

Audit Opinion

The audit of the Wyong Water Supply Authority's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Authority, with the Gosford Water Supply Authority, manages the urban water supply system on the Central Coast. It is the third largest urban water supply system in New South Wales after Sydney and Hunter. The system includes three dams, three weirs, two water treatment plants, 40 reservoirs, and 1,900 kilometres of pipelines. It serves an urban population of approximately 300,000 people.

Key Issues

Central Coast Water Corporation

The *Central Coast Water Corporation Act 2006* commenced in late 2010. Under this Act, the water supply and sewerage activities of Wyong Shire and Gosford City Councils will merge into a single entity, the Central Coast Water Corporation (the Corporation). Each council owns 50 per cent of the issued shares in the Corporation.

The Corporation is developing its business model. Wyong Shire Council and Gosford City Council agreed in principle to transfer their Water Supply Authority businesses to the Corporation from 1 July 2013. The councils will continue to provide water, sewer and relevant drainage services until 1 July 2013.

On 15 December 2011, the NSW Governor endorsed the appointment of five directors to the Corporation's Board. The Board is responsible for the governance of the Corporation and will have its first official meeting in February 2012.

The Corporation has not yet obtained an operating licence to supply water and other water related services on the Central Coast.

The merger is expected to increase efficiencies in areas such as planning, environmental issues and drought management whilst maintaining benefits to the Central Coast community.

Performance Information

The table below shows the Wyong Water Supply Authority's performance over the past five years on some key indicators.

Year ended 30 June	2011	2010	2009	2008	2007
Average volume of water consumed (kilolitres) per residential property	157	153	141	146	139
Water quality complaints per 1,000 properties	16.5	4.9	4.9	3.4	7.2
Average frequency of unplanned water supply interruptions per 1,000 properties	85.0	59.9	58.8	39.0	33.0
Water main breaks per 100 km of water main	9.6	6.0	8.6	4.0	4.0
Water losses (kilolitres/water main kilometre/day)	1.7	1.5	1.5	1.5	1.4
Total connection sewer main breaks and chokes per 100 kilometres of sewer main	57.1	47.4	47.7	46.6	38.0
Percentage of sewage treated to a secondary level	93.7	93.0	91.0	92.0	91.0
Percentage of sewage treated to a tertiary level	6.3	7.0	9.0	8.0	10.0

Source: Indicators for 2007 to 2009 from National Water Commission Reports. Wyong Water Supply Authority provided the 2010 and 2011 indicators (unaudited).

The increase in the average volume of residential water usage in 2010–11 reflects a continuing recovery in usage since the recent drought..

The one-off system adjustments in the commissioning of new works at the Mardi Water Treatment Plant and Mardi Dam caused the significant increase in water quality complaints per 1,000 properties in 2010–11. The works resulted in variable water quality in the reticulation system. The situation has now stabilised and the Authority expects no further complaint spikes.

The new works also caused rapid and irregular pressure variations within the systems pipes. These variations lead to an increase in pipe breakages particularly in older pipes and an increase in the average frequency of unplanned water supply interruptions.

Sewage treated to a tertiary level is for a number of uses predominantly the outdoor watering of facilities such as ovals and golf courses. Sewage treated to a tertiary level is highly weather dependent and can vary from year to year.

Other Information

Review of Major Capital Projects

In 2010–11, the Authority incurred capital expenditure of \$72.5 million for water supply projects and \$5.2 million for sewerage projects. Its capital expenditure targets were \$80.6 million for water supply projects and \$6.1 million for sewerage projects. The main reasons for variances between original and current cost estimates and service delivery dates are contingency allowance savings for water supply projects and development process delays of sewerage projects.

The original and current cost estimates and service delivery dates for capital projects with an original cost above \$10.0 million are listed in the table below.

Project	Original Cost Estimate (and year) \$m	Current Cost Estimate \$m	Original Service Delivery Date	Achieved/estimated Service Delivery Date
Completed at 30 June 2011:				
Mardi Suite of Works	59 (2008)	56	August 2010	November 2010
In progress at 30 June 2011:				
Mardi to Mangrove Link	110 (2008)	120	June 2010	December 2011

Source: Wyong Water (unaudited).

The current cost estimates represent the successful tender prices achieved for these projects. Increases in delivery dates are due to the preconstruction delays and normal site delays, such as wet weather.

The Mardi Suite of Works project provides additional water transfer capacity between Mardi Dam and Mardi Water Treatment Works and a larger capacity to transfer bulk water to Gosford.

The aim of the Mardi to Mangrove Link project is to increase yield and drought security on the Central Coast. It includes a 21.1 kilometre buried water pipeline, new pumps and other associated works.

The Authority considers the overall risk profile of its capital program is low.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Service charges	39,408	37,485
Usage charges	22,147	22,464
Other	37,734	27,236
Total Revenue	99,289	87,185
Total Expenses	83,365	79,262
Surplus	15,924	7,923
Other comprehensive income		
Gain on revaluation of infrastructure, property, plant and equipment	27,224	91,017
Total Other Comprehensive Income	27,224	91,017
Total Comprehensive Income	43,148	98,940

The increase in other revenue is mainly due to \$27.7 million (\$12.8 million in 2009–10) in grants to fund the Mardi-Mangrove link project.

The Authority revalued water and sewerage assets at 30 June 2011 using cost indexation factors provided in the NSW Office of Water's Rates Reference Manual. This increased the values of these assets by \$27.2 million (\$91.0 million).

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	88,333	82,534
Non-current assets	1,200,684	1,145,900
Total Assets	1,289,017	1,228,434
Current liabilities	34,905	32,990
Non-current liabilities	177,835	161,949
Total Liabilities	212,740	194,939
Net Assets	1,076,277	1,033,495

The increase in current assets is due to increased grants and additional funds borrowed during the year.

The increase in non-current assets was due to the revaluation of water and sewerage assets and infrastructure additions.

The increase in liabilities was mainly due to increases in accrued expenses and interest bearing loans of \$16.2 million for the capital works program.

Authority Activities

Wyong Water Supply Authority is part of Wyong Shire Council and provides water, sewerage and related services.

For further information on Wyong Shire Council, refer to www.wyong.nsw.gov.au.