services available to all Western Australians in a form that meets different needs.

The department's equity framework integrates the department's substantive equity strategies.

The implementation of the equity framework is the responsibility of an internal Equity and Diversity Committee. The committee's focus is on progressing initiatives to reducing unconscious bias through training and raising awareness.

The department has translated the draft Gascoyne master plan into Vietnamese to improve consultation and engagement, and an Indigenous community database of available state water supplies is under development.

Progress in coordinating the effort to implement substantive equality is overseen by the Chief Human Resource Officer.

### Occupational safety, health and injury management

Both managers and employees are committed to effective consultation in the workplace providing opportunities for participation in decisions affecting everyone's working lives. A consultation system has been established that includes an Occupational Safety and Health (OSH) Steering Committee, OSH Reference Group, area committees and safety and health representatives. These groups focus on the continuous improvement of OSH systems, processes and performance, workplace safety and risk and hazard awareness.

The OSH committees, including employee representatives, are integral to OSH consultation within the agency. The locations and details of the safety and health representatives are given to all employees.

The OSH Steering Committee and OSH Reference Group meet quarterly while local area OSH committees meet more frequently to discuss and resolve OSH issues and review hazard and incident reports. The OSH Steering Committee is responsible for ensuring the OSH action plan is implemented and meeting its targets.

### Commitment to return employees back to work after injury

To address any workplace injuries that occur, the department has the *Workers' compensation and injury management policy* and process guidelines to help injured employees to return to work as soon as medically appropriate.

The system ensures injury management intervention occurs promptly and effectively, so injured employees can remain at work or return to work at the earliest possible time. The injury management system and return to work programs are compliant with the requirements of the *Workers' Compensation and Injury Management Act 1981* and have been reviewed and approved by RiskCover, the department's insurer.

### Support of safety and health representatives and increasing staff awareness of the occupational health and safety system

In late 2016 the department centralised training of elected safety and health representatives through a common provider.

This initiative not only saw the department's safety officers attending the same training course, but also the emergence of a collaborative internal network of safety officers. This early collaboration will provide an excellent foundation for the formation of a Job Hazard Analysis working group to cooperatively support the development, recording and access to Job Hazard Analysis across the regions and metropolitan locations.

The department has integrated into its staff development and training program the regular coordination of a month-long promotional campaign relating to occupational safety and health. Known as *OSHtober* and supported through an annual program of lunch and learns, this program is the flagship occupational safety and health training and awareness event for the department.

In 2016 the department coordinated a comprehensive and well-promoted *OSHtober* program which:

- delivered seven lunch and learns wellness events, and hosted four external speakers sessions attended by almost 200 staff
- rebranded the department's OSH intranet page
- promoted the revised OSH procedures manual
- launched the department's OSH newsletter initiative
- released the department's Guide to making the workplace mentally healthy
- welcomed four new and four re-elected OSH representatives into the department's team of 15 OSH representatives
- supported eight staff to complete CPR training
- sponsored mental health first aid training for nine staff in the Mid West region.

### Performance

Performance against the targets set in the Public Sector Commissioner's Circular: *2012-05 Code of Practice Occupational Safety and Health in the WA Public Sector* (the 'code') is demonstrated below.

#### Safety health and injury management performance reporting

##### 1. Occupational safety, health and injury management

In accordance with the code the department complies with the requirements of the *Occupational Safety and Health Act 1984*, the *Workers' Compensation and Injury Management Act 1981* and the *Code of practice: Occupational safety and health in the Western Australian Public Sector*.

##### 2. Commitment to employees

The department recognises that its strength is in the many dedicated employees who deliver water planning, policy and management and is committed to its employees by providing a safe and healthy workplace. The agency's executive team fully supports the department's OSH management system to ensure all employees of the department have a safe and healthy workplace.

Through the department's *Occupational safety and health policy statement*, updated in 2016, it ensures, so far as is practicable, employees, contractors, volunteers and others working with the department are protected from harm while at work. This goal is achieved through the implementation of the department's OSH management system.

These and other associated documents and forms are available to employees on the department's intranet site. The communication of workplace safety and health information is outlined within an OSH communication plan which outlines the:

- types and frequency of governance body and OSH Committee meetings
- methods of communication used by the department to inform, update and educate staff on workplace health and safety matters
- list of regularly scheduled events supporting workplace health and safety.

### 3. Mechanism for consultation with employees

The primary mechanism for consultation with employees occurs through local area OSH committees and representatives feeding into a central reference group and the OSH Steering Committee.

The department has an incident management reporting system in place that clearly articulates notification protocols and escalation points.

### 4. Commitment to return employees back to work after injury

In the event that a workplace injury occurs, the *Workers' compensation and injury management policy* outlines an injury management system that is directed at enabling injured employees to return to work as soon as medically appropriate.

The system ensures injury management intervention occurs promptly and effectively, so injured employees can remain at work or return to work at the earliest appropriate time. The injury management system and return to work programs are compliant with the requirements of the *Workers' Compensation and Injury Management Act 1981* and have been reviewed and approved by RiskCover, the department's insurer.

Information about the injury management system and return to work after injury is made available to employees through the department's intranet.

### 5. Assessment of the occupational safety and health system

The department's OSH management system was audited externally by SafeBound in late 2013. The OSH management system was audited against WorkSafe WA audit criteria, Australian and New Zealand Standard 4801 and existing departmental OSH procedures and standards.

To fully assess the system the following elements were addressed throughout the audit:

- management commitment
- planning
- consultation and reporting
- hazard management
- training and supervision.

In 2016–17 the department continued to implement recommendations made in the audit to strengthen the OSH management system and ensure the safety and health of all employees.

The OSH management system will be monitored for continuous improvement, and revised to reflect the harmonisation of state and federal work health and safety legislation, as it comes into effect.

### 6. Manager and supervisor training in occupational safety, health and injury management responsibilities

Managers are trained in occupational safety and health through use of the department's learning management system. Training modules cover all aspects including the OSH legal framework, duty of care, hazard and risk management, incident management, OSH training and injury management and return to work programs. All managers and supervisors are required to complete training every two years and achieve a pass mark of 80 per cent.



7. Performance

The department’s performance against the targets set in the government circular is demonstrated below.

Safety health and injury management performance reporting

Measure	Actual results		Results against target	
	2015–16	2016–17	Target	Comment on result
Number of fatalities	0	0	0	Target achieved
Lost time injury and/or disease incidence rate	0.43%	0.23%	0 or 10% reduction	Target achieved
Lost time injury and/or disease severity rate	0	0	0 or 10% reduction	Only one lost time injury claim in the reporting period which exceeded 60 days.
Percentage of injured workers returned to work:				Target achieved
(i) within 13 weeks	100%	100%		
(ii) within 26 weeks	N/A	N/A	Greater than or equal to 80%	N/A
Percentage of managers trained in occupational safety, health and injury management responsibilities	84.6%	84.25%	Greater than or equal to 80%	Target achieved

Workforce profile

The workforce profile of the department for the last financial year is shown below:

Occupation categories	30 June 2016	30 June 2017
Managers	58	47
Professionals	293	290
Technicians and trades workers	7	7
Clerical and administrative workers	86	80
<b>Total FTE</b>	<b>444</b>	<b>424</b>

People are our foundation and future

As one of the department’s five values, the organisation takes seriously its commitment to the value ‘people are our foundation and future’.

Activities that demonstrated this commitment included supporting our staff through a range of leadership development programs to equip them with the knowledge and skills to meet the leadership challenges of the future, regular induction of new employees, the comprehensive wellbeing program and the continuation of the employee recognition program to highlight the outstanding contributions of employees.

Two staff members, Roy Stone and Dr Kath Lynch, were awarded Australia Day Achievement Medallions in January 2017 in recognition of their outstanding achievements in, and contributions to, the water industry.

## Leading managers

Leading the state’s water management requires an expert workforce and effective leadership and in 2016–17, the Department of Water was committed to the ongoing development of management and leadership skills throughout its workforce.

In 2016 the department launched its Manager Training Program – designed to equip new, current and acting managers with skills to better enable the transition from technical expert to public sector manager.

This two-day program provided informative pre-reading to participants and covered essential topics such as leading with values, tackling unconscious bias, mental health in the workplace, preventing inappropriate workplace behaviour, understanding ministerial writing, performance management and dealing with difficult conversations through various media including presentations from subject matter experts, group discussion, scenario reviews and legislation and policy.

This program has successfully trained 45 employees to date, enabling technical professionals to understand and develop the management skills they need to effectively utilise their teams to deliver the department’s strategic priorities in today’s public sector.

## Feedback form

Feedback from the 2016–17 Department of Water annual report will be used to help improve the clarity and presentation of Department of Water and Environmental Regulation publications. Your assistance in completing this form would therefore be greatly appreciated.

Did the report help you understand the department, its purpose, services and performance?

not at all | not really | somewhat | yes | absolutely

Did you find the design and presentation functional and effective?

not at all | not really | somewhat | yes | absolutely

Was the report clear, concise and easy to read?

not at all | not really | somewhat | yes | absolutely

Did you find the structural format of the report simple and logical?

not at all | not really | somewhat | yes | absolutely

When completed please return to:

**Corporate Communications**

Department of Water and Environmental Regulation  
Locked Bag 33 Cloisters Square Perth WA 6850

Please send your comments by  
5.00 pm, 1 December 2017

Or email: [Annual.Report@dwer.wa.gov.au](mailto:Annual.Report@dwer.wa.gov.au)



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### Regional Coordination and Measurement

#### Hydrologic Technology Centre

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#### Kwinana Peel regional office

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