



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

**2009-10 AND 2010-11 FINANCIAL AND PERFORMANCE
OUTCOMES QUESTIONNAIRE — PART ONE**

SOUTH EAST WATER LIMITED

Revenue and revenue foregone

Question 21

For 2009-10 and 2010-11, please explain and detail the impact of any variances greater than ± 10 per cent in any revenue/income category detailed in your agency's operating statement in its annual report **and** the total revenue/income for the year compared to:

- (a) the initial budget for the year; and
- (b) the actual for the prior year.

The budget is set prior to the beginning of the succeeding financial year. A number of factors influence the actual results, such as timing of payments, changes in regulated prices in line with the ESC's 2009-10 price determination, growth in the number of properties serviced and recently, lower sales volumes.

Question 22

For each of the income from transactions categories listed by your agency in its comprehensive operating statement in its annual report (e.g. output appropriations, grants, sales of goods and services), please break the income for 2010-11 down into the first six months and second six months of the financial year and explain any variations greater than ± 10 per cent between the two six-month amounts:

Income from transactions	Income 1/7/2010-31/12/2010	Income 1/1/2011-30/6/2011	Explanation for any variations greater than ± 10 per cent
	(\$ million)	(\$ million)	
Water Usage Charges	88.1	99.0	Due to higher water sales over warmer months
Trade Waste Charges	9.0	10.3	Additional customers and higher volumes
Developer Contributed Assets	9.9	11.2	Mainly due to stronger developer activity
Other Sales Revenue	14.7	15.2	Higher recoverable works in second half

Question 23

Please provide an itemised schedule of any concessions and subsidies (revenue foregone) (see the Explanatory Memorandum for a definition of concessions and subsidies) provided by your organisation in 2009-10 and 2010-11. For each item, please:

- (a) describe the purpose of the concession/subsidy;
- (b) explain any variations greater than ± 10 per cent between the actual expenditure and the initial budget for the year;
- (c) explain any variations greater than ± 10 per cent between the actual expenditure and the actual for the prior year;
- (d) indicate the number of concessions/subsidies granted in each category; and
- (e) explain whether the outcomes expected to be achieved by granting these concessions or providing these subsidies have been achieved.
- (f) Please also detail all new concessions/subsidies provided in 2010-11 by your agency that were announced after the change of government in 2010, their impact on your agency and the social outcomes achieved to date:

Not applicable – any concessions granted by SEWL are reimbursed by the Department of Human Services or State Revenue Office, i.e. no revenue is foregone.

Expenditure

Question 25

For 2009-10 and 2010-11, please explain and detail the impact of any variances greater than ± 10 per cent in any expense category detailed in the agency's operating statement in its annual report **and** the total expenditure for the year compared to:

- (a) the initial budget for the year; and
- (b) the actual for the prior year.

Expenditure in 2009-10:

Expenditure category	2008-09 actual	2009-10 Budget	2009-10 actual	Explanations for variances greater than ± 10 per cent	Impact of variances
Bulk Water and Sewerage Charges	160.2	205.9	206.0	Generally in line with price changes as per ESC pricing determination	

Other Cost of Sales	14.4	13.2	15.3		
Other Expenses	29.5	16.7	16.9	Reflects movements in actuarial valuation of defined benefit fund assets.	
Finance Charges	34.2	42.8	41.5	Reflects significant capital investment program.	

Expenditure in 2010-11:

Expenditure category	2009-10 actual	2010-11 Budget	2010-11 actual	Explanations for variances greater than ± 10 per cent	Impact of variances
Bulk Water and Sewerage Charges	206.0	246.9	250.5	Generally in line with price changes as per ESC pricing determination; offset by lower water volumes	
Other Cost of Sales	15.3	12.6	15.5		
Depreciation	42.0	57.9	66.4	Revaluations of infrastructure assets	
Other Expenses	16.9	14.2	21.2	Reflects movements in actuarial valuation of defined benefit fund assets.	
Finance Charges	41.5	50.2	51.8	Reflects significant capital investment program.	

Question 26

For each of the expenses from transactions categories listed by your agency in its comprehensive operating statement in its annual report (e.g. employee expenses, grants, depreciation and amortisation), please break the expense for 2010-11 down into the first six months and second six months of the financial year and explain any variations greater than ± 10 per cent between the two six-month amounts:

Expenses from transactions	Expenses 1/7/2010-31/12/2010	Expenses 1/1/2011-30/6/2011	Explanation for any variations greater than ± 10 per cent
	(\$ million)	(\$ million)	
Other Cost of Sales	6.6	8.9	Expenditure can occur unevenly during the year owing to a range of factors including payment timing and year-end adjustments such as the actuarial valuation of defined benefit fund assets.
Other Expenses	6.3	14.9	

Finance Charges	25.1	26.7	
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Question 27

Please provide details of any evaluations of grants programs that were conducted by your agency in 2009-10 or 2010-11, including any findings about:

- (a) the outcomes achieved by the programs; or
- (b) the effectiveness of grants at achieving planned outcomes compared to other modes of service delivery.

South East Water provides a Water Efficiency Fund (WEF) program which offers financial assistance to waterMAP customers for the delivery of water efficiency initiatives identified within their approved waterMAP. The program has been successful based on customer uptake and satisfaction; implementation of identified projects; water savings are achieved (avg. of 18% of site consumption); and estimated cost to South East Water of less than \$3000 per ML per year saved. Case studies of projects can be found at: <http://www.southeastwater.com.au/business/KCP/CaseStudies/Pages/CaseStudies.aspx>

Public sector workforce

Question 31

Please detail the total full-time equivalent number of staff as at 30 June 2009, 30 June 2010, 31 December 2010 and 30 June 2011, and explain any significant variations (greater than ± 10 per cent) from one date to the next in the following tables:

The below staffing numbers are reported in annual reports and annually by the State Services Authority.

Numbers in 2009 and 2010:

Total FTE (30 June 2009)	Total FTE (30 June 2010)	Explanation for any variations greater than ± 10 per cent
524.3	549.7	N/a

Numbers in 2010:

Total FTE (30 June 2010)	Total FTE (31 December 2010)	Explanation for any variations greater than ± 10 per cent
549.7	558.2	N/a

Numbers in 2010 and 2011:

Total FTE (31 December 2010)	Total FTE (30 June 2011)	Explanation for any variations greater than ± 10 per cent
558.2	563.8	N/a

Question 32

In the tables below, please detail the salary costs for 2008-09, 2009-10 and 2010-11, broken down by ongoing, fixed-term and casual and explain any variations greater than 10 per cent between the years for each category.

Direct salary plus oncosts such as superannuation, payroll tax, workcover, long service leave and annual leave.

Costs in 2009-10:

Employment category	Gross salary 2008-09	Gross salary 2009-10	Explanation for any variations greater than ± 10 per cent
	(\$ million)	(\$ million)	
Ongoing	39.438	43.871	Due to staff changes and EBA provisions.
Fixed-term	0.434	1.048	Due to additional staff required in the area of customer communications.
Casual	0.252	0.212	Not material.
Total	40.124	45.130	

Costs in 2010-11:

Employment category	Gross salary 2009-10	Gross salary 2010-11	Explanation for any variations greater than ±10 per cent
	(\$ million)	(\$ million)	
Ongoing	43.871	46.274	Due to staff changes and EBA provisions.
Fixed-term	1.048	0.884	Not material.
Casual	0.212	0.307	Not material.
Total	45.130	47.465	

For each of the employment categories, please break the expense for 2010-11 down into the first six months and second six months of the financial year and explain any variations greater than ±10 per cent between the two six-month amounts:

Employment category	Gross salary 1/7/2010-31/12/2010	Gross salary 1/1/2011-30/6/2011	Explanation for any variations greater than ±10 per cent
	(\$ million)	(\$ million)	
Ongoing	25.132	21.142	Mainly due to staff bonuses being paid on first half
Fixed-term	0.601	0.283	Not material.
Casual	0.145	0.162	Not material.
Total	25.878	21.587	

Question 33

- (a) For what roles within your organisation were contractors or contract staff used in 2009-10 and 2010-11 (refer to Explanatory Memorandum for definition of contractors)?

SE Water utilised a number of contractors and contract staff during 2009-10 and 2010-11 in the undertaking of its capital works program and operational activities.

- (b) Please itemise the services delivered by contractors or contract staff in 2009-10 and 2010-11:

Contractors/contract staff in 2009-10:

Service category	Number of contractors/contract staff	Value of services (\$) Million
Agency staff	Not available	6.8
Audit Services	Not available	0.4
Australia Post & Courier Services	Not available	1.9
Construction Works	Not available	94.8
Desludging Works	Not available	0.4

IT	Not available	10.2
Laboratory Services	Not available	1.3
Legal Services	Not available	0.8
Market Research & Surveys	Not available	0.3
Meter reading & ops	Not available	2.1
Operation & Maintenance Works	Not available	38.5
Plumbing Services	Not available	0.2
Repairs & Maintenance	Not available	0.4
Security & Cleaning Services	Not available	0.3
Training Courses	Not available	0.6

Contractors/contract staff in 2010-11:

Service category	Number of contractors/contract staff	Value of services (\$)
Agency staff	Not available	6.1
Audit Services	Not available	0.4
Australia Post & Courier Services	Not available	2.0
Construction Works	Not available	119.3
Desludging Works	Not available	0.5
IT	Not available	11.9
Laboratory Services	Not available	1.4
Legal Services	Not available	0.8
Market Research & Surveys	Not available	0.2
Meter reading & ops	Not available	2.0
Operation & Maintenance Works	Not available	39.6
Plumbing Services	Not available	0.1
Repairs & Maintenance	Not available	0.6
Security & Cleaning Services	Not available	0.3
Training Courses	Not available	0.6

- (c) For each specific contractor or contract staff paid in excess of \$100,000 per annum that has been engaged by your organisation during 2009-10 or 2010-11, please supply the following details:

This information is not available.

Question 34

- (a) For what roles within your organisation were consultants used in 2009-10 and 2010-11 (refer to Explanatory Memorandum for definition of consultants)?

SE Water utilised a number of contractors and contract staff during 2009-10 and 2010-11 in the undertaking of its capital works program and operational activities.

- (b) Please itemise the services delivered by consultants in 2009-10 and 2010-11:

The services delivered by consultants were for general services and specialist engineering and technical services and advice.

- (c) For each specific consultant paid in excess of \$100,000 per annum that has been engaged by your organisation during 2009-10 or 2010-11, please supply the following details:

This information is not available.

Question 35

- (a) Please break down the staff turnover ratio (total left employment during the year expressed as a percentage of total headcount) for your organisation during 2008-09, 2009-10 and 2010-11 according to the following age brackets:

	2008-09	2009-10	2010-11
Less than 30 years old	2.2%	1.7%	2.7%
30-54 years old	3.4%	4.2%	6.9%
55 years or older	0.9%	1.5%	3.2%
Total	6.5%	7.4%	12.8%

- (b) Please describe the factors contributing to any variations greater than ± 10 per cent from one year to the next.

55 years and older: SE Water has a high proportion of staff in this category and the increasing trend in turnover relates to retirements.

Other categories: No major factor identified other than natural attrition.

- (c) Please describe any strategies that are planned to be introduced to retain staff, reduce the level of voluntary staff turnover and reduce the likelihood that critical roles will become vacant in future?

SE Water is actively developing strategies to address the issues of staff retention and succession planning.

Question 36

The State Services Authority (*The State of the Public Sector in Victoria 2008-09*, Chapter 4) has identified collaboration, agility and innovation as important to the future of the Victorian public sector. Please detail any initiatives undertaken by your organisation in 2009-10 or in 2010-11 prior to the change of government that have been designed to enhance these three qualities and what outcomes have been achieved by these initiatives:

South East Water's 2009-12 and 2010-13 Corporate Plans were based on the following six Strategic Priorities and Guiding Principles:

The six Strategic Priorities are:

- Our Customers and Community
- Service Delivery
- Business Growth
- Integrated Water Management
- Organisational Capability
- Influence and Leadership.

Our guiding principles are

- Customers in every action, every day
- Earning trust through action
- Growing together, succeeding together
- Making great things happen
- Innovating for a sustainable future

	Initiative	Outcomes
Collaboration	South East Water is committed to working collaboratively with our stakeholders and communities to ensure their views are incorporated into our decision making processes and this was managed via our Community and Stakeholder engagement programs in 2009/10 and 2010/11.	<p>We embraced the International Association for Public Participation (IAP2) Core Values and Public Participation Spectrum and adopted a structured and disciplined approach to community engagement. South East Water conducted extensive community engagement and formed a range of Committees and Reference Groups to provide stakeholders and the community with an opportunity to influence key strategies and service delivery projects.</p> <p>Some examples include:</p> <ul style="list-style-type: none"> • Mount Martha Sludge and Odour Upgrade Project; • Local Government Water Conservation Programs focussed on strengthening strategic relationships with local government; and • The Integrated Water Management Strategy – is being delivered with collaborative input from a range of key stakeholders via our stakeholder reference group.

<p>Agility</p>	<p>Each year South East Water undertakes an extensive and systematic process of reviewing its performance, obtaining staff, customer and stakeholder feedback and scanning the current and likely future operating environment to ensure we remain able to take advantage of changes to our internal and external environment. It allows us to determine the adjustments we need to make to our existing strategies and priorities and provides a refined focus for the years ahead.</p> <p>We did not however have specific initiatives focussed purely on agility.</p>	<p>Periodically the accumulation of changes in our operating environment, coupled with new challenges means we need to make more than an incremental change to our strategic direction and priorities. The 2009-12 Corporate Plan articulated a shift in our traditional business operations and thinking with the establishment of six strategic priorities with the 2010-13 Corporate Plan embedding and maturing these strategic priorities further.</p>
<p>Innovation</p>	<p>At South East Water we recognise innovation as one of the most important tools we can leverage in managing supply and demand for water, increasing business efficiency and developing products and services to meet our customers' changing needs. Our long established innovation culture fosters creativity and inventive thinking, which is also reflected in our regular Brain Waves Cup.</p> <p>The Brain Waves Cup is an internal competition that inspires employees to come up with innovative ideas to improve the way we do business.</p>	<p>Brain Waves Cup:</p> <ul style="list-style-type: none"> • In 2009/10 almost 80 employees (about 15 percent of our workforce) participated to contribute a total of 26 ideas. • Saving Water Saving Lives project involved the capture and storage of discarded reverse osmosis process water as a result of dialysis treatment commencing at Southern Health's Cranbourne Integrated Care Centre with the installation of a 50,000 litre tank. We also installed tanks at the properties of 11 customers using dialysis systems in their homes. • We ran an 'ideas hour' in December 2009 to brainstorm a range of ideas. The campaign generated more than 160 ideas from employees saving \$186,000 in 2009/10. <p>In addition to the Brain Waves Cup, a number of other outcomes demonstrate our innovation culture:</p> <ul style="list-style-type: none"> • Hydro Trak – launched in 2009/10, Hydro Trak is an economical system to monitor water being withdrawn in real time from more than 60,000 hydrants located on 9,000 kilometres of water mains in our network. By reducing the amount of non-revenue water taken from our system, HydroTrak helps to meet our customers' water needs in a supply constrained environment. • Hydroshare – Schools Water Efficiency Project - Hydroshare is an innovative web-based reporting system that enables major customers to further their knowledge and understanding of their water consumption. • In June 2010 South East Water and 'us' – Utility Services received worldwide recognition for the Flinders/Shoreham Pressure Sewerage Project, taking out top prize at the 2010 Asia Pacific International Water Association Project Innovation Awards for Small Projects. • In 2010-11, South East Water's Industrial Ecology program won the Program Innovation Award at the 2010 Australian Water Association Victoria Water Industry awards.

Please also supply details of initiatives designed to enhance these three qualities undertaken since the change of government in November 2010:

	Initiative	Outcomes
Collaboration	<p>Collaboration continues to be a focus for South East Water since November 2010 and we continue to work with our customers and stakeholders to support the delivery of sustainable solutions using our community engagement framework embedded in the planning, implementation and evaluation processes across key projects.</p>	<p>Our community engagement framework is aligned to the International Association for Public Participation (IAP2) model for engagement, and South East Water's approach has been recognised by IAP2 as best practice and continues to be used on projects. Examples include the Chapel Street Water Main Renewal project which was completed during the 2010-11 financial year and the creation of the Integrated Water Management (IWM) Strategy.</p> <p>The Chapel Street Water Main renewal was completed during the 2010-11 year and South East Water engaged within customers throughout this project to minimise disruption to local businesses and residents.</p> <p>South East Water and its partners, Melbourne Water and Southern Rural Water, further developed an IWM strategy. A Stakeholder Reference Group made up of 26 representatives from across government, community, industry, development and environment sectors, met monthly to develop the strategy.</p>
Agility	<p>As noted above, each year South East Water undertakes an extensive and systematic process of reviewing its performance, obtaining staff, customer and stakeholder feedback and scanning the current and likely future operating environment to ensure we remain able to take advantage of changes to our internal and external environment. It allows us to determine the adjustments we need to make to our existing strategies and priorities and provides a refined focus for the years ahead,</p> <p>We did not however have specific initiatives focussed purely on agility.</p>	<p>In June 2011 South East Water began reviewing its strategic framework, strategic priorities and direction, and refining the 'things we value' with an increasing focus placed on agility, delivery, unity and clarity in particular.</p>
Innovation	<p>The 2011-16 Corporate Plan recognises innovation as being crucial to us and our success with our long established innovation program fostering creativity, encouraging inventive thinking and focusing on embedding innovation across the entire organisation to extract value and optimise efficiencies.</p>	<p>In 2010-11 South East Water filed a provisional patent for NuRON – a tool to monitor water supply in real-time to enable potential system failures to be identified and addressed before they occur.</p> <p>In 2010-11 the 'us' – Utility Services alliance was awarded a significant contract to provide a sewer level overflow monitoring solution to the Singapore Public Utilities Board (PUB). BlokAid is a fully self-contained overflow monitoring device for sewerage and stormwater networks. The alliance supplied 1,000 BlokAid devices to be installed in PUB's network.</p> <p>Application of an innovative drilling technique at the Thornhill Street sewage pump station in Hastings as opposed to traditional 'shaft' excavation methods. This approach enhanced safety for employees and reduced construction time.</p>

Question 37

Please complete the following tables showing number of executive staff and total value of bonuses paid in the 2009-10 and 2010-11 performance periods:

Bonuses in 2009-10:

Executive category	Number of staff (FTE)			Total value of bonuses paid (\$)
	Eligible for a performance bonus	Not awarded bonus payment	Awarded bonus payment	
Managing Director and General Managers	8	0	8	\$206,800

Bonuses in 2010-11:

Executive category	Number of staff (FTE)			Total value of bonuses paid (\$)
	Eligible for a performance bonus	Not awarded bonus payment	Awarded bonus payment	
Managing Director and General Managers	8	0	8	\$191,785

Question 38

In the following table, please show for your organisation the actual range of bonuses paid (expressed as a percentage of total remuneration).

If your organisation adopted another approach for awarding bonuses, please provide details.

Description	Proportion of total remuneration package actually paid (expressed as a range from x% to y%)		
	Maximum %age possible	2009-10	2010-11
Individual Leadership Capability	5%	Not available	Not available
Contribution to agreed set of Corporate Performance measures	15%	Not available	Not available
Total Performance Bonus	20%	14.3% to 15.6%	14.1% to 15.3%

Program outcomes

Outcomes reflect the impact on the community of the goods and services provided by a department. The questions in this section all relate to the outcomes that the Department contributed to in 2009-10 and 2010-11.

Question 40

- (a) Using the format of the table below, please outline the five most important outcomes achieved by your organisation's programs/activities between 27 November 2010 and 30 June 2011 (where your organisation has been the key player) including:
- (i) what was planned;
 - (ii) what was achieved;
 - (iii) quantitative or qualitative data to demonstrate this achievement;
 - (iv) any other Victorian public sector organisations or agencies from other jurisdictions that have worked across organisational boundaries to contribute to this outcome; and
 - (v) the relationship of these outcomes to any government strategies or goals.

South East Water's 2009-12 and 2010-13 Corporate Plans were based on the following six Strategic Priorities::

- Our Customers and Community
- Service Delivery
- Business Growth
- Integrated Water Management
- Organisational Capability
- Influence and Leadership.

Within these strategic priorities, SE Water plans to achieve the following outcomes:

- Development and delivery of operational efficiencies to derive cost savings through the business;
- Development of an integrated water management strategy which involves working with our stakeholders to develop a holistic approach to the entire water cycle;
- To continually pursue efficient, sustainable and innovative infrastructure and operational solutions;
- To further enhance our relationship with our customers, stakeholders and the community; and
- To continue to develop programs to support the implementation of supply augmentations and recycling programs.

- (b) Please also identify any significant program outcomes that were planned but not achieved between 27 November 2010 and 30 June 2011 and the underlying reasons.

There were no significant program outcomes that were not achieved.

Adapting to the change of government

Question 42

- (a) Were any planned organisational priorities changed during 2010-11 as a result of the change of government in 2010? If so, please specify.

SE Water reviews its strategic directions as part of an extensive annual process. While changes in Government priorities were considered following the change in Government, SE Water's existing strategic priorities were not significantly altered as a result.

- (b) Were any corporate plans or similar documents modified in 2010-11 as a result of the change of government in 2010? If so, please specify.

The 2010-13 Corporate Plan was not altered as a result of the change of government, as is routinely monitored to ensure it reflects any changes in our internal and external environment.

Question 43

Please detail the impact on your agency of any machinery-of-government changes following the change of government in 2010, including:

- (a) how your agency adapted;
- (b) any disruptions to program or project delivery; and
- (c) any improvements to program or project delivery that have been enabled as a result of the change.

Machinery-of-government change	Adaptations in response	Disruptions to program/project delivery	Improvements to program/project delivery
No material changes.			

Question 44

Please detail any new processes that were introduced into your agency following the change of government in 2010 for monitoring or managing expenditure on output or asset projects/programs:

No new processes.

Question 45

For each program and project (delivering either outputs or assets) which was curtailed, deferred or discontinued in 2010-11 following the change of government in 2010, please provide the following details:

- (a) the name of the program/project;
- (b) whether it delivered outputs (i.e. goods and services) or assets;
- (c) the budgeted and actual expenditure in 2010-11; and
- (d) the reasons for which the program/project was curtailed, deferred or discontinued.

Not applicable

Question 46

For each program and project (delivering either outputs or assets) which was introduced in 2010-11 following the change of government in 2010 which had not been planned prior to the change of government, please provide the following details:

- (a) the name of the program/project;
- (b) whether it delivered outputs (i.e. goods and services) or assets;
- (c) the budgeted and actual expenditure in 2010-11; and
- (d) the reasons for which the program/project was introduced.

Program/project	Output or asset delivery	Budgeted 2010-11 expenditure	Actual 2010-11 expenditure	Reasons why it was introduced
		(\$ million)	(\$ million)	
Not applicable				