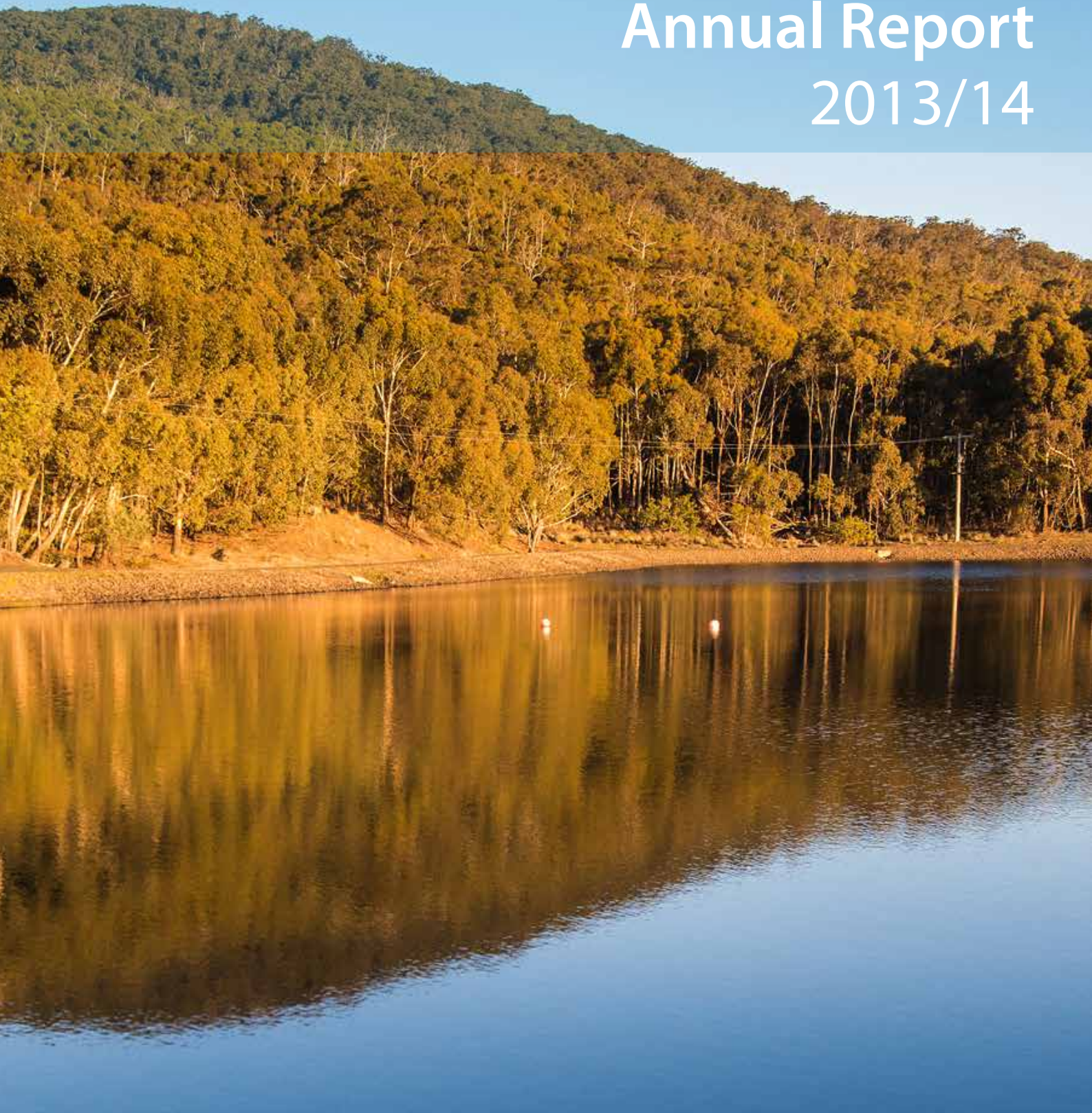


WESTERN  
WATER



# Annual Report 2013/14



# Contents

Introduction	1
<b>YEAR IN REVIEW</b>	<b>4</b>
Foreword from the Chair and Managing Director	4
Highlights	6
Business at a glance	6
Capital projects	7
Financial summary	7
<b>GOVERNANCE AND ORGANISATIONAL STRUCTURE</b>	<b>9</b>
Organisational structure	9
Board and committees	10
Human resource management	13
<b>OPERATIONS REPORT</b>	<b>16</b>
<b>Water consumption and drought response</b>	<b>16</b>
<b>Water efficiency</b>	<b>20</b>
<b>Environmental sustainability</b>	<b>21</b>
- Sustainable water use	21
- Sustainable and resilient water systems	23
- Environmental statutory obligations	25
<b>Social sustainability</b>	<b>30</b>
- Service delivery	30
- Customer service	30
- Community service obligations	32
<b>PERFORMANCE REPORT</b>	<b>33</b>
<b>OTHER DISCLOSURES</b>	<b>38</b>
<b>FINANCIAL REPORT</b>	<b>42</b>
<b>APPENDICES</b>	<b>100</b>
1. Disclosure index	100
2. Bulk entitlements report	102
<b>Annual Report Index</b>	<b>106</b>

---

# Introduction

## Manner of establishment and responsible Minister

Established under the *Water Act 1989*, Western Region Water Corporation (trading as Western Water) is one of Victoria's 13 regional urban water corporations.

During the reporting period, 1 July 2013 to 30 June 2014, the relevant minister was the Hon Peter Walsh MLA, Minister for Water.

Western Water is responsible to the Minister for Water via the Department of Environment and Primary Industries (DEPI) and the Office of Living Victoria (OLV). The Department of Treasury and Finance (DTF) also has a shareholder governance role.

The Department of Health (DH) sets and supervises water quality standards, while the Environment Protection Authority (EPA) governs environmental standards, particularly for wastewater discharge, recycled water and biosolids management.

The Essential Services Commission (ESC), the Victorian Government's economic regulator for essential utility services, regulates Western Water's prices, service standards and market conduct.

The Energy and Water Ombudsman Victoria (EWOV) receives, investigates and resolves enquiries and complaints against electricity and water suppliers across Victoria.

## Objectives, functions, powers and duties

Under sections 93 and 94 of the *Water Act 1989*, Western Water must have regard to the following principles:

- the need to ensure that water resources are conserved and properly managed for sustainable use and for the benefit of present and future generations
- the need to encourage and facilitate community involvement in the making and implementation of arrangements relating to the use, conservation and management of water resources
- the need to integrate both long term and short term economic, environmental, social and equitable considerations
- the need for the conservation of biological diversity and ecological integrity to be a fundamental consideration
- lack of full scientific certainty should not be used as a reason for postponing measures to address threats of serious or irreversible environmental damage.

In addition, in carrying out its duties, Western Water must act as efficiently as possible, consistent with commercial practice. The corporation is required to undertake research into its functions and educate the community.

This Annual Report provides a detailed review of how Western Water has met these objectives, functions, powers and duties during the 2013/14 year.

---

## Vision

To be recognised as a successful water business that is valued by our community.

## Mission

To provide safe, secure, healthy and reliable water and sewerage services to meet the current and future needs of our community, and to do so in an efficient and sustainable manner.

## Values

- People
- Integrity
- Respect
- Teamwork
- Excellence

## Strategic theme: Optimisation

We will make optimal, efficient and innovative use of our local water, capital, systems, processes and people to balance the needs of our stakeholders.

Our pursuit of this theme will follow three pathways:

### 1 Commercial sustainability

We will test all decisions and activities to ensure they make commercial business sense.

### 2 Operational efficiency and integration

We will operate in an integrated manner to optimise the value we derive from our people, systems, processes and assets.

### 3 Collaborative innovation

We will work with open minds and together with our external stakeholders, aim to find more efficient and imaginative ways to meet current and emerging challenges.

## Nature and range of services provided

Western Water provides water, recycled water and sewerage services to 59,660 properties - with a population of 159,800 - across a region of 3,000 square kilometres to the north-west of Melbourne.

Historically, this region has been one of the fastest growing in the state, with average population growth rates of 3-4% per annum over the past decade.

In the past year, however, the region experienced lower population growth of 1.0% while serviced properties grew by 2.4% in the same period.

This lower rate of population growth, particularly compared to higher growth in properties, is ascribed to the combined effect of smaller household sizes and a lag in new home occupancy.

In coming years, housing development in Melton and Sunbury will continue to attract new residents, and a return to higher population growth rates is forecast for Western Water's service region.



---

# Year in review

## Foreword from the Chair and Managing Director

Western Water has a strong focus on its people and culture, encouraging high performance via a culture of continuous learning, innovation and teamwork. We aim to make the most effective, efficient use of all resources, from our people to our systems and processes, local water sources and infrastructure.

### Collaboration

Collaboration is the key to meeting the challenges facing both Western Water and its service region.

We take pride in the partnerships we have created with the many community groups and stakeholders across the region, particularly our connectedness to the community and responsiveness to its needs.

This focus on partnerships and meeting the needs of the community has produced great results including industry-leading, whole-of-water-cycle management initiatives with Melton City Council.

Other achievements this year include a new wastewater treatment solution in Mount Macedon and delivery of sustainable gardening resources and workshops across the region. Our partnership approach has also ensured strong uptake of the Schools Water Efficiency Program across the region.

Western Water is also strengthening its business relationships, working with key account customers to help build their businesses. This will flow on and help build healthy, sustainable communities.

This culture of collaboration is critical to planning for the future of the community and for our business. Everything we do is underpinned by the need to make robust, sustainable business decisions – to ensure we provide the best possible services, manage resources wisely and maintain customer value.

### Whole-of-water-cycle

This year Western Water developed its Whole-of-water-cycle Strategy, building on our pioneering work in recycled water services. The strategy applies a new level of thinking to how water resources are managed. In particular, it focuses on building a portfolio of water

sources and delivering optimal use of all water supplies. It also aims to positively influence the values of waterway health, economic prosperity and liveability.

### Melbourne's Water Future

Western Water is now being driven by the overarching policy of the Victorian Government's Melbourne's Water Future roadmap.

This document places a strong focus on using all available sources of water to support liveable communities and deliver affordable services.

This means new suburbs designed with water management in mind, such as Toolern, where recycled water will be connected to all homes and stormwater will be harvested for reuse.

Importantly, Melbourne's Water Future requires Western Water to engage local communities in whole-of-water-cycle management decisions. We are well positioned for this, possessing one of the strongest community engagement approaches of any water retailer in Victoria.

### Customer value

We understand that providing services that deliver value for money has long been a priority for our customers. Thorough analysis, focussed on efficiency, has enabled Western Water to identify significant savings to support the Fairer Water Bills initiative. As a result, residential customers will each receive a \$100 refund on their water usage bill this year.

In the coming years, further aligning our services with customer needs must drive everything we do.

### Optimisation

Western Water must ensure long-term financial viability while containing costs for customers. This means a more commercial focus, and optimisation will be critical to achieving success.

For this reason, we have a renewed focus on using local drinking water sources, like Rosslynne Reservoir and Merrimu Reservoir. This is supported by our long

term approach to using recycled water as a viable alternative water source in our region – especially for agribusinesses and community facilities. We are also making progress in stormwater capture, recognising it as another major local resource.

### **Servicing growth**

Growth – and the variability of growth - must be considered in every business decision Western Water makes.

To date, this challenge has been met successfully, and we will continue to push the boundaries on delivery models and efficiency to make sure we continue leading the way.

A major component of servicing growth is maintaining the integrity of infrastructure, as well as more precisely timing investment in new infrastructure. Our participation in the Intelligent Water Network group means we can access emerging technology to better manage assets and investment.

Major capital works addressing growth and the optimisation of water resources are either underway or being planned. Construction is now complete on the Gisborne Recycled Water Scheme, providing a secure water supply to agribusinesses in the Couangalt Food Hub. We have also completed the Romsey-Lancefield pipeline, improving water supply security for both towns.

In the coming year, the Toolern stormwater harvesting project will continue to be implemented, as part of our overarching whole-of-water-cycle management. Plans are also in place for a \$40 million staged upgrade of the Sunbury Recycled Water Plant, and construction of an additional digester at the Melton Recycled Water Plant.

We would like to take this opportunity to thank the Board, executive and staff at Western Water for their support and effort during 2013/14.

We look forward to the coming year, excited about furthering our opportunities to implement whole-of-water-cycle management across the region. By working together, we will help create sustainable, more liveable communities throughout the service region.



### **Accountable officers' declaration**

In accordance with the *Financial Management Act 1994*, we are pleased to present Western Water's Annual Report for the year ending 30 June 2014. It is compliant with all statutory reporting requirements.

Lucia Cade, Chair

Neil Brennan, Managing Director

29 August 2014

## Highlights

- Safely delivered 12,648 million litres of drinking water, successfully passing the regulatory audit by the Department of Health
- Provided 5,042 million litres of recycled water for fit for purpose uses including more than 1,000 customers connected to Class A recycled water supplies
- Created Western Water's Whole-of-water-cycle Strategy
- Continued development of Toolern stormwater harvesting project
- Invested \$19.9 million in strategic capital works completing the Gisborne Recycled Water Scheme, the Romsey-Lancefield pipeline and upgrades to Rosslynne Water Filtration Plant.

## Business at a glance

Table 1: Business at a glance - FY13 vs FY14

Properties	2012/13	2013/14
Serviced assessments (including vacant land)*	58,235	59,661
Serviced assessments (vacant land)	2,754	2,731
<b>Water supply</b>		
Connected water customers	55,481	56,930
- Residential	52,534	53,939
- Non-residential	2,947	2,991
Water consumption (ML)	12,830	12,648
- Residential consumption (ML)	9,525	9,794
- Non-residential consumption (ML)	1,680	1,716
- Non-revenue water (ML)	1,626	1,138
Water mains (km)	1,823	1,955
Water filtration plants	7	7
Chlorination plants	14	14
<b>Sewer service</b>		
Serviced sewer customers	52,016	53,445
Connected sewer customers	49,555	51,004
Sewage treated (ML)	8,442	8,567
Sewer mains (km)	1,185	1,205
<b>Recycled water supply</b>		
Recycled water customers (classes A, B & C)	685	1,095
Recycled water produced (ML)	7,494	7,628
Percentage reused	67%	66%
Recycled water mains - classes A, B & C (km)	132	145
Recycled water plants	7	7

\* includes Melbourne Waterways charge customers



## Capital projects

Western Water's capital works program ensures water, sewer and recycled water services are in place to meet the needs of existing and future customers.

In the past five years, Western Water has invested \$137 million in capital works with \$19.9 million dedicated to the program in 2013/14. To address the needs of the growing population, another \$262 million is earmarked for investment over the coming five years.

Major capital works achievements for 2013/14 include:

- completion of the \$6.5 million Gisborne Recycled Water Scheme
- completion of the \$3.9 million Rosslynne Water Filtration Plant upgrade
- construction of the \$2.0 million Romsey-Lancefield water supply interconnection
- creation of the business case for the \$35.2 million Sunbury Recycled Water Plant upgrade, and
- developing the project justification report for the \$10.1 million Toolern stormwater harvesting project.

Major capital works projects planned to commence in 2014/15 include:

- \$35.2 million upgrade of the Sunbury Recycled Water Plant, and
- \$8.8 million Stage 3B upgrade of the Melton Recycled Water Plant.

Table 2: Capital works investment (\$M) - 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Capital works investment (\$M)	35.5	31.3	27.9	22.5	19.9

## Financial summary

- Net pre-tax profit \$1.6 million
- Developer revenue of \$9.4 million
- Capital expenditure of \$19.9 million
- Debt level now \$174 million

Table 3: Financial summary (\$M) - 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Revenue (\$M)	63,004	69,074	77,226	82,261	77,090
Expenses (\$M)	57,052	64,798	72,041	78,132	75,444
Net profit before tax (\$M)	5,952	4,276	5,185	4,129	1,646

## Subsequent events

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the corporation, the results of those operations, or the state of affairs of the corporation in future.

## Disclosure of grants

Western Water provided a total of \$16,900 in financial grants assistance to 11 community organisations during 2013/14. These grants support the development of community gardens, more liveable communities, and enhance biodiversity across the service region.

*Table 4: Community garden grants 2013*

Recipient	Project	Amount
Sunbury Heights Primary School	Kitchen Academy Project	\$2,000
Bacchus Marsh Community Unlimited Ltd	Darley Community Art Garden	\$1,775
Lions Club of Melton	Indigenous Peoples and Bush Foods Garden	\$2,000
New Gisborne Playgroup	Children's garden	\$975
Western Region Health Centre, Sunbury	Community Kitchen Garden	\$500
Total community garden grants		\$7,250

*Table 5: Environment project grants 2013*

Recipient	Project	Amount
Melton Environment Group	Arnolds Creek Biolink, Brookfield	\$1,100
Lancefield Park Recreation Reserve	Megafauna resting place revegetation	\$2,000
Friends of Holden Reserve, Sunbury	Ecological survey	\$2,000
Friends of Blind Creek, Sunbury	Blind Creek and parklands revegetation	\$2,000
Woodend Landcare	Restoration of Lake Earnshaw	\$1,750
To Bee or not to Bee, Sunbury	Illustrations for children's book to preserve native bees	\$800
Total environmental projects grants		\$9,650

# Governance and organisational structure

## Organisational structure and corporate governance arrangements

Western Water’s executive management team comprises experienced professionals committed to achieving our corporate and strategic objectives. Led by Managing Director, Neil Brennan, the team is accountable to the Board and consists of General Managers in five areas:

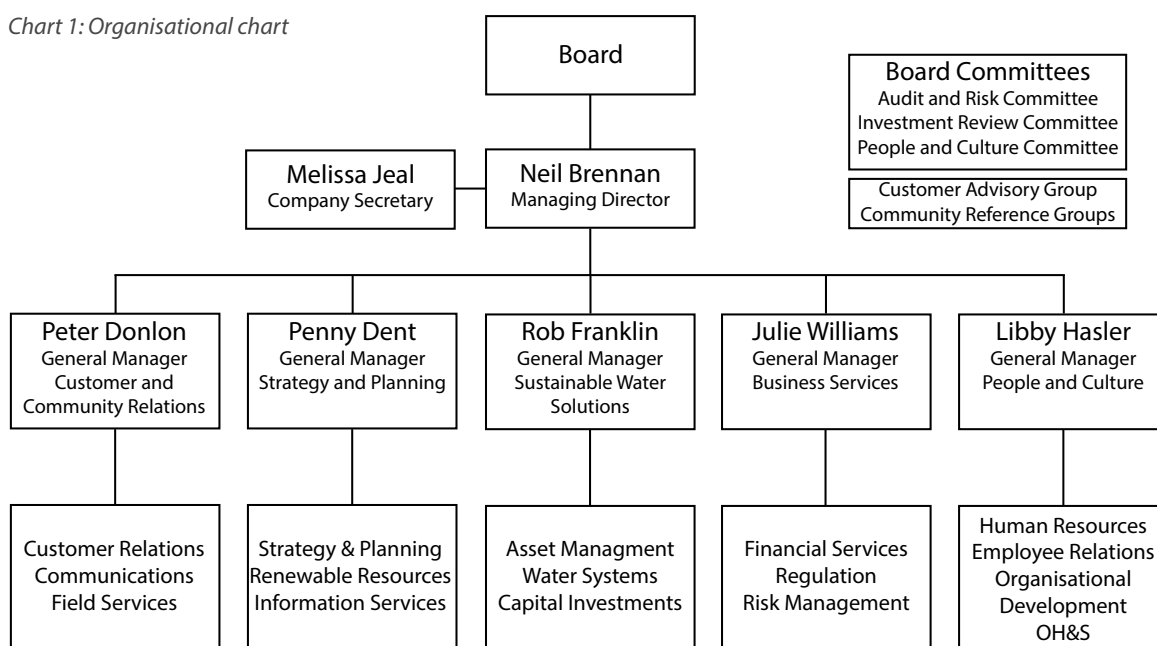
- Business Services
- Strategy and Planning
- Customer and Community Relations
- Sustainable Water Solutions, and
- People and Culture.

### Neil Brennan, Managing Director - July 2012

Neil commenced as Managing Director of Western Water in July 2012. Prior to his appointment, Neil was Managing Director of Central Highlands Water for 15 years. He previously held CEO positions at Western Water and Macedon Region Water Authorities.

Neil has been employed in the Victorian water industry for 32 years and has had various Ministerial appointments to industry committees. He is currently a Director of the Board of the Energy and Water Ombudsman Scheme Victoria, Executive Council Member of the Institute of Water Administration, and Chair of the Victorian Water Industry, Intelligent Water Network Steering Group. Neil’s academic achievements include a Graduate Diploma in Management, a Masters in Business Leadership and completion of the Oxford Advanced Management Programme.

Chart 1: Organisational chart



# Board, committee membership and roles

## Board of Directors

A Board of Directors, supported and advised by the executive management team, is appointed by the Minister to set Western Water's strategic direction and policies. Board Directors are now appointed for a four year term and have a broad range of relevant skills, experience and expertise to meet our objectives.

During the reporting period, one new Director, Professor Jane Doolan, joined the Board, replacing Tom Mollenkopf who completed his three year appointment in September 2013.

### Lucia Cade, Chair – October 2012

Lucia is the Director Strategy and Development for Water and Infrastructure Services at AECOM. She has extensive experience in the infrastructure and construction industry, previously consulting on business strategy, incentivised procurement models, strategic stakeholder engagement, and leading winning teams for major projects. Lucia has lectured in business case development and venture capital financing in the Biotechnology and Business Masters program at RMIT.

Lucia previously held executive and management roles at City West Water and Melbourne Water and she is immediate past President of the Australian Water Association. Lucia was also previously a Director of Western Water for five years. She holds undergraduate degrees in engineering and economics, Masters in engineering science and business administration, and is a fellow of the Australian Institute of Company Directors and of Engineers Australia.

### Russell Anderson, Deputy Chair - October 2007

Russell has extensive experience in financial management, governance, risk management and internal auditing - gained from senior governance roles at Air New Zealand, Marsh Pty Ltd, CSIRO, PricewaterhouseCoopers and the Qantas Group.

Russell has a Bachelor of Commerce and is a member of the Australian Institute of Company Directors. He is actively involved in ensuring sustainability principles are adopted in corporate governance frameworks in the public and private sectors. He has provided independent governance reporting to listed public companies and government authorities incorporating financial and strategic risk analysis.



Board of Directors (left to right): Russell Cooper, Andrew Osborne, Jane Doolan, Lucia Cade, Neil Brennan, Miranda Douglas-Crane, Russell Anderson and Ross Johns.

---

### **Russell Cooper – October 2012**

Russell Cooper has held Managing Director roles with Goulburn Murray Water, SUEZ/Degremont (Australia/NZ) and South East Water. He has been a Director of Murrumbidgee Irrigation, the Cooperative Research Centre for Irrigation Futures, Vic Water, the Water Services Association of Australia, and a special advisor to the Chair of the National Water Commission.

Russell holds a Bachelor of Science, a Diploma of Management and is a fellow of the Australian Institute of Company Directors and Institute of Engineers.

### **Professor Jane Doolan – October 2013**

Jane is currently a Professorial Fellow in Natural Resource Governance at the University of Canberra and a Commissioner with the National Water Commission. Prior to this, she was the Deputy Secretary for Water in the Victorian Department of Environment and Primary Industries, and has more than 27 years' experience in the sustainable management of catchments and water resources.

Jane is also a Director of eWater Ltd. She has a Bachelor of Science (Honours) and is a Doctor of Philosophy and a member of the Australian Institute of Company Directors.

### **Miranda Douglas-Crane – October 2012**

Miranda has held senior executive and board positions in both the public and private sectors. She has also held several international roles related to governance of infrastructure.

Miranda holds a Bachelor of Commerce, a Master of Business Administration and is a Fellow of the Australian Institute of Management and Australian Institute of Company Directors. She is a member of the Deakin University Council and the RACV Foundation Committee.

Miranda previously served on the boards of Austin Health, the National Occupational Licensing Authority, Intelematics Pty Ltd, Special Olympics (Vic), Fred Hollows Foundation (Vic) and the Ministerial Council on Freight Transport.

### **Ross Johns – October 2011**

Ross is currently President of the Victorian Farmers Federation Wimmera Branch. He has a primary production background, owning a farm in Warracknabeal in the Northern Wimmera region of Victoria.

Ross was Director of ABB Grain, an ASX top 100 company, from 1996 to 2009, serving on the Audit Committee. He was also Director and Deputy Chair of the Grain Research and Development Corporation from 2003 to 2006 and chaired its Finance and Audit Committee.

### **Andrew Osborne – October 2011**

Andrew has over 40 years' experience in the water industry. He has held senior management and director positions in national and international consulting and contracting, and has worked in London, the Middle East and more broadly in the Asia Pacific basin.

Andrew brings extensive experience in the delivery of major infrastructure in the areas of procurement, risk management and commercial business arrangements, and currently provides strategic and technical advice to government and the private sector for the provision of water infrastructure including irrigation and recycling through separate consulting arrangements.

Andrew holds undergraduate and post graduate qualifications in engineering and engineering science and is a member of the Australian Institute of Company Directors.

## **Board and committee meeting attendance**

The Board has 11 scheduled meetings each year, with additional meetings convened as required. Both the Audit and Risk Committee and the Investment Review Committee meet four times per year. The People and Culture Committee meets twice a year.

Table 6 overleaf displays Board and committee meeting attendance during 2013/14.

## Board committees

Western Water has three Board committees to assist in carrying out its corporate governance functions:

- Audit and Risk Committee
- People and Culture Committee, and
- Investment Review Committee.

Each Board committee is chaired by a Board Director and operates under approved terms of reference. In addition, one Board Director chairs Western Water's Customer Advisory Group meetings. Committee members are chosen for their skills, experience and other relevant qualities.

Board committees are entitled to any resources and information required. This includes direct access to Western Water staff and the Managing Director, members of the executive management team and other staff, who attend committee meetings as required. Board Directors receive committee agendas and can attend all meetings, subject to reviewing any conflict of interest requirements. A verbal report by the Chair of each committee is presented at each Board meeting and all committee minutes are tabled.

### Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities by reviewing all matters relating to corporate finance, auditing functions, review of financial statements and accounting policies. The committee also considers compliance with legislation and other activities and procedures, including

insurance and risk management. The independent members of the Audit and Risk Committee are Ross Johns (Chairman), Russell Anderson, Lucia Cade, Miranda Douglas-Crane and Andrew Osborne.

### People and Culture Committee

The People and Culture Committee reviews remuneration and performance arrangements of executives, and terms of employment for all employees. In November 2013, the scope of this committee was broadened to include OHS, culture, leadership development, Board review, as well as improvement and induction programs. The members of the People and Culture Committee are Lucia Cade (Chair), Russell Cooper, Jane Doolan and Russell Anderson.

### Investment Review Committee

The Investment Review Committee provides strategic input to Western Water's capital works plan and monitors its implementation in accordance with timeframes and budgets. The members of the Investment Review Committee are Andrew Osborne (Chairman), Lucia Cade, Russell Cooper, Miranda Douglas-Crane and Ross Johns.

### Customer Advisory Group

The Customer Advisory Group enables community input to service planning and decision making processes by providing a direct link between the Board, customers and consumer advocacy groups. Russell Anderson is the Chairman of the advisory group.

Table 6: Board meeting and committee meeting attendance

Board Director	Board	Audit and Risk Committee	People and Culture Committee	Investment Review Committee
Lucia Cade (Chair)	11	3	2	4
Russell Anderson (Deputy Chair)	11	3	2	2
Russell Cooper	10	-	2	4
Jane Doolan*	8	-	2	-
Miranda Douglas-Crane	9	4	-	4
Andrew Osborne	10	4	-	4
Ross Johns	10	4	-	3
Neil Brennan (Managing Director)	10	3	2	3
Tom Mollenkopf**	2	-	-	1

\* This Director joined the Board in October 2013.

\*\* This Director left the Board in September 2013.

---

# Human resource management

Western Water is committed to providing a healthy and safe workplace for employees, contractors and the wider community. Key safety messages are reinforced across the business via safety alerts, the intranet and onsite toolbox meetings.

Consultation is a significant feature of Western Water's commitment to Occupational Health and Safety (OHS) with monthly OHS committee meetings playing a key role in improving the safety of the work environment. To support this, Western Water's OHS Policy, committee member details and meeting minutes are displayed on worksite noticeboards, the intranet and/or via monthly team meetings.

Western Water's OHS training program is aligned with its Health and Wellbeing Strategy and has a strong emphasis on prevention and early intervention. Significant OHS activities during 2013/2014 include:

- improving systems and equipment used for confined space entry
- capital investment eliminating some high risk manual handling tasks and improving chemical handling and storage of hazardous chemicals
- implementing traffic management plans and improved management of mobile plant
- improving the competency-based induction program for contractors, and
- reducing OHS risk relating to walkways and railings in operating plants.

In the coming year, Western Water will work to:

- promote and improve OHS culture and reduce the manual handling risk
- deliver chemical handling training
- improve and refine the hazard registers
- improve OHS systems, and
- improve the OHS governance of external contractors.

# Incident management

Workplace incidents at Western Water decreased in 2013/14 compared to the prior year and are at their lowest level in many years, as shown in table 7.

Of the 15 incidents reported, 2 were lost time injuries to employees and another 2 were lost time injuries to independent contractors. There were 8 minor or medically treated injuries and 3 near misses.

## WorkCover claims

The number of WorkCover claims lodged during the year decreased, for both standard and minor claims. Of the 5 standard claims noted in table 8, 2 were due to pre-existing injuries outside this reporting period. The remaining 3 were due to manual handling tasks or falling/tripping over.

Manual handling remains the greatest OHS risk at Western Water. Programs addressing this and other risks include:

- ongoing manual handling training
- significant investment in management and support of staff with work related or pre-existing injuries
- improvements to the OHS induction program for staff and contractors
- ongoing elimination of hazards, and
- ongoing development of Safe Work Method Statements and contractor management, reducing overall OHS risk.

## WorkCover lost days

WorkCover lost days decreased in 2013/14. Of the 118 days lost, the majority were due to injuries that occurred outside the reporting period and were due to ongoing surgical and paramedical treatment of pre-existing injuries.

Western Water's return to work programs are fully supported at all levels of the organisation, reducing the impact of work related injuries and the number of WorkCover lost days.

Table 7: Workplace incidents - 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Workplace incidents	20	27	19	29	15

Table 8: WorkCover claims - 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
New standard* claims	7	1	2	6	5
New minor claims	4	5	4	13	4
Total	11	6	6	19	9

\* For a claim to be classified as a standard claim it must exceed a threshold of \$660 of medical payments or ten days' lost time. Any claim that falls below these thresholds is classified as a minor claim.

Table 9: WorkCover lost days - 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Lost time injuries	11	2	2	2	2
Lost time injury days	468	109	78	135	118

## WorkCover premiums

WorkCover premiums decreased in 2013/14. The premiums are calculated from the application of industry rates and claims made between 1 January 2011 and 30 June 2013, thereby reflecting the claim history within that period. Claims reported after 30 June 2013 are not used in this year's premium, but form part of the claims history and will affect future premiums.

To further reduce the WorkCover premium, Western Water is working to reduce injuries and return injured workers to meaningful work as quickly as possible.

Table 10: WorkCover premiums - 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Premiums (\$)	194,280	164,943	173,178	228,984*	186,470**

\* This figure excludes GST and is the certified premium.

\*\* Excludes GST and is the WorksSafe generated estimate.



# Workforce data

## Employment and conduct principles

Western Water is committed to applying merit and equity principles when appointing staff. Selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of key selection criteria and other accountabilities without discrimination.

Western Water's values and employment principles are critical to maintaining and improving the performance of the workforce. Policies and practices are in place so that the corporation continually strives to uphold the principles of equal opportunity, employee diversity and work life balance/flexibility.

### Training and career development

Western Water supports employees through training and development, performance management and recognition programs to fully develop their potential and deliver leading services to customers. In 2013/14, training expenditure represented 3.0% of payroll.

Identified as a key strategic driver, Western Water is making a considerable commitment to building culture and strengthening leadership capability across the business.

## Comparative workforce data

Western Water aims to attract, engage, develop, and retain talented and committed people<sup>1</sup>. At 30 June 2014, 159 people were employed in a variety of roles including professional, technical, trade and administrative.

The employee base includes all permanent, casual and temporary employees, excluding Board Directors. The base decreased by 7 from the prior reporting period. Added to this figure are 3 vacancies at the time of reporting. Of total employees, 44.6% are female.

## Executive officer disclosures

At 30 June 2014, Western Water's executive officers totalled 13 comprising:

- Managing Director
- 7 Board Directors, and
- 5 General Managers.

The number of executive officers remained the same as prior year and no positions were vacant at 30 June 2014.

Remuneration received, or due and receivable from Western Water in connection with the management of Western Water, by executive officers totalled \$1,573,000.

Full executive officer disclosures including retirement benefits, other related party transactions, and payment to other personnel can be found in note 20 of the financial statements.

Table 11: Workforce composition by function – 2 years

	2012/13		2013/14	
	Male	Female	Male	Female
Board Directors	5	2	4	3
Managing Director/General Managers	5	1	3	3
Managers	7	5	6	6
Operational, administration and field staff	79	72	79	62
Total	96	80	92	74

\* 2013/14 figures do not include three vacancies at the time of reporting.

<sup>1</sup> Employees have been correctly classified in workforce data collections.

# Operations report

## Water consumption and drought response

### Reservoir levels

Most of Western Water's service region is supplied by two major local reservoirs – Rosslynne and Merrimu. Having recovered capacity significantly in recent years, these local water sources are used for drinking water supply whenever possible. In 2013/14, 74% of all drinking water supplied was sourced from local catchments, compared to 20% the year before.

The combined reservoir storage levels dropped over the year from 84% to 68% capacity as inflows were lower than demand. To assure future water supply security, it is critical that the Western Water region remains connected to the Melbourne Headworks system.

Table 12: Major reservoir levels (% capacity) - 10 years

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Rosslynne Reservoir	14%	7%	4%	3%	3%	5%	66%	72%	85%	75%
Merrimu Reservoir	22%	17%	13%	13%	10%	9%	85%	78%	76%	62%

### Total drinking water consumption

During 2013/14, Western Water supplied 12,648 million litres of drinking water to the service region with residential per capita usage increasing marginally from 165 to 168 litres per person per day.

Despite population growth and higher per capita usage, overall water consumption reduced across the region. This was due to programs directly addressing non-revenue water losses from the supply system, which reduced by almost 500 million litres in the reporting period (from 1,626 million litres last year to 1,138 this year).

Table 13: Regional water consumption (ML) and population – 10 years

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Consumption (ML)	11,813	12,891	11,601	10,730	10,719	10,592	10,251	11,260	12,830	12,648
Population	123,600	128,758	131,312	134,810	139,730	144,948	150,664	155,431	158,290	159,813

## Consumption by district

Western Water monitors water consumption at a town level and, in some cases, smaller district areas within towns. Collection of data to this level enables alerts of sudden changes in water demand which can indicate bursts or leaks within the reticulation system.

Table 14: Water consumption (ML) by district

	Bacchus Marsh	Sunbury/Macedon Ranges	Melton/Eynesbury	Romsey/Lancefield	Total
Residential water customers	7,527	22,848	21,210	2,354	53,939
Residential water consumption (ML)	1,454	4,046	3,872	422	9,794
Residential per capita consumption (litres/person/day)	179	164	169	166	168
Non-residential water customers	487	1,445	888	171	2,991
Non-residential water consumption (ML)	255	709	678	74	1,716
Water losses (ML)	157	436	417	45	1,055
Non-revenue water (ML)	169	470	450	49	1,138
Total annual consumption (ML)	1,878	5,225	5,000	545	12,648
Average annual consumption (7 years)* (ML)	1,668	4,678	4,465	478	11,289

\* average calculated for the seven financial years to 30 June 2014

### Recycled water usage

In addition to drinking water consumption, 5,042 million litres of recycled water was used by customers across the service region, saving an estimated 2,458 million litres of drinking water through substitution. Recycled water usage in 2013/14 is equivalent to 40% of drinking water consumption in the service area.

## Corporate water consumption

Corporate water consumption data is based on water used at Western Water's Sunbury administration office. It does not include water consumption at any other sites including depots, treatment plants or sewer infrastructure. In 2013/14, corporate water consumption increased to 428,000 litres, with usage per FTE staff member slightly higher than the prior year. The water meter at the Sunbury office is shared with other tenants in the building. As a result, corporate water consumption is calculated on the proportion of Western Water staff in the building.

Western Water conserves drinking water supplies by using recycled water to wash fleet vehicles and for cleaning and maintenance tasks at recycled water plants. When available, recycled water is also used at the plants for flushing.

Table 15: Office based water consumption (kL) – 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Water consumption (kL)	318	382	374	395	428
Full time equivalent (FTE) staff	89	95	106	108	105
Water consumption (kL) per year per FTE staff	3.6	4.0	3.5	3.7	4.1

## Water quality

In April 2014, Western Water was found fully compliant with the *Safe Drinking Water Act 2003* by a Department of Health regulatory audit. All 19 water quality zones complied with all microbiological requirements for drinking water quality. Earlier in the reporting period, in December 2013, Western Water also passed an external hazards and critical control points (HACCP) audit for drinking water quality.

Western Water returned to supplying 100% locally sourced water during the reporting period. This led to a spike in customer complaints in April due to changes in water taste and odour for customers in the Rosslynne supply system. Extensive customer communications were undertaken on the change in supply, and each complaint was addressed in a timely manner. Water quality results remained compliant throughout the system changeover.

Significant water quality capital works were completed in 2013/14 at Rosslynne Water Filtration Plant, including a new powder activated carbon facility to combat organics in the source water. A fluoride dosing plant was also constructed to maintain fluoridated supply following the changeover from Melbourne.

In addition, filter-to-reservoir pipelines were constructed at both Lancefield and Merrimu water filtration plants. These pipelines directly return any out of specification water to the reservoir to ensure ongoing public health and safety.

## Non-revenue water and water losses

Non-revenue water - including real water losses - are calculated and reported every customer billing period (i.e. three times each year). The calculation methodology is aligned with the guidelines in the National Performance Framework. A summary of water supplied and consumption- including water supply network losses for 2013/14 - is shown in table 15.

Addressing water losses is a key component of Western Water's efficiency approach to guarantee future supply. Total estimated non-revenue water for Western Water's supply system was 9% of water consumption. However, real losses (i.e. bursts and leaks from the supply system) are estimated at 5.5%, as shown in table 16. This is a significant improvement on the prior year's results of 12.7% and 8.4% respectively, continuing the positive trend of many years.

Western Water's water loss figures are among the best in Australia. However, they can significantly increase due to an undetected major burst or leak. For this reason, we are utilising innovative technology - including flow monitors and pressure sensors - at nodal points in the water supply network to identify unusual flow and pressure characteristics.

Our active leakage detection program complements this, and is being undertaken where system monitoring identifies water losses in specific areas and along suspect pipe lengths, particularly for sub-surface leaks.

Table 16: Real water losses calculation (ML)

	Non-revenue water	Western Water operational usage	Fire fighting usage (estimated)	Unauthorised consumption and meter errors (estimated)	Annual real losses
Drinking water (ML)	1,138	97	105	244	692

---

## Bulk entitlements, transfers, groundwater and water shares

Western Water has ten bulk entitlements which provide rights to use and supply water. Bulk entitlement agreements specify rules regarding the timing, location, type and amount of water that can be taken from streams, reservoirs and headworks.

Much of the local water sourced for the region is supplied through a bulk water agreement with Southern Rural Water who manage the region's two major reservoirs: Merrimu Reservoir, near Bacchus Marsh, and Rosslynne Reservoir, near Gisborne. Agreements also exist for a number of smaller local storages and reservoirs.

Western Water also has a bulk entitlement with Melbourne Water to access water from the Melbourne Headworks system. This entitlement was critical during the Millennium drought.

The Bulk Entitlements Report in appendix 2 provides details about water sourced by Western Water in compliance with all ten bulk entitlements, as well as transfers and other related topics.

## Drought response

Western Water's Water Supply Demand Strategy and Drought Response Plan provide guidance to ensure adequate long term supply to customers, accommodating population growth across the region. It is supported by an annual operating plan that guides water supply operations.

All customers in Western Water's service area have been on Permanent Water Saving Rules since December 2012.

Western Water's Drought Response Plan By-Law was not invoked during the year. While shortages in small surface supplies were experienced in Lancefield and Romsey, these were addressed by groundwater and surface water transfers from other connected systems.

# Water efficiency

## Major non-residential water users

Non-residential customers make up 5% of Western Water’s customer base. There are no major water users in the region exceeding 200 million litres of drinking water consumption per year.

The two largest non-residential water customers are ABMT Textiles and Saizeriya Australia who respectively use 81.4 and 53.8 million litres of drinking water each year.

While no customers have been involved in the WaterMAP program since it became voluntary, Western Water continues to work closely with all large non-residential water users to address their water consumption, as illustrated in table 17. Alternative water solutions are offered whenever suitable.

Table 17: Large non-residential customer participation in water conservation programs

Customer name	Water conservation actions
ABMT Textiles, Melton	ABMT continue to implement actions identified in cleaner production strategies, and other improvements have reduced general water consumption. Overall, water usage per kilogram of product has reduced by 20% since 2009/10. Western Water also worked with ABMT this year to improve trade waste treatment processes.
Saizeriya Australia, Melton	Saizeriya are implementing opportunities to minimise waste and water consumption, as identified in its waste management and cleaner production plan. They are also participating in research with Western Water to identify other water efficiency opportunities and considering involvement in a potential waste to energy program.
Tripod Farmers, Bacchus Marsh	Western Water has worked with Tripod Farmers to engage an independent expert to undertake a water balancing assessment and improve water management and efficiency.

## Other water efficiency actions

In addition to this work, key activities addressing water efficiency with our larger non-residential water users during 2013/14 include:

- a nodal monitoring program which is aimed at establishing key water (and sewer) real time monitoring locations across all towns serviced. These will align with the work of the Intelligent Water Network to enable improved system management, asset utilisation, customer service and performance optimisation.
- a key account program that works with major businesses to better understand water usage patterns and encourage use of local water solutions wherever relevant. This is supported by the provision of intelligent meters to large and key customers to help monitor, understand and reduce water usage.
- ongoing development of the market for recycled water with completion of the Gisborne Recycled Water Scheme. Currently we supply 84 non-residential properties with locally sourced recycled water to provide a resilient water supply, supporting commercial and industry customers within the region.

In the coming year, Western Water will focus on greater collaboration with stakeholders to prioritise whole-of-water-cycle initiatives to deliver innovative solutions to industry, commercial businesses and agriculture within the region.

We are also building a business customer program to better share targeted water efficiency messages through direct, relevant messages and channels, explaining whole-of-water-cycle management and highlighting right water options.

# Environmental sustainability

## Sustainable water use

Western Water's Whole-of-water cycle Strategy outlines a new approach to water planning and management, safeguarding water resources for the future. The strategy provides a platform to collaborate with regional partners and implement whole-of-water-cycle opportunities that contribute value to the community.

The whole-of-water-cycle approach aims to deliver a range of outcomes, including:

- optimising local water supplies
- maximising the beneficial reuse of recycled water
- protecting waterway health
- enhancing liveability, and
- maintaining economic prosperity.

The strategy aims to achieve:

- maximum (greater than 95%) drinking water sourced from local supplies
- reduction of 50% in drinking water consumption in new growth areas through alternative supply, and
- 100% beneficial reuse of recycled water.

Western Water is now establishing regional stakeholder groups to build a shared business case for investment in whole-of-water-cycle opportunities that benefit all stakeholders.

Significant sustainable water achievements during 2013/14 include:

- commenced stormwater harvesting scheme in Toolern, south of Melton, with a \$9.2 million grant under the National Urban Water and Desalination Plan, under the Water for the Future initiative
- connected Romsey borefield to the water supply system in November 2013, to augment surface water supplies. The borefield supplied 10% of Romsey's drinking water in the reporting period
- completed upgrade works at Rosslynne Water Filtration Plant addressing operational efficiency

and drinking water aesthetics, and

- commenced construction of the Lancefield-Romsey water pipeline to increase supply availability for both towns.

Sourcing water from the Melbourne system will remain an integral component of Western Water's plan to meet growing customer demand and insure against potential future severe dry periods and peak demand events.

### **Toolern: Suburb designed with whole-of-water-cycle management in mind**

The new suburb of Toolern, south of Melton, showcases what is possible when multiple stakeholders collaborate to ensure integration of sustainable water solutions. To date, all 292 homes constructed in the suburb have been connected to Class A recycled water for use in watering gardens, car washing and flushing toilets.

In addition, a stormwater harvesting scheme is being investigated in Toolern, made possible with a \$9.2 million grant from the Water for the Future initiative under the National Urban Water and Desalination Plan, as well as \$229,278 funding from the Office of Living Victoria.

Toolern is situated in a rain shadow zone and experiences very low levels of local rainfall. However, through the combination of recycled water and stormwater solutions, the suburb may become completely water-neutral.

## Recycled water

In 2013/14, Western Water's seven recycled water plants received 8,567 million litres of sewage and produced 7,628 million litres of recycled water. Two thirds of this available volume was used by customers.

The reuse rate remained on par with last year due to similar weather patterns. This equates to savings of an estimated 2,458 million litres of drinking water through substitution with recycled water for non-potable purposes.

Recycled water customer numbers increased significantly in the past year, with strong growth in the number of residential customers supplied with Class A recycled water. More than 1,000 customers now have recycled water supplied to their homes; 719 customers in Eynesbury and a further 292 in Toolern.

Customer numbers also grew from 64 to 84 for Class B and Class C recycled water. These customers include recreational, agricultural, local government and construction businesses.

Highlights for Western Water's recycled water program during 2013/14 include:

- completing the \$6.5 million Gisborne Recycled Water Scheme, supplying Class B recycled water to agribusinesses in the Gisborne South food bowl. Eleven customers are connected, receiving a combined total of 137 million litres annually. Western Water plans to increase customer numbers in the coming year.

- constructing a recycled water pipeline to Sunbury's Goonawarra Recreation Reserve, funded by federal government and Hume City Council
- constructing a recycled water pipeline to Romsey Recreation Reserve, funded by Western Water, Regional Development Victoria's Putting Locals First program, and Macedon Ranges Shire Council
- continuing Class A recycled water for clothes washing machines investigations by allowing the installation of recycled water taps in laundries of all new homes in Eynesbury, following successful trial last reporting period, and
- commenced pilot study at Gisborne Recycled Water Plant to assist in developing a water quality offsets framework for the Victorian water industry, investigating the use of recycled water for environmental flows. This project is undertaken with key stakeholders, with support from Smart Water Fund.

Table 18: Recycled water volume produced and used (ML) and % used – 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Recycled water (ML)	7,386	7,992	7,544	7,494	7,628
Recycled water used (ML)	6,278	4,156	4,225	5,021	5,042
Recycled water used (%)	85%	52%	56%	67%	66%



## Sustainable and resilient water services systems

Ensuring Western Water has sustainable, resilient water services systems requires a consultative, collaborative approach with all stakeholders; engaging customers, the community and others in our whole-of-water-cycle philosophy, and encouraging all to make the most of local resources through choosing the right water for the purpose and conserving resources as much as possible. We have undertaken the following activities in 2013/14 to build sustainable, resilient water services systems.

### Working with customers

Western Water's sustainable gardening program promotes efficient water practices in the garden and directs customers and community groups to use the right water for gardening, especially rainwater.

The program includes a monthly e-newsletter to more than 1,700 subscribers, sustainable gardening booklets written specifically for the region, as well as workshops focussing on water efficient, sustainable gardening techniques.

This program has been rolled out in partnership with Hume City Council and Macedon Ranges Shire Council, and involves collaboration with other community groups including health and education centres, neighbourhood houses and community gardens.

Our WaterTight program works directly with individual households to educate customers about water efficiency and identify opportunities to save water. WaterTight involves a household audit by an approved plumber who undertakes minor repairs and provides advice.

WaterTight is aimed at lower income customers and high water users. During the reporting period, 131 WaterTight visits occurred with customer costs subsidised by Living Victoria and Western Water.

Free water efficient showerheads continue to be offered to all customers living in the service region. The process to obtain the showerhead is now much easier, with reduced red tape and customer paperwork. In addition, 20 efficient toilet replacements were provided during the year.

### Community awareness and engagement

Western Water has a well-established customer advisory network that assists in developing strategies and plans, providing advice to the Board and the executive team with respect to whole-of-water-cycle decision making, including major projects and customer service initiatives.

Our planning process commences with a strategic planning day with this network and their input is augmented with that from an online panel comprising more than 1,000 customers.

### Tailored water solutions for urban growth

In 2013/14, Western Water developed a whole-of-water-cycle analysis for new growth areas in Sunbury. The analysis looks at servicing options considering all elements of the urban water cycle, and aims to optimise use of cost-effective local water supplies, protect waterways through stormwater and recycled water management, and foster new liveable and sustainable communities. The study, resulting from Western Water's Whole-of-water-cycle Strategy, is aligned with OLV's Water Future West outcomes.

Project partners include OLV, Melbourne Water, Hume City Council and the Metropolitan Planning Authority. These partners have contributed \$250,000 to the study to date, with Western Water contributing \$60,000 cash and \$45,000 in kind. Consultation has also occurred with landowners and developers throughout the process.

Western Water has also been involved in a whole-of-water-cycle analysis for the Werribee River catchment, identifying opportunities to supply alternative water supplies to service urban growth, and free up drinking water supplies. The highest ranked opportunities will be included in Water Future West, being developed by OLV.

Our sustainable gardening program is also aimed at improving community awareness and understanding on water efficient practices. Grants are provided for sustainable school and community gardens, as well as environmental projects that meet sustainability criteria. Support is focussed on enhancing the region's liveability through sustainable water use and right water options. Many local school and community gardens are now supplied with rainwater tanks through this program.

Western Water's award winning education programs promote efficiency and right water use. Our long term commitment to educating the youngest members of the community about the value of water has led to 27% local schools participating in the Schools Water Efficiency Program (SWEF). This is one of the highest SWEF participation rates in Victoria.

### Industry programs

Western Water will maintain its lead role in the industry Intelligent Water Network (IWN) to:

- identify technological solutions to better monitor and optimise water systems (e.g. trialling new technology like the pipe rover to predict the expected life of assets prior to replacement)
- improve efficiencies in data management procurement, and
- investigate joint venture opportunities.

The IWN has three programs currently underway including the pipe rover, low cost leak detection, and intelligent water metering (sharing and knowledge facilitation). Western Water will continue to lead trials, share services, jointly procure, and work with the industry to ensure opportunities to be more efficient are leveraged at all times.

### Working with local government

Western Water actively partners with councils to deliver alternative water to support liveable communities. Councils are among the largest users of recycled water supplies across the service region and most major recreation reserves, including some school ovals, are connected to recycled water.

This year, the Romsey Recreation Reserve and Sunbury's Goonawarra Recreation Reserve were connected to recycled water supply.

### Collaboration conserves drinking water in Eynesbury

A strong relationship with Melton City Council saw the integration of Class A recycled water in all homes in the developing town of Eynesbury, where today 719 properties are connected to recycled water supply.

Class A recycled water, which can be used for flushing toilets, car washing and watering gardens, has saved an estimated 50% of drinking water in the town.

This result is set to increase after a successful trial of recycled water use for clothes washing last year resulted in the installation of recycled water taps in the laundries of all new Eynesbury homes.

Building on these successes in Eynesbury, Western Water and Melton City Council have worked with other stakeholders to integrate whole-of-water-cycle solutions in the new suburb of Toolern which includes Class A supply to all homes as well as a stormwater harvesting scheme.

---

## Environmental statutory obligations

### Regional Catchment Management Strategy

The Regional Catchment Management Strategy contains a number of objectives and targets towards improving land, water and biodiversity as part of environmental and catchment management of Victoria. The objectives and targets outlined are assigned to a number of stakeholders including water corporations.

Specifically, Western Water must comply with targets regarding bulk water entitlements and biodiversity management. More information on Western Water's bulk entitlement agreements is contained in appendix 2.

Western Water is a significant landholder and undertakes biodiversity enhancement actions at its properties including the following in 2013/14:

- staging several tree planting events along stream frontages on our properties in conjunction with local environment groups and schools
- developing a weed management plan for the Werribee River escarpment at Melton Recycled Water Plant
- assisting Pinkerton Landcare and Environment Group obtain funding through Port Philip and Westernport Catchment Management Authority community grants for Stage 2 of the Ecological Restoration of the Werribee River Volcanic Gorge, and
- completing the third consecutive year of direct seeding at the Pinkerton Link site (discussed below), covering 3 hectares with 80 kilograms of seed.

### Biodiversity

Western Water undertakes weed and pest control programs at its landholdings.

During the reporting period, particular focus was given to extensive rehabilitation work along Werribee River frontage located at Melton Recycled Water Plant.

Land previously used for controlled disposal of sewage sludge is being rehabilitated with native vegetation

to create a habitat corridor between Pinkerton Forest and Bush's Paddock. Known as the Pinkerton Link, the rehabilitation works will improve the connectivity between two significant biodiversity assets of Grey Box Grassy Woodland habitat. More than three hectares of Pinkerton Link was directly seeded with native grass and Grey Box (*Eucalyptus microcarpa*) trees.

This biodiversity work is consistent with actions identified in the Regional Catchment Management Strategy, improving the connectivity and long term security of indigenous habitats and species.

### Victorian Waterway Management Strategy

Rivers within Western Water's service region are classified as Cleared Hills and Coastal Plains in the State Environment Protection Policy (Waters of Victoria).

The Victorian Waterway Management Strategy emphasises the proactive minimisation of impacts on waterways by water corporations, and Western Water is committed to minimising any potential impacts on surface water quality from the discharge of recycled water to streams. We also aim to achieve the objectives specified for the protection of the river segments in the Waters of Victoria Policy.

#### *Waterway management obligations*

Western Water has no direct jurisdiction in the control of river health. However, we recognise that activities - such as discharging recycled water to streams and harvesting water from streams - can have adverse impact on river health. Western Water also owns assets along waterways.

Western Water is helping to ensure waterway health through:

- implementing a recycled water business model to fund schemes that will reduce the quantity of recycled water discharged to waterways, improving river health
- working with Melbourne Water and local government to encourage developers to fund stormwater treatment reducing the impact from urban stormwater on river health

- working closely with Melbourne Water (over the past five years) on the stream frontage program - with additional funding from other agencies - to enhance stream frontages, planting trees and shrubs to minimise soil erosion and enhance biodiversity values
- building partnerships with local landcare and environment groups who assist with work and in obtaining Federal Government funding for joint biodiversity projects
- working closely with the farming community on sustainable land management (e.g. providing controlled grazing opportunities to minimise weeds and improve biodiversity values)
- working with other water corporations and stakeholders to develop an offset management framework to consider opportunities to improve river health through offsets and improve net environmental outcomes
- funding biodiversity programs and managing weeds as required in the *Catchment and Land Protection Act*.

Western Water is also committed to minimising the impact on the environment and risks to the aquatic ecosystem from its activities. To support this, the following actions were undertaken in 2013/14:

- planting 3,000 trees and shrubs along stream frontages with Melbourne Water, and
- controlling noxious weeds and pest animals.

### **State Environment Protection Policy (Waters of Victoria)**

A core activity for Western Water is the collection of domestic wastewater and trade waste, and treating that waste to a standard to protect the environment.

These standards are stipulated by State Environment Protection Policy (Waters of Victoria), outlined in licences issued by Victoria's Environment Protection Authority (EPA).

Western Water holds an EPA-issued amalgamated licence for its seven recycled water plants which are listed as scheduled premises under Environment

Protection (Scheduled Premises and Exemptions) Regulations 2007.

The policy states that recycled water must be reused, in preference to discharge to waterways, where it is practical and sustainable.

### **Discharge to waterways**

The recycled water plants at Sunbury and Gisborne are licenced to discharge to Jacksons Creek. The Woodend Recycled Water Plant is licenced to discharge to Five Mile Creek.

Discharge to surface water must comply with discharge limits for various water quality parameters specified in the licence, and also meet the water quality and biological indicators specified in the State Environment Protection Policy (Waters of Victoria). This compliance must be demonstrated through an appropriate monitoring program.

### **Discharge to land**

The recycled water plants at Bacchus Marsh, Melton, Romsey and Riddells Creek are licenced only for discharge to land for beneficial reuse, with an allowance for automatic discharge to surface water during wet weather conditions.

The flexibility in the licence condition is because, regardless of appropriate design at plants<sup>2</sup>, some climatic conditions may result in storages and irrigation areas being unable to contain all the flows. When required, a controlled release can minimise environmental impact.

During 2013/14, Western Water achieved compliance with all the limits specified in its EPA licence except for pH at the Woodend and Sunbury recycled water plants.

The pH exceedance at Sunbury was due to a malfunction in plant operation which was subsequently rectified. The pH exceedance at Woodend was suspected to be due to algal blooms which can occur during Summer. An aeration system is being implemented at Woodend to prevent future algae outbreaks. Both exceedances will be reported to EPA in the annual performance report.

<sup>2</sup> The current policy standard relating to a recycled water reuse system design is that the occupier must provide adequate irrigation land and storage lagoon capacity to retain all waste up to a 90th percentile wet year.

Some Western Water recycled water plants (Riddells Creek, Romsey and Melton) do not have enough land for beneficial reuse of recycled water and it was necessary to discharge excess water to surface waters.

Such discharges were reported to EPA and considered non-compliance against the EPA licence. Western Water has developed a comprehensive strategy to achieve compliance with EPA licences and meeting the intent of the State Environment Protection Policy.

Western Water completed an Ecological Risk Assessment (ERA) of streams receiving discharge from recycled water plants. The ERA is assisting Western Water to determine the extent of impact from the discharge and to plan future improvements to its plants to further minimise impacts.

### Victorian Urban Stormwater

Working with Melbourne Water, the stormwater harvesting project in Toolern is an important step in beginning the process for developing best practice environmental management guidelines for urban stormwater management. Western Water expects to liaise closely with all relevant stakeholders as these evolve.

### Environmental flows

Western Water is required to manage its water storages in accordance with environmental flow requirements detailed in the bulk entitlements report. To meet these requirements, Western Water’s detailed monitoring infrastructure network is regularly examined to ensure compliance.

This network was recently upgraded in conjunction with the Bureau of Meteorology programs, to improve the accuracy and completeness of data captured. Details of environmental releases can be reviewed in Western Water’s bulk entitlements report, contained in appendix 2.

## Greenhouse gas emissions

Western Water is reducing greenhouse gas emissions through a combination of energy efficiency measures, renewable energy generation and the purchase of carbon offsets.

The 2013/14 result of 15,217 tonnes of net greenhouse gas emissions is 50% below 2004/05 levels, aligned with the federal government target of a 5% reduction from 2000 levels.

### Energy consumption

Energy consumption for water treatment and supply was 26,310,392 megajoules. This equates to an energy intensity of 2,080 MJ/ML of water produced.

Energy consumption for sewage treatment and management was 29,199,273 megajoules. This equates to an energy intensity of 3,828 MJ/ML of effluent produced by recycled water plants.

Table 19: Total energy consumption

Energy consumption: water treatment and supply	26,310,392
Energy consumption: sewage treatment and supply	29,199,273
Total potable water produced (ML)	12,648
Total effluent produced (ML)	7,628
MJ consumed/ML of potable water	2,080
MJs consumed/ML of effluent produced	3,828

## Significant activities generating greenhouse gas emissions

The two main activities generating greenhouse gas emissions for Western Water are the treatment and supply of water and the treatment and management of sewage.

During 2013/14, emissions associated with water treatment and supply decreased by 19%. This was primarily due to decreased demand for pumping Melbourne Water supplies, with corresponding increased use of supplies from local water filtration plants.

Emissions generated by sewage treatment and management increased by 6%. This was likely related to increasing volumes treated due to population

growth as well as reduced renewable energy available from the Melton biogas cogeneration facility, which was out of operation over several months. Transportation emissions increased by 16% from the previous year with consumption of diesel and biodiesel increasing 30%.

The volume of recycled water supplied to customers increased on the prior year, contributing to increased emissions associated with recycled water distribution.

## Net greenhouse gas emission sources

The main contributor to Western Water's overall net greenhouse gas emissions is electricity consumed from the Victorian electricity grid.

While this accounts for 73% of total emissions, it has decreased 5% since 2012/13 due to both a decrease in

Table 20: Significant activities generating GGE (tonnes CO<sub>2</sub>e) – 5 years

Activities generating GGE	2009/10	2010/11	2011/12	2012/13	2013/14
Water treatment and supply	9,651	7,599	8,176	10,574	8,551
Sewerage treatment and management	12,701	14,916	14,688	15,235	16,186
Transport	587	638	572	549	635
Other - recycled water distribution	814	723	719	1,183	1,281
Other - office	533	591	547	574	568
Total gross scope 1 and 2 emissions (tonnes CO <sub>2</sub> e)	24,286	24,467	24,702	28,115	27,221

Table 21: Net GGE source breakdown\* (tonnes CO<sub>2</sub>e) – 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Nitrous oxide emissions	2,148	3,052	3,673	3,643	3,591
Methane emissions	1,806	2,966	2,318	2,994	2,984
Diesel consumed	386	456	386	303	584
Unleaded petrol consumed	243	222	200	172	142
Gaseous fuel combustion	0	25	29	28	49
B20 biodiesel	2	2	2	1	0
Other	5	0	0	0	0
Autogas	0	0	0	1	3
Direct emissions (scope 1)	4,590	6,723	6,608	7,141	7,353
Vic grid electricity consumed	19,696	17,745	18,094	20,855	19,868
Reduction from GreenPower purchase	-793	-895	-1,403	-545	-568
Indirect emissions (scope 2)	18,903	16,850	16,691	20,310	19,300
Offsets purchased and retired	-2,494	-1,952	-5,783	-11,927	-11,436
Total net scope 1 and 2 emissions (tonnes CO <sub>2</sub> e)	20,999	21,621	17,515	15,524	15,217

\* Table data has been rounded with total based on actual numbers.

---

pumping water from Melbourne Water and a reduction in the Victorian electricity grid emissions factor.

Highlights of Western Water's greenhouse gas reduction program for 2013/14 include:

- implementing our Climate Change Adaptation Strategy, which encompasses risk management, service resilience, operational energy and carbon efficiency
- continuing investigation into redirecting regional organic waste streams from landfill to Melton Recycled Water Plant for treatment and conversion into biogas
- ongoing trials with Victoria University to grow and harvest algae for recycled water treatment and as an alternative biofuel, and
- participating in the Greener Government Buildings program identifying several projects to improve operational energy efficiency. These include pump station upgrades, improvements to ultra-violet disinfection at the Class A Recycled Water Plant and aeration upgrades across all recycled water plants. Combined, they have potential to reduce electricity consumption by 650 MWhr saving \$120,000 and 806 tonnes of greenhouse gas emissions annually.

Other highlights for 2013/14 include:

- recertification from Low Carbon Australia of carbon neutral status for the Class A Recycled Water Plant, primarily through sourcing power from Melton's biogas cogeneration facility
- ongoing creation of Victorian Energy Efficiency Certificates (VEECs) through the WaterTight home plumbing audit program, and
- purchasing offsets and initiating investigations into resource recovery.

## Biosolids

Biosolids are the solid, organic by-product of sewage treatment. They can be reused safely as nutrients, soil conditioners and for compost.

In 2013/14, Western Water created a Resource Recovery Strategy for biosolids, maintaining a target of 100% beneficial reuse of biosolids, as well as cost neutrality (when compared with the alternative option of disposal to landfill).

Pinegro in Deer Park is the major recipient of biosolids produced by Western Water where they are reused as compost or landfill. We continue to diversify market demand for biosolids and, in the past year, a number of customers were identified to reuse biosolids from Bacchus Marsh Recycled Water Plant, via a cost-sharing arrangement.

# Social sustainability

Western Water's service area population grew by 1.0% during the reporting period to reach 159,800.

This is lower growth than historically recorded in the region. However, serviced properties grew by 2.4% to 59,661 suggesting a continued lag in occupancy rates for new homes as well as smaller household sizes. Regardless, the regional population is forecast to escalate in coming years as Melton and Sunbury undergo rapid development.

## Service delivery

### Water supply system

In 2013/14, Western Water supplied 56,930 connected properties with drinking water through 1,955 km of water mains.

The extensive reticulation system is maintained through renewals, repairs and operational actions such as valve exercising, mains flushing, and flow and condition monitoring and assessment. These actions help reduce water losses through leakage and bursts and assist in maintaining water quality.

Key achievements during the reporting period include:

- average time for unplanned interruptions fell to 47 minutes from 50 last year
- average time for planned interruptions fell to 150 minutes from 174 last year, and
- the proportion of customers experiencing repeat unplanned interruptions fell to 1.4% from 2% last year.

The number of water main bursts during 2013/14 was also less than previous years.

Table 22: Water main bursts per 100km – 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Bursts per 100km of water main	17.0	14.0	18.0	18.8	14.0

### Sewer system

In 2013/14, Western Water supplied 51,004 connected properties with sewage and trade waste collection services through 1,205 km of sewer mains and the innovative Sewer Spill Prevention Strategy continued successfully.

Overall, there has been a significant decline in sewer blockages and consequent spills since the strategy commenced four years ago, settling to approximately 15 blockages per 100km of sewer mains.

Table 23: Sewer main blockages per 100km – 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Sewer blockages per 100km of sewer main	30.1	22.1	15.8	12.7	15.7

## Customer service

The total number of customer service calls increased slightly in 2013/14 due to after-hours calls now being included in final numbers.

The frequency of calls per customer reduced due to focussed efforts to improve first call resolution and internal call distribution practices. Research has found that more customers seek information on Western Water's website than by phoning.

Table 24: Customer service statistics – 5 years

	2009/10	2010/11	2011/12	2012/13	2013/14
Customer service calls received	83,768	78,236	67,341	62,410	65,620*
Calls answered within 30 seconds (%)	95%	96%	98%	97%	98%
Average wait time (seconds)*	10	9	8	8	19**
Correspondence requiring a response	1,852	1,909	1,766	1,698	1,953

\*After hours calls to South East Water are included in 2013/14 total

\*\*Western Water's privacy message of 10 secs is included in 2013/14 total



## Managing complaints

During 2013/14, overall customer complaints increased significantly. This was mainly due to water quality issues resulting from changing water sources from Melbourne Water to local sources in the Rosslynne supply system.

This system supplies Sunbury and Gisborne as well as several smaller towns. While still meeting health and aesthetic guidelines for drinking water quality, local supplies had different taste and odour characteristics from Melbourne Water's.

When a customer is not satisfied with Western Water's service, they have the opportunity to refer their issue to the Energy and Water Ombudsman (EWOV).

During 2013/14, EWOV handled 28 referrals on behalf of Western Water customers. The majority of these were handled as enquiries requiring no further action with 2 being escalated for further investigation by the Ombudsman's office. Both cases have now been resolved.

Table 25: Customer complaints – FY13 vs FY14

Complaint category	2012/13	2013/14
Water quality	180	217
Water supply reliability	3	4
Sewerage service reliability	4	0
Payment issue	24	25
Flow rate	0	4
Sewerage odour	0	2
Other	9	9
Total	220	261

## Service charges

Western Water's tariffs for 2013/14 were based on the Water Plan 2013-2018 price determination by the ESC. This resulted in an overall average real (before CPI) price increase of 2.4%, an approximate increase of less than \$50 per annum for the average customer.

The charges for new customer contributions (NCC) were reviewed with differing charges established for greenfield and infill residential developments. At greenfield sites, the NCC charge is \$4,000 inclusive per lot for water, Class A recycled water and sewerage. At infill sites, the NCC charge is \$2,000 per lot. New customer contributions for non-residential services are calculated separately, based on meter size requirements.

Table 26: Water and sewerage charges

	Residential	Non-residential
Water service & usage		
Service charge (per annum)	\$227.85	\$227.85
Usage (per kl) - rate based on average litres used per day per bill		
0-440 litres	\$1.4647	\$1.9432
441-888 litres	\$1.9432	
889+ litres	\$3.8865	
Sewerage tariff		
Service charge (per annum)	\$515.41	\$515.41
Class A recycled water		
Service charge (per annum)	\$98.50	
Usage (per kl)	\$1.4647	

## Community service obligations

Over a quarter of Western Water's residential customers hold a pensioner, healthcare or a veteran affairs concession card.

During the year, a total of 44,186 concessions were provided, amounting to \$3.4 million with an annual concession cap of \$283.90.

There was a slight decrease in the number of not-for-profit organisations receiving rebates on their annual water and sewer charges. This was due to some properties changing ownership. The rebate amount was slightly higher as it is based on whether a property has water and/or sewer services.

The number of customers receiving Utility Relief Grants (provided by DHS) increased significantly this year due to improved processes for identification of customers requiring assistance.

This rise is also consistent with increasing numbers of customers experiencing financial difficulty. Customers receive payments for the Hardship Relief Grant Scheme (Sewerage Connection Scheme), Non-Mains Water Concession and Water Wise Program directly from DHS.

There was a slight decrease in the amount rebated for life support machines as less water was used by eligible customers.

## Addressing hardship

Western Water is a member of the Vulnerable Customer Taskforce, a water industry group formed to provide a consistent approach to prevention, early identification and provision of assistance to financially vulnerable and hardship customers. We also work with local financial counsellors to support customers experiencing financial difficulty, offering customers tailored individual payment solutions when required.

During 2013/14, 155 customers entered our Customer Support Program while 39 customers graduated from it. Of 577 applications for financial assistance received from customers, 547 applications were approved, totalling \$82,712. Staff also visited 74 properties of customers in need of support.

Table 27: Community service obligations – FY13 vs FY14

Concession type	2012/13		2013/14	
	No.	\$	No.	\$
Pensioners, Healthcare, Veterans Affairs	13,821	3,214,677	14,728	3,439,148
Not for profit rebates	444	155,930	441	159,399
Utility Relief Grant Scheme	160	71,432	299	130,880
Water concession on life support machines – haemodialysis	7	1,441	7	1,330

# Performance Report

## Performance reporting indicators

### Financial performance indicators

Table 28: Financial performance indicators

Performance indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year %	Notes	Variance to target %	Notes
Cash interest cover (times) Net operating cash flows before net interest and tax / net interest payments	1.54	2.15	2.80	39.6%	1	(23.2%)	2
Gearing ratio (%) Total debt (including finance leases)/ total assets	24.3%	24.6%	23.9%	1.2%		2.9%	
Internal financing ratio (%) Net operating cash flow less dividends/ capital expenditure	20.5%	61.2%	79.9%	198.5%	1, 3	(23.4%)	2
Current ratio (times) Current assets/ current liabilities (excluding long-term employee provisions and revenue in advance)	0.72	0.45	0.36	(37.5%)	4	25.0%	5
Return on assets (%) Earnings before net interest and tax/ average assets	2.06%	1.75%	4.20%	(15.0%)	2	(58.3%)	2
Return on equity (%) Net profit after tax/ average total equity	0.66%	0.25%	2.90%	(62.1%)	2	(91.4%)	2
EBITDA margin (%) Earnings before interest, tax, depreciation and amortisation/ total revenue	36.53%	38.21%	70.30%	4.6%		(45.6%)	2

Notes:

1. The key factor for the improvement compared to prior year is an increase in the cash flow from operations due to higher service charges and higher water usage charges.
2. Generally in 2013/14, there was a significant step change observed in the amount of developer activity which affected both cash and gifted developer contributions planned to be received during the financial year. The lower developer contributions has impacted the net operating cash flows, earnings before net interest and the net profit. Developer activity will continue to be closely monitored to ensure capital investments align with the growth in the region. Also, cash flows will be continuously monitored to ensure the business has funding available to meet its financial commitments.
3. A further contributing factor for the improvement compared to the prior year is lower capital expenditure in the 2013/14 year.
4. As at June 2014, current liabilities included maturing loans of \$31.5 million as compared to \$18 million at June 2013. The maturing loans are refinanced during the current period.
5. Current assets and current liabilities were higher than plan at June 2014; with a net increase in current assets of \$1.6 million contributing to the favourable variance to target.

## Water and sewerage service performance indicators

Table 29: Water and sewerage service performance indicators

Performance indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year %	Notes	Variance to target %	Notes
Unplanned water supply interruptions Number of customers receiving >5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100	0.0%	0.0%	0.004%	-		-	
Interruption time indicators Average duration of unplanned water supply interruptions	50 mins	47 mins	88 mins	6.0%	6	46.6%	7
Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	97.0%	99.0%	98.0%	2.1%		1.0%	
Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours/ total sewer spills from reticulation and branch sewers	100%	100%	100%	-		-	
Sewerage interruptions Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100%	100%	99.9%	-		0%	

Notes:

6. Effective response and repair of burst mains has been maintained and slightly improved.
7. The target is based on historical averages and we have seen continuous improvement over time.

## Customer responsiveness performance indicators

Table 30: Customer responsiveness performance indicators

Performance indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year %	Notes	Variance to target %	Notes
Water quality complaints Number of complaints per 100 customers	0.288	0.329	0.330	(14.2%)	8	0.3%	
Sewerage service quality complaints Number of complaints per 100 customers	0.000	0.000	0.500	-		-	
Sewage odour complaints Number of complaints per 100 customers	0.000	0.004	0.025	-	10	84.0%	9
Billing complaints Number of complaints per 100 customers	0.052	0.042	0.500	19.2%	11	91.6%	9

Notes:

8. The key factor for the increase in complaints compared to the prior year was the result of a change in water supply from the Melbourne system to local supplies. The increase in complaints was anticipated and incorporated into 2013/14 target. The water quality of local supplies will be monitored closely.
9. The target was reviewed and reduced in 2014/15 to be more in line with actual complaints received. The target will continue to be reviewed.
10. Only two complaints were received during the year relating to different recycled water plants. There are no systemic issues.
11. Nine out of 25 complaints received related to affordability. The total number of complaints is five less than the prior year.

## Environmental performance indicators

Table 31: Environmental performance indicators

Performance indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year %	Notes	Variance to target %	Notes
Effluent reuse volume (end use)	66.8%	66.1%	44.0%	(1.0%)		50.2%	12
Total net CO <sub>2</sub> emissions Net tonnes CO <sub>2</sub> equivalent	15,524 tonnes	15,217 tonnes	15,217 tonnes	2.0%		0.0%	

Notes:

12. The result is better than target due to warmer conditions resulting in higher demand.

### Performance Report certification

We certify that the accompanying Performance Report of Western Region Water Corporation in respect of the 2013/14 financial year is presented fairly, in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2013/14 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variation between actual results and performance targets and/or between actual results in the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



Lucia Cade, Director    Neil Brennan, Accountable Officer

29 August 2014

---

# Auditor General's report on the Performance Report

**VAGO**

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Western Region Water Corporation

#### *The Performance Report*

The accompanying performance report for the year ended 30 June 2014 of the Western Region Water Corporation which comprises the performance report, the related notes and the certification has been audited.

#### *The Board Members' Responsibility for the Performance Report*

The Board Members of the Western Region Water Corporation are responsible for the preparation and fair presentation of the performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the performance report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance report 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 entity's internal control. An audit also includes evaluating the overall presentation of the performance report.

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

*Auditing in the Public Interest*

## Independent Auditor's Report (continued)

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the performance report of the Western Region Water Corporation in respect of the 30 June 2014 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Performance Report*

This auditor's report relates to the performance report of the Western Region Water Corporation for the year ended 30 June 2014 included both in the Western Region Water Corporation's annual report and on the website. The Board Members of the Western Region Water Corporation are responsible for the integrity of the Western Region Water Corporation's website. I have not been engaged to report on the integrity of the Western Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE  
2 September 2014

  
John Doyle  
Auditor-General

# Other disclosures

## Implementation of the Victorian Industry Participation Policy

In October 2003, Parliament passed the *Victorian Industry Participation Policy (VIPP) Act 2003*. This requires public bodies and departments to report on implementation of the VIPP.

The policy was developed to ensure that applicable Government projects use local suppliers whenever and wherever they offer the best value for money.

Department and public bodies are required to apply VIPP in all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

In Western Water's service area, both Hume City Council and Melton City Council are considered metropolitan, while Moorabool Shire Council and Macedon Ranges Shire Council are regional.

Table 32: VIPP applicable contracts

New projects	Western Water had one new VIPP applicable project in 2013/14, which was completed in the year: Romsey/Lancefield water transfer pipeline. This \$2.0 million project commenced in December 2013 with construction completed by June 2014. One new full time equivalent apprentice/trainee job was created for this project, which had 95.5% local content.
Completed projects	One VIPP applicable contract was completed during the reporting period: the \$3.1 million stage 3 upgrade of Melton Recycled Water Plant, completed in August 2013. Two new jobs were created for this project and eleven full time equivalent existing jobs were retained for the contract. 100% local content was achieved.

## Consultancy expenditure

In 2013/14, there were nine consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during the reporting period in relation to these consultancies is \$626,898 (excluding GST). Details of individual consultancies can be viewed at [westernwater.com.au](http://westernwater.com.au).

In 2013/14, there was one consultancy where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during the reporting period in relation to these consultancies is \$9,900 (excluding GST).

For the reporting period to June 2014, the definition of consultancy has been revised. A comparison against the previous reporting period is therefore not available.

## Disclosure of major contracts

Western Water did not enter into any contracts greater than \$10 million during the year ended 30 June 2014.

## Advertising expenditure

Western Water's total advertising spend in 2013/14 was \$74,558. This low level of advertising expenditure resulted from a concerted effort across the business to reduce advertising costs, combined with the relatively moderate cost of regional advertising and an internal shift to more effective, lower cost advertising in local newsletters and social media.

Table 33: Advertising expenditure breakdown

Advertising category	Expenditure
Tenders and capital projects	\$23,416.85
Campaigns	\$24,999.87
Regional updates	\$1,917.55
Recruitment	\$24,223.73
Total	\$74,558.00



## Freedom of information

Victoria's *Freedom of Information Act* gives customers the right to access documents held by government agencies, as well as the right to request that incorrect or misleading information be amended or removed. Western Water is considered to be a government agency under the Act and the decision to release information is made by an authorised officer.

During 2013/14, there was one request for access to information in accordance with the Act. There were no requests outstanding at 30 June 2013 and, as at 30 June 2014, all requests were finalised.

Table 34: Freedom of information summary

Personal requests received	0
Non personal requests received	1
Requests outstanding at 30 June 2013	0
Reviews by the FOI Commissioner received	0
Reviews by the FOI Commissioner where the original decision was confirmed	0
Reviews by the FOI Commissioner where the original decision was varied or overturned	0
VCAT appeals lodged	0
VCAT appeals confirmed decision	0
VCAT appeals varied or overturned decision	0
Exemptions in requests, reviews by the FOI Commissioner and VCAT appeals	s.32(1)
Total dollar of application fees collected	\$25.70
Total dollar of charges collected and waived	\$41.20

### Names and titles of FOI decision makers

Authorised person - Julie Williams, General Manager Business Services

Principal officer - Neil Brennan, Managing Director

Requests for access to information held by Western Water should be made in writing to:

FOI Officer

Julie Williams, General Manager Business Services  
Western Water

PO Box 2371, Sunbury DC Victoria 3429

Phone - 9218 5400

Email - julie.williams@westernwater.com.au

From 1 July 2014 a fee of \$26.50 applies to any application for documents. Additional information and how to make an FOI request is available on Western Water's website and at [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

## Compliance with the *Building Act 1993*

Western Water complies with the building and maintenance provisions of the *Building Act 1993*.

## National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector business.

Western Water continues to comply with the requirements of the National Competition Policy and Competitive Neutrality Policy Victoria. Compliance with *Protected Disclosure Act 2012*.

The *Protected Disclosure Act* (PD Act) was part of a package of integrity reforms introduced by the Victorian Coalition Government, which also established the Independent Broad-based Anti-corruption Commission (IBAC).

The PD Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

---

## Compliance with *Protected Disclosure Act 2012*

The *Protected Disclosure Act* (PD Act) was part of a package of integrity reforms introduced by the Victorian Coalition Government, which also established the Independent Broad-based Anti-corruption Commission (IBAC).

The PD Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

### What is a protected disclosure?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. Western Water is a public body for the purposes of the PD Act.

### What is improper or corrupt conduct?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources
- risk to public health or safety or the environment, or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

### How do I make a protected disclosure?

You can make a protected disclosure about Western Water or its Board Directors, officers or employees by contacting the Department of Environment and Primary Industries (DEPI) or IBAC on the contact details provided below. Please note that Western Water is not able to receive protected disclosures.

### How can I access Western Water's procedures for the protection of persons from detrimental action?

Western Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Western Water or its employees. You can access Western Water's procedures at [westernwater.com.au](http://westernwater.com.au).

## Contacts

*Department of Environment and Primary Industries*

Jennifer Berensen, Senior Advisor  
Privacy & Ombudsman  
Department of Environment and Primary Industries  
PO Box 500, East Melbourne Vic 3002

Phone 9637 8697 or website [www.depi.vic.gov.au](http://www.depi.vic.gov.au)

*Independent Broad-Based Anti-Corruption Commission  
Victoria*

Street address:

Level 1, North Tower  
459 Collins Street, Melbourne Victoria 3001

Postal address:

IBAC  
GPO Box 24234, Melbourne Victoria 3000

Phone 1300 735 135 or website [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au).

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

## Office-based environmental impacts

Under Western Water's Environment Policy, an Environment Committee was established comprising staff from across the business.

Through the Environmental Management System, the environmental impacts from office-based activities have been identified and an environmental management program developed.

The Environment Committee will oversee the implementation of actions including ways to decrease office:

- energy consumption and greenhouse gas emissions
- waste production
- use of paper
- water consumption, and
- transportation fuel consumption.

In the past year, waste paper and cardboard recycling continued and, following a successful trial, all non-recycled paper for printers and photocopiers was replaced with recycled paper

The committee also raised awareness of recycling printer toners. After identifying the lack of recycling at outdoor sites, the committee arranged for recycling bin collection at plants.

Office water consumption is monitored and reported separately in this report (refer table 15) as are overall greenhouse gas emissions (table 20).

Detailed investigations into reducing emissions took place under the Greener Government Buildings initiative with recommendations being considered.

The Environment Committee will continue to seek new opportunities for sustainable practices and advise the business accordingly on procurement practices and further reductions to office-based environmental impacts.

## Additional information available on request

Subject to the *Freedom of Information Act 1982*, the following information is available on request:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee, or held beneficially in a statutory authority or subsidiary
- details of all publications produced by Western Water about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by Western Water
- details of any major external reviews carried out on Western Water
- details of major research and development activities undertaken by Western Water
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations & marketing activities undertaken by Western Water to develop community awareness of Western Water and its services
- details of assessments and measures undertaken

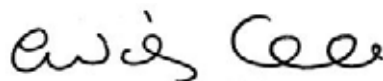
to improve the occupational health and safety of employees

- a general statement on industrial relations within Western Water and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by Western Water, the purpose of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed.

## Risk management attestation

Western Water continues to make improvements and embed risk management throughout the organisation. The corporation now has a dedicated risk team with a strong focus on emergency management, strategic and operational risk management and quality management systems. Risk has been integrated into Western Water's strategic planning process and the development of Water Plan 2013-2018.

We certify that Western Water has risk management processes in place consistent with the international standard (ISO31000:2009) Risk Management - Principles and Guidelines and has an internal control system in place that enables the executive to understand, manage and satisfactorily control risk exposures. Western Water's Audit and Risk Committee verifies this assurance and that the risk profile of Western Water has been critically reviewed within the last 12 months.



Lucia Cade, Chair



Ross Johns, Chairman, Audit and Risk Committee

29 August 2014

# Financial Report

## Financial summary

The following summary tables and graphs illustrate that for the 2013/14 financial year, Western Water made an overall surplus of \$1.6 million before tax. This result includes customer asset and cash contributions of \$9.4 million.

Western Water invested \$19.9 million in capital works during the year, which was financed from operating cash flows of \$12.2 million and additional debt. The debt level has now increased to \$174 million.

Table F1: Operating revenue (\$000) – 5 year summary

	2009/10	2010/11	2011/12	2012/13	2013/14	% change on prior year	Plan 2013/14
Operating revenue	44,159	48,410	55,180	59,645	63,683	6.8%	64,966
New customer contributions	16,017	17,095	21,168	19,453	9,416	(51.6%)	24,016
Government contributions	-	1,270	142	1,227	2,044	66.6%	773
Interest	33	49	137	124	115	(7.3%)	60
Other	2,795	2,250	599	1,812	1,832	1.1%	1,773
Total	63,004	69,074	77,226	82,261	77,090	(6.3%)	91,588

Table F2: Operating costs (\$000) – 5 year summary

	2009/10	2010/11	2011/12	2012/13	2013/14	% change on prior year	Plan 2013/14
Operating expenses	38,024	41,496	45,736	52,026	50,427	(3.1%)	47,518
Corporate expenses	11,707	13,794	15,364	14,349	11,878	(17.2%)	12,174
Finance	5,706	7,893	9,326	10,142	10,729	5.8%	10,865
Environmental contribution	1,615	1,615	1,615	1,615	2,410	49.2%	2,410
Total	57,052	64,798	72,041	78,132	75,444	(3.4%)	72,966

Table F3: Financial results (\$000) – 5 year summary

	2009/10	2010/11	2011/12	2012/13	2013/14	% change on prior year	Plan 2013/14
Current assets	16,235	16,143	21,534	21,838	19,920	(8.8%)	14,384
Non-current assets	505,094	613,953	652,857	675,033	686,205	(1.5%)	692,909
Total assets	521,329	630,096	674,391	696,871	706,123	(1.8%)	707,293
Current liabilities	15,617	11,941	35,828	34,978	48,795	39.8%	43,913
Non-current liabilities	144,168	197,070	206,073	226,541	220,873	(2.5%)	217,141
Total liabilities	159,785	209,011	241,901	261,519	269,668	3.1%	261,054
Net cash flow from operations	7,853	5,448	14,132	5,344	12,157	127.5%	19,248
Payments for property, plant & equipment	35,988	34,247	24,571	20,421	17,973	(23.7%)	26,932

Table F4: Performance indicators (\$000) – 5 year summary

	2009/10	2010/11	2011/12	2012/13	2013/14	Plan 2013/14
Internal financing ratio	21.8%	15.9%	57.5%	20.5%	61.2%	79.9%
Gearing ratio	19.6%	20.5%	22.1%	23.5%	24.6%	23.9%
Interest cover (EBIT)	2.05	1.55	1.56	1.41	1.16	2.72
Interest cover (cash)	2.37	1.74	2.57	1.54	2.15	2.83
Return on average assets	1.0%	0.5%	0.6%	0.4%	0.2%	4.2%
Return on average equity	1.3%	0.7%	0.9%	0.7%	0.3%	2.9%

## Revenue

Revenue was down on both last year and plan due to a significant drop in new customer contributions. Core business operating revenue was marginally lower than plan.

Chart F1: Revenue (\$'000) - 5 years

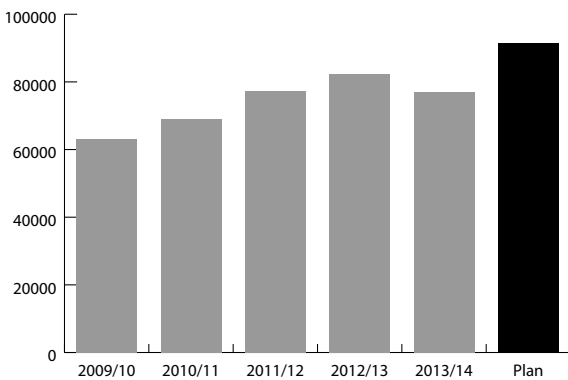
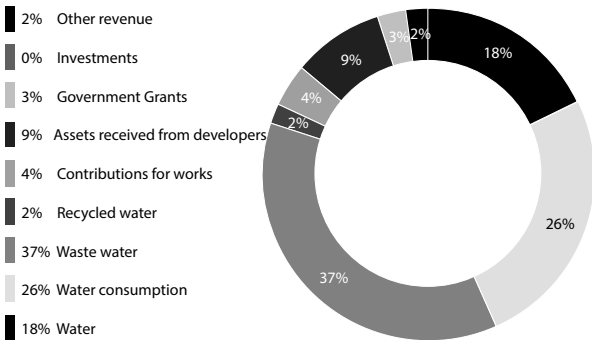


Chart F2: Revenue sources 2013/14



## Expenditure

Expenses were lower in 2013/14 due to water being sourced and treated locally rather than purchased from the Melbourne pool as in recent years. While there was a large reduction in the amount of water purchased from the Melbourne pool in 2013/14, the amount purchased was higher than forecast in the plan. Water expense represented 22% of total costs in 2012/13, which reduced to 12% in 2013/14.

Chart F3: Expenses (\$'000) - 5 years

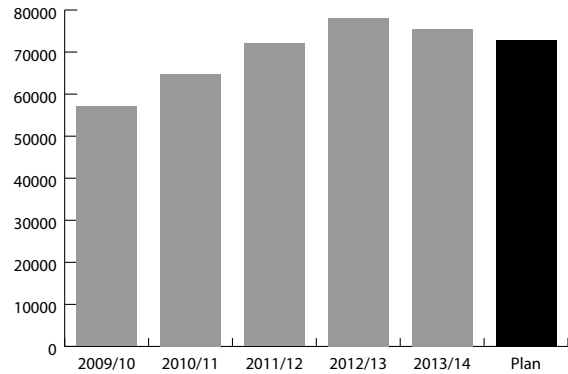
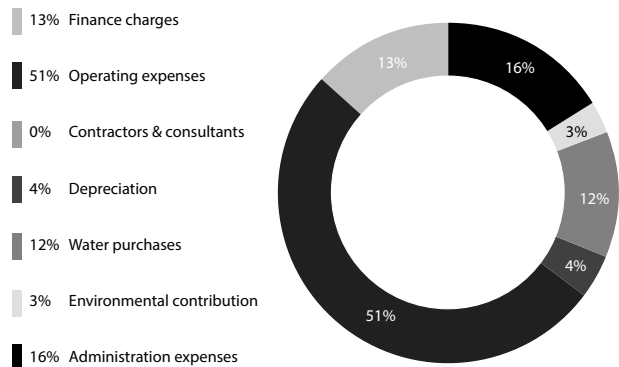


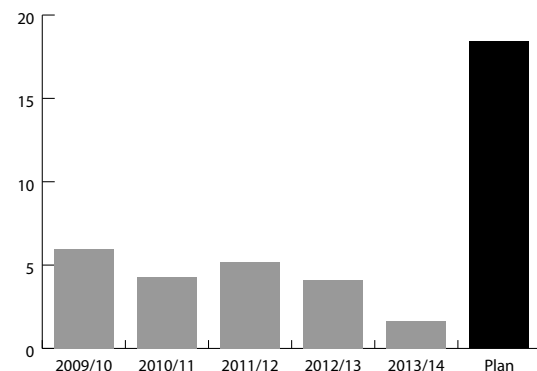
Chart F4: Expenses breakdown 2013/14



## Net profit before tax

Western Water made an overall surplus pre-tax of \$1.6 million compared to \$4.1 million in 2012/13. The overall result includes customer asset and cash contributions of \$9.4 million (\$19.4 million in 2012/13). The large variance to plan was the result of lower customer asset and cash contributions of \$14.6 million and higher water purchase expense of \$2.4 million.

Chart F5: Net profit before tax (\$M) - 5 years

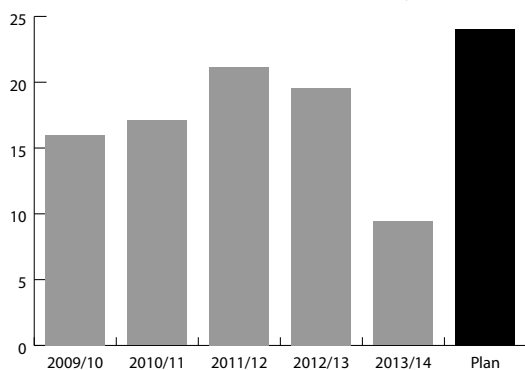


## New customer contributions

In 2013/14, there was a significant drop in new customer contributions, both cash and gifted assets, from \$19.4 million in 2012/13 to \$9.4 million.

Cash contributions received in 2013/14 were \$2.7 million compared to \$5.8 million in 2012/13. As 2013/14 was the first year of the current regulatory period, there was a different methodology for applying cash contributions. Previously a scale rate depending on lot size was applied. However, this was increased to a flat \$4,000 per lot in developing areas, or \$2,000 per lot for infill developments.

Chart F6: New customer contributions (\$M) - 5 years



## Shareholder dividend

Western Water is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous years' adjusted net profit.

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer, and a formal determination is made by the Treasurer. No shareholder dividend was paid for the year 1 July 2013 to 30 June 2014.

## Major changes or factors affecting performance

New customer contributions were significantly lower than the 2012/13 result and the 2013/14 plan with the

lower revenue impacting profitability and cash flows from operating activities. As the fall in new customer contributions was driven by lower growth in the region, management responded by deferring some capital expenditure, and reducing operating expenditure.

## Significant changes in financial position

There was no significant change in financial position for the year ending 30 June 2014.

## Post balance date events

On 11 May 2014 the Minister for Water announced the Victorian Government's Fairer Water Bills initiative to deliver more than \$1 billion of savings that will be made across Victoria's urban water sector over the next four years. As part of this initiative, Western Water's residential water using customers are entitled to a bill reduction of \$100 in their first bill, for each of the next four years, starting from 2014/15. The cost of this initiative to be recognised in the first quarter of 2014/15 is estimated to be \$5.5 million.

## Outlook 2014/15

Western Water's operating profit in 2014/15 will remain positive as a result of the further deferral of capital expenditure in line with lower growth in the region and through a focused program of operating efficiency initiatives.

These initiatives will support the delivery of the \$100 per residential water consumption customer rebate that will cost around \$5.5 million in the 2014/15 year.

---

# Understanding the Financial Report

## Statement of comprehensive income

The statement of comprehensive income measures Western Water's performance over the year, and shows whether a profit or loss has been made in delivering products and services.

The statement includes all sources of income less all expenses incurred in earning that income. For the year ending 30 June 2014, Western Water made a profit after tax of \$1.1 million.

## Balance sheet

The balance sheet sets out Western Water's net accumulated financial worth at a point in time. It shows the assets Western Water holds as well as liabilities or claims against those assets.

Both assets and liabilities are expressed as current or non-current. Current means that assets or liabilities are expected to be converted to cash within the next 12 months. Non-current assets or liabilities are long-term. Equity is total capital and reserves plus profits that have been reinvested in the business over the years.

## Statement of changes in equity

The statement of changes in equity shows the changes in equity between two financial periods reflecting the increase or decrease in its net assets during the year.

The total overall change in equity during a financial year represents the total amount of income and expenses through the operating statement, and items charged directly to the equity account from revaluation of assets.

## Cash flow statement

The cash flow statement summarises Western Water's cash receipts and payments for the financial year and the net cash in hand position. It differs from the statement of comprehensive income in that it:

- excludes non-cash expenses such as depreciation
- excludes the accruals taken into account by the income statement
- includes payments or receipts in relation to capital items, and
- includes any financing activities such as movements in loans held by Western Water.

For the year ending 30 June 2014, Western Water had a net cash inflow of \$12.2 million from operating activities.

## Notes to the Accounts

The notes to the accounts provide further information in relation to the rules and assumptions used to prepare the Financial Report as well as additional information and detail about specific items within the statements.

The notes also advise the reader if there have been any changes to Accounting Standards, policy or legislation which may change the way the statements are prepared. Information in the notes is particularly useful when there has been a significant change from the previous year's comparative figure.

## Statutory certificate and Auditor General's report

These attachments provide the reader with a written undertaking in relation to the correctness and trustworthiness of the financial statements. In particular, the report from the Auditor General provides an independent view and will advise the reader if there are any issues of concern.



# Financial Report contents

Comprehensive operating statement	48
Balance sheet	49
Statement of changes in equity	50
Cash flow statement	51
Notes to the Financial Report	52
Note 1: Significant accounting policies	52
Note 2: Financial risk management objectives and policies	64
Note 3: Revenue and expense disclosures	66
Note 4: Income tax expense	68
Note 5: Cash and cash equivalents	69
Note 6: Receivables	70
Note 7: Infrastructure, property, plant and equipment	72
Note 8: Intangible assets	79
Note 9: Deferred taxes	80
Note 10: Payables	81
Note 11: Interest bearing liabilities	81
Note 12: Provision and employee benefits	83
Note 13: Contributed capital	84
Note 14: Reserves	85
Note 15: Accumulated funds	85
Note 16: Financial instruments	86
Note 17: Commitments	88
Note 18: Contingent liabilities and contingent assets	89
Note 19: Superannuation	89
Note 20: Remuneration of executives and payments to other personnel	92
Note 21: Reconciliation of net result for the year after related income tax to net cash flows from operating activities	95
Note 22: Dividends	95
Note 23: Events occurring after the balance sheet date	96
Note 24: Ex-gratia expenses	96
Statutory certification	97
Auditor-General's report on the Financial Report	98

# Comprehensive operating statement

## for the year ended 30 June 2014

	Notes	2013/14 \$'000	2012/13 \$'000
<b>Revenue</b>			
Service charges	1(c), 3(a)	43,680	40,464
Water usage charges	1(c), 3(a)	20,003	19,181
Government grants and contributions	1(c), 3(a)	2,044	1,227
Interest	1(c), 3(a)	115	124
Developers' contributions	1(c), 3(a)	9,416	19,453
		75,258	80,449
Net gain (loss) on disposal of infrastructure, property, plant and equipment	3 (b)	(174)	(73)
Other income	1(c), 3(c)	2,006	1,885
		1,832	1,812
<b>Total revenue</b>		<b>77,090</b>	<b>82,261</b>
<b>Expenses</b>			
Borrowing costs	1(d), 3(d)	10,729	10,142
Depreciation	1(f), 3(d)	15,595	14,614
Amortisation	1(f), 3(d)	1,715	1,167
Employee benefits	1(m), 3(d)	13,642	13,255
Repairs and maintenance expenses	1(e)	4,207	2,022
Environmental contributions	1(p)	2,410	1,615
Water purchases		9,149	15,613
Electricity		2,821	3,123
Other operating & administration		15,176	16,581
<b>Total expenses</b>		<b>75,444</b>	<b>78,132</b>
<b>NET RESULT BEFORE TAX</b>		<b>1,646</b>	<b>4,129</b>
Income tax expense/(revenue)	1(q), 4	541	1,267
<b>NET RESULT FOR THE PERIOD</b>	<b>15</b>	<b>1,105</b>	<b>2,862</b>
<b>Other comprehensive income</b> <i>Items that will not be classified to net result</i>			
Asset revaluation increment (net of tax)		-	-
<b>COMPREHENSIVE RESULT</b>		<b>1,105</b>	<b>2,862</b>

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

# Balance sheet

## as at 30 June 2014

	Notes	2013/14 \$'000	2012/13 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	1(g), 5	9,878	12,171
Receivables	1(h), 6	9,456	9,153
Prepayments		586	514
<b>Total current assets</b>		<b>19,920</b>	<b>21,838</b>
<b>Non-current assets</b>			
Receivables	1(h), 6	174	191
Infrastructure assets, property, plant and equipment	1(e,f), 7	669,275	661,834
Intangible assets	1(i), 8	9,953	8,527
Deferred tax assets	1(q) 9(a)	6,803	4,481
<b>Total non-current assets</b>		<b>686,205</b>	<b>675,033</b>
<b>Total assets</b>		<b>706,125</b>	<b>696,871</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	1(j), 10	12,783	12,520
Income in advance	1(c)	1,843	1,800
Interest bearing liabilities	1(k,l)11	31,500	18,000
Employee benefits	1(m), 12(a)	2,669	2,658
<b>Total current liabilities</b>		<b>48,795</b>	<b>34,978</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	1(k,l)11	142,500	151,000
Employee benefits	1(m), 12(a)	501	533
Deferred tax liabilities	1(q) 9(b)	77,872	75,008
<b>Total non-current liabilities</b>		<b>220,873</b>	<b>226,541</b>
<b>Total liabilities</b>		<b>269,668</b>	<b>261,519</b>
<b>NET ASSETS</b>		<b>436,457</b>	<b>435,352</b>
<b>Equity</b>			
Contributed capital	1(o), 13	160,413	160,413
Reserves	14	100,299	100,299
Accumulated surplus/(deficit)	15	175,745	174,640
<b>TOTAL EQUITY</b>		<b>436,457</b>	<b>435,352</b>

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

## Statement of changes in equity

for the reporting period ended 30 June 2014

	Notes	Contributed capital \$'000	Reserves \$'000	Accumulated surplus/ (deficit) \$'000	Total \$'000
Balance as at 1 July 2012		160,413	100,299	171,778	432,490
Comprehensive result				2,862	2,862
Balance as at 30 June 2013		160,413	100,299	174,640	435,352
Comprehensive result				1,105	1,105
Balance as at 30 June 2014		160,413	100,299	175,745	436,457

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

# Cash flow statement

## for the reporting period ended 30 June 2014

	Notes	2013/14 \$'000	2012/13 \$'000
Cash flows from operating activities			
Receipts			
Tariffs and charges		72,164	66,844
GST received from the ATO		4,006	4,527
Grants received from government		1,744	2,584
Interest received		90	119
		78,004	74,074
Payments			
Employees		(13,401)	(14,972)
Suppliers		(39,214)	(41,958)
Interest and other costs of finance paid		(10,694)	(9,949)
Environmental contributions		(2,410)	(1,615)
Income taxes paid		-	-
GST paid to the ATO		(128)	(236)
		(65,847)	(68,730)
Net cash (outflow)/inflow from operating activities	21	12,157	5,344
Cash flows from investing activities			
(Payments) for property, plant & equipment		(17,973)	(20,421)
Proceeds from sale of non-current assets	3(b)	426	416
(Payment) for intangible assets		(1,903)	(5,631)
Net cash (outflow)/inflow from investing activities		(19,450)	(25,636)
Cash flows from financing activities			
Proceeds from borrowings		31,250	37,000
(Repayment) of borrowings		(26,250)	(17,000)
Net cash (outflow)/inflow from financing activities		5,000	20,000
Net increase/(decrease) in cash and cash equivalents		(2,293)	(292)
Cash and cash equivalents at the beginning of the financial year		12,171	12,463
Cash and cash equivalents at end of the financial year	5(a)	9,878	12,171

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

---

# Notes to the Financial Report

## for the year ended 30 June 2014

### Note 1: Significant accounting policies

#### (a) Basis of accounting

The financial report includes the separate financial statements for Western Region Water Corporation (Western Water, or the corporation) as an individual reporting entity.

This financial report is a general purpose financial report that consists of a comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes accompanying these statements for the period ending 30 June 2014.

The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

Western Water is a not for-profit entity for the purpose of preparing the financial statements.

The accrual basis of accounting has been applied in the preparation of this financial report whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The annual financial report was authorised for issue by the Board on 29 August 2014.

The principal address is:

Western Region Water Corporation  
36 Macedon Street, SUNBURY VIC 3429

#### Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

#### Functional and presentation currency

Items included in the financial report are measured using the currency of the primary economic environment in which Western Region Water Corporation operates ('the functional currency'). The financial report is presented in Australian dollars, which is Western Regional Water Corporation's functional and presentation currency.

#### Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be realised or settled within the next twelve months, being Western Water's operational cycle - see 1(m) for a variation in relation to employee benefits.

#### Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

#### Historical cost convention

This financial report has been prepared under the historical cost convention, except for the revaluation of financial assets, all classes of property, plant and equipment and investment property.

#### Accounting estimates

The preparation of the financial statements in conformity with AAS requires the use of certain accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

It also requires management to exercise its judgement in the process of applying Western Water's accounting policies.

The most significant accounting estimates undertaken in the preparation of this financial report relate to:

- residual values and useful lives,
- asset impairment,
- unearned revenue,
- accrued revenue,
- provisions,
- deferred tax,
- fair value of infrastructure, property, plant and equipment,
- contingent assets and liabilities,
- defined benefit superannuation fund.

#### **(b) Changes in accounting policies**

Subsequent to the 2012/13 reporting period, the following new and revised standards have been adopted in the current period with their financial impact detailed as below.

##### **AASB 13 Fair value measurement**

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when Western Water is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted.

Western Water has considered the specific requirements relating to the highest and best use, valuation premise, and principal (or the most advantageous) market.

The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable.

In light of AASB 13, Western Water has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of Western Water. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing

disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012/13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 Financial Instruments: Disclosures.

##### **AASB 119 Employee benefits**

In 2013/14, Western Water has applied AASB 119 Employee Benefits (September 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. These changes had no impact to Western Water.

The revised standard also changes the definition of short term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service.

As a result, accrued annual leave balances which were previously classified by Western Water as short term employee benefits no longer meet this definition and are now classified as long term employee benefits.

This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis. Western Water considers the change in classification has not materially altered its measurement of the annual leave provision.

---

## Note 1 Significant accounting policies cont.

### (c) Revenue recognition

#### Service and usage charges

Tariff and service charges are recognised as revenue when levied or determined.

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. An estimation calculated by utilising the bulk meter reading at the end of the reporting period, is made at the end of each accounting period in respect of meters which have not been read at balance date.

Trade waste charges are recognised as revenue at the end of the service delivery period.

Amounts received from customers in advance of accounts being issued are recognised as a liability.

#### Developer contributions/fees paid by developers

Water infrastructure assets built by developers in new land subdivisions that on completion are provided to Western Water, or fees paid by developers to connect new developments to Western Water's existing water supply and sewerage systems, are recognised as revenue when the contributions are received.

#### Government grants and contributions

Government grants and contributions are recognised as operating revenue on receipt or when Western Water obtains control of the contributions and meets certain other criteria as outlined by AASB 1004, whichever is the sooner, and disclosed in the comprehensive operating statement as government grants and contributions.

However, grants and contributions received from the Victorian State Government which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions are accounted for as equity - contributed capital in accordance with FRD 119A Transfers through Contributed Capital.

### Sale of assets

The profit or loss on sale of an asset is determined when control has passed to the buyer. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in net profit in the statement of comprehensive Income. When revalued assets are sold, amounts included in the asset revaluation reserve relating to that asset are transferred to retained earnings.

### Interest

Interest income is recognised as revenue using the effective interest rate method, in the period in which it is incurred.

### Lease or rental Income

Income from operating leases (i.e. rentals) is recognised as income on a straight line basis over the lease term.

### (d) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

### (e) Infrastructure assets, property, plant and equipment

#### Recognition of non-current physical assets

Infrastructure assets, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and recycled water infrastructure, plant, equipment and motor vehicles, used by Western Water in its operations.

Items with a cost or value in excess of \$1,000 (2013: \$1,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Where assets are constructed by Western Water, the cost at which they are recorded includes an appropriate



share of fixed and variable overheads.

Assets acquired at no cost or for nominal consideration by Western Water are recognised at fair value at the date of acquisition.

### Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

### Measurement of non-current physical assets

All non-current physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103E Non-current Physical Assets.

Revaluations are conducted in accordance with FRD 103E. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value.

If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General of Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Plant, equipment and motor vehicles are measured at Fair Value. For the plant, equipment and vehicles asset class, where the corporation is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exists for these assets, depreciated replacement cost could represent a reasonable approximation of fair value.

Water infrastructure assets are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103E. These assets comprise substructures or underlying systems held to facilitate

harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and recycled water systems.

The initial fair value assessment for water infrastructure occurred as at 30 June 2011 and was undertaken with involvement from the Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructure. Further details of the valuation exercise are provided in note 7.

### Fair value

Consistent with AASB 13 Fair Value Measurement, Western Water determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, biological assets, investment properties and financial instruments and for non-recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Western Water has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

---

**Note 1 (e) Infrastructure, assets, property, plant and equipment cont.**

In addition, the corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is the corporation's independent valuation agency.

Western Water, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

**Revaluation of non-current physical assets**

Revaluation increments are credited directly to equity in the asset revaluation reserve surplus/(deficit), except to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of asset, they are debited to the revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Asset revaluation reserves are not transferred to accumulated surplus/(deficit) on recognition of the relevant asset.

**Impairment of assets**

Intangible assets with indefinite useful lives are tested annually as to whether their carrying values exceed their recoverable amount. All other assets are assessed annually for indicators for impairment except for deferred tax assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying values exceed their recoverable amount.

Where an asset's carrying amount exceeds its recoverable amount, the difference is written off by a charge to the comprehensive operating statement except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading asset revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the comprehensive operating statement, a reversal of that impairment loss is also recognised in the comprehensive operating statement.

**(f) Depreciation and amortisation of non-current physical assets**

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values a separate depreciation rate is determined for each component.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets' residual values and useful lives are reviewed, and adjusted where required, at each balance sheet date.

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However all intangible assets are assessed or tested for impairment annually as outlined in note 1(i).

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

	Useful life
Buildings	50 years
Infrastructure	
Water and recycled water	
- storage	50-100 years
- distribution network	60 years
- treatment plants	10-60 years
Sewerage	
- storage	50-100 years
- distribution network	80 years
- treatment plants	10-60 years
Plant and equipment	
- equipment	5-20 years
- machinery	10-15 years
- furniture and computers	3-10 years
- motor vehicles	2 years
Intangibles	
- software	5 years
- water entitlement	infinite

### Leasehold improvements

Leasehold improvements are recognised at fair value and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 10 year period.

### Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under

operating leases (net of any incentives received from the lessor) are charged to the comprehensive operating statement on a straight line basis over the period of the lease, in periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

### (g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within interest bearing liabilities on the balance sheet, but are included within cash and cash equivalents for cash flow statement presentation purposes.

### (h) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors. Non-current debtors are private schemes, payable on terms of up to 20 years.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impaired receivables is established when there is objective evidence that the corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the allowance are recognised as an expense in the comprehensive operating statement.

Payments received from customers in advance have been separated out from debtors and disclosed as a liability.

### Note 1 (h) Receivables cont.

Commenced in July 2008, Western Water bills both existing customers and non-customers a Waterways & Drainage Charge for all properties that fall within a designated boundary. The charge is not recognised as revenue by Western Water as the funds are only collected on behalf of Melbourne Water and is therefore recognised as a corresponding liability. Western Water only remits funds once the account has been paid.

Fixed and variable service charges for water, sewer, recycled water (excluding Class B&C) and Melbourne waterways charges are levied under the *Water Act 1989* and therefore remain an outstanding charge on the property and collected at a future time when the property is sold.

#### (i) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Subsequently intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to Western Water.

Western Water recognises computer software assets purchased together with installation and enhancements for normal operations as an intangible asset along with any water entitlements paid for consideration.

A summary of the policies applied to the corporation's intangible assets is as follows:

	Computer software	Bulk entitlement
Useful lives	Indefinite	Finite
Amortisation method used	Straight line – 10 years	Not amortised or revalued
Acquired/internally generated	Acquired and internally generated	Acquired
Impairment test/recoverable amount testing	Amortisation method reviewed at each financial year end: reviewed annually for indicators of impairment	Annually and where an indicator of impairment exists

#### (j) Payables

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to Western Water prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

Under construction contracts, there is generally a requirement to withhold retention funds from payments during construction, and a requirement to hold a security deposit, being a percentage of the contract price, for up to 12 months after completion of construction. These funds are recognised as current liabilities (see note 10).

Any Waterways & Drainage Charge that has both been collected in cash from customers and not paid to Melbourne Water as well as amounts that remain outstanding from customers is recognised as a current liability.

#### (k) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the comprehensive operating statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as non-current liabilities only if Western Water has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## **(l) Financial instruments**

### **Recognition**

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability. Subsequent to initial recognition, the financial instruments are measured as set out below.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and other receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

### **(m) Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

#### *(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non monetary benefits annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as 'current liabilities', because Western Water does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- undiscounted value if Western Water expects to wholly settle within 12 months; or
- present value if Western Water does not expect to wholly settle within 12 months

#### *(ii) Long service leave (LSL)*

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where Western Water does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value if Western Water expects to wholly settle within 12 months; and
- present value if Western Water does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non current LSL liability is measured at present value.

#### *(iii) Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

The corporation recognises termination benefits at the earlier of the following dates: (a) when the corporation can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

---

**Note 1 (m) Employee benefits cont.***(iv) Superannuation*

The amount recognised in the comprehensive operating statement is Western Water's contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

*(v) Employee benefit on-costs*

Provisions for on costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

*(vi) Performance payments*

Performance payments for Western Water's executive officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the term of the contracts to balance date.

*(vii) Employee benefits*

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefit tax, leave entitlements, redundancy payments and WorkCover premiums.

**(n) Provisions**

Provisions are recognised when Western Water has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**(o) Contributions by owners**

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

**(p) Environmental contributions**

*The Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities.

The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended to cover the period 1 July 2012 until 30 June 2016.

The purpose of the environmental contribution is set out in the Act, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives.

Western Water has a statutory authority to pay an environmental contribution to the Department of Environment and Primary Industries. This contribution is recognised as an expense during the reporting period as incurred.

**(q) Taxation**

Western Water is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current

period's taxable income based on the national income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### **(r) Commitments**

Commitments for future expenditure include operating commitments arising from contracts. These commitments are disclosed by way of a note (refer to note 17) at their nominal value and inclusive of the goods and services tax (GST) payable.

In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

#### **(s) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to note 18) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

#### **(t) Dividend policy**

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. Western Water's preliminary estimate for the reporting period is \$nil (2013: \$nil).

#### **(u) Goods and services tax**

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are presented on a gross basis - i.e. inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

## Note 1 (v) New accounting standards and interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. As at 30 June 2014, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2014.

Western Water has not and does not intend to adopt these standards early. DTF assesses the impact of all these new standards and advises the corporation of their applicability and early adoption where applicable.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments.	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 Jan 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.  While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 10 Consolidated Financial Statements	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities.  The AASB has issued an Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014	For the public sector, AASB 10 builds on the control guidance that existed in AASB 127 and Interpretation 112 and is not expected to change which entities need to be consolidated.  It is anticipated that there would be no material impact to Western Water. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 11 Joint Arrangements	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014	It is anticipated that there would be no material impact to Western Water. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures.	1 Jan 2014	The new standard is likely to require additional disclosures. However it is anticipated that there would be no material impact to Western Water. Ongoing work is being done to monitor and assess the impact of this standard.



Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014	Current assessment indicates that there is limited impact on Victorian Public Sector entities. It is anticipated that there would be no material impact on Western Water. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014	Current assessment indicates that there is limited impact on Victorian Public Sector entities. It is anticipated that there would be no material impact on Western Water. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 1055 Budgetary Reporting	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 July 2014	This standard is not applicable as no budget disclosure is required.

## Note 2: Financial risk management objectives and policies

Western Water's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Western Water's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Western Water.

Western Water may use derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Western Water uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Business Services department under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The main risks Western Water is exposed to through its financial instruments are as follows:

### (a) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of Western Water's financial instruments. Market risk comprises interest rate risk, foreign exchange risk and other price risk. Western Water's exposure to market risk is primarily through interest rate risk. There is no exposure to foreign exchange risk and insignificant exposure to other price risks.

Objectives, policies and processes used to manage these risks are disclosed below:

#### (i) Interest rate risk

Western Water's exposure to market interest rates relates primarily to Western Water's long term borrowings and funds invested on the money market.

Western Water has approval to enter into forward settling loans ("FSL") to hedge/protect the value of the corporation's assets and liabilities against adverse movements in interest rate in accordance with its treasury management policies. As at 30 June 2014, no FSL arrangements were in place (2013: Nil).

Western Water minimises its exposure to interest rate changes on its long term borrowings by holding a mix of fixed and floating rate debt. Debt is sourced from Treasury Corporation of Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

Western Water has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

#### (ii) Foreign exchange risk

Western Water has no exposure to changes in the foreign exchange rate.

#### (iii) Other price risk

Western Water has no significant exposure to other price risk. The table at right (on page 65) summarises the sensitivity of Western Water's financial assets and financial liabilities to interest rate risk.

The corporation believes that a movement of 1% in interest rates is reasonable over the next 12 months.

### (b) Credit risk

Credit risk is the risk of financial loss to Western Water as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from Western Water's receivables.

Western Water's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. Western Water has in place a policy and procedure for the collection of

30 June 2014		Interest rate risk			
		1%		-1%	
	Carrying amount	Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	9,878	26	26	(26)	(26)
Receivables	9,231	-	-	-	-
Financial liabilities					
Payables	12,783	-	-	-	-
Interest bearing liabilities	174,000	(94)	(94)	94	94
Total increase/(decrease)		(68)	(68)	68	68

30 June 2013		Interest rate risk			
		1%		-1%	
	Carrying amount	Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	12,171	28	28	(28)	(28)
Receivables	8,998	-	-	-	-
Financial liabilities					
Payables	12,520	-	-	-	-
Interest bearing liabilities	169,000	(159)	(159)	159	159
Total increase/(decrease)		(131)	(131)	131	131

overdue receivables. An analysis of the ageing of Western Water's receivables at reporting date has been provided in note 6.

### (c) Liquidity risk

Liquidity Risk is the risk that Western Water will not be able to meet its financial obligations as they fall due. Western Water's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

Western Water manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. During the course of the financial year, Western Water relies on the Treasury Corporation of Victoria's ability to provide borrowings within

the annual Treasurer's approval limits. Treasurer's approvals are usually provided in June prior to the commencement of the subsequent financial year, based on Western Water's Corporate Plan submission however, there is no guarantee approval will be received for the full amount sought.

Western Water's financial liability maturities have been disclosed in notes 11 and 16.

### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Refer to note 1(l) for accounting policy relating to disclosure of fair value measurement hierarchy. Refer to note 16 for information on Western Water's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 2013.

## Note 3: Revenue and expense disclosures

### (a) Revenues

	2013/14 \$000	2012/13 \$000
Service charges		
Water	14,252	13,112
Sewerage	28,160	26,179
Recycled water	1,268	1,173
	43,680	40,464
Water usage charges	20,003	19,181
Total service charges	63,683	59,645
Government grants and contributions		
- Operating	2,044	1,227
Interest		
Investments	115	124
Developers' contributions		
Fees paid by developers	2,758	5,787
Assets received from developers	6,658	13,666
	9,416	19,453
	75,258	80,449

### (b) Net gain/(loss) on disposal of non-current assets

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses.

Net gain/(loss) on disposal		
<i>Property, plant and equipment</i>		
Proceeds from sale of assets	426	416
Less written down value of asset sold	(600)	(489)
	(174)	(73)

### (c) Other revenue

Information statements	327	300
Tapping and connection fees	950	762
Property rental	61	61
Other	668	762
	2,006	1,885
	1,832	1,812
Total revenue	77,090	82,261

**(d) Expenses**

	2013/14 \$000	2012/13 \$000
Borrowing costs	10,729	10,142
<i>Depreciation</i>		
- Buildings	252	228
- Infrastructure, P&E	15,057	14,135
- Motor vehicles	286	251
Total depreciation	15,595	14,614
<i>Amortisation</i>		
- Leasehold improvements	220	204
- Intangible assets	1,495	963
	1,715	1,167
	17,310	15,781
<i>Employee benefits</i>		
- Salary & wages	11,382	11,043
- Long service leave provision	255	197
- Employer's superannuation contributions	1,077	964
- Other	928	1,051
	13,642	13,255
Bad & doubtful debts	306	341
Operating lease rental expense	652	619
<i>Auditors' remuneration</i>		
- Victorian Auditor-General's Office for audit of annual financial statements	47	43
- Internal audit - Moore Stephens	69	76
- Deloitte - taxation reviews/regulatory audit	48	62
	164	181

## Note 4: Income tax expense

The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

### (a) Components of tax expense

	2013/14 \$000	2012/13 \$000
Deferred tax relating to temporary differences	1,387	2,158
Deferred tax asset	(893)	(912)
(Over)/Under provision on prior year tax return	40	10
Other	7	11
	541	1,267

### (b) Reconciliation of income tax to prima facie tax payable

Net result before income tax expense	1,646	4,129
Tax at the Australian tax rate of 30% (2013: 30%)	494	1,239
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
- Adjustment in respect of income tax of previous year	40	10
- Other	7	18
Income tax as reported in the comprehensive operating statement	541	1,267

## Note 5: Cash and cash equivalent assets

	2013/14 \$000	2012/13 \$000
Cash on hand	2	2
Cash at bank	1,692	712
Deposit at call	7,500	10,300
Fixed deposit	684	1,157
	9,878	12,171

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement, as follows:

Cash assets as above	9,878	12,171
Balances as per cash flow statement	9,878	12,171

### (b) Cash at bank and on hand

These are non interest bearing	2	2
--------------------------------	---	---

### (c) Deposits at call

The deposits are bearing floating interest rates between 2.00% and 2.45% (2013: 2.25% and 2.70%.)	7,500	10,300
---	-------	--------

## Note 6: Receivables

	2013/14 \$000	2012/13 \$000
Current		
<i>Contractual</i>		
Trade receivables	9,133	8,894
Provision for impaired receivables	(85)	(87)
Other receivables	-	-
	9,048	8,807
<i>Statutory</i>		
GST receivable	408	346
	9,456	9,153
Non-current		
<i>Contractual</i>		
Other receivables	174	191
Total receivables	9,630	9,344

### (a) Provision for impaired receivables

As at 30 June 2014, current receivables of the corporation with a nominal value of \$85,424 (2013: \$86,856) were impaired. The amount of the provision was \$85,424 (2013: \$86,856). The individually impaired receivables relate to provision of recycled water service and cost recovery and 3rd party damage to Western Water assets.

The ageing of these receivables is as follows:

Over 6 months	85	87
	85	87

Movements in the provision for impaired receivables are as follows:

At 1 July	(87)	(70)
Provision for impairment recognised during the year	(112)	(32)
Receivables written off during the year as uncollectable	114	15
Balance at the end of the year	(85)	(87)

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the comprehensive operating statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.



**(b) Past due but not impaired trade receivables**

As of 30 June 2014, trade receivables of \$4,820,835 (2013: \$4,096,951) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2013/14 \$000	2012/13 \$000
1 to 3 months	2,803	2,427
4 months	3	10
Over 4 months	2,014	1,660
	4,820	4,097

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

**(c) Foreign exchange and interest rate risk for trade and other receivables**

The carrying amounts of the corporation's current and non-current receivables are denominated in the following currencies:

Australian dollars	9,630	9,344
	9,630	9,344

Current receivables	9,456	9,153
Non-current receivables	174	191
	9,630	9,344

A summarised analysis of the sensitivity of receivables to foreign exchange and interest rate risk can be found in note 2.

**(d) Fair value and credit risk**

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value. These are long-term receivables.

	2014		2013	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Private schemes	111	111	125	125
Bond paid	63	63	66	66
	174	174	191	191

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables mentioned above. The corporation does not hold any collateral as security. Refer to note 2 for more information of the risk management policy of the corporation.

## Note 7: Infrastructure, property, plant and equipment

### (a) Classes of infrastructure, property, plant and equipment

	2013/14 \$000	2012/13 \$000
<b>Land</b>		
At fair value	20,909	20,909
	20,909	20,909
<b>Buildings</b>		
At fair value	12,345	11,046
Less: accumulated depreciation	(702)	(451)
	11,643	10,595
<b>Infrastructure</b>		
At fair value	652,007	631,290
Less: accumulated depreciation	(41,351)	(27,569)
	610,656	603,721
<b>Equipment</b>		
At fair value	12,974	12,020
Less: accumulated depreciation	(7,628)	(7,233)
	5,346	4,787
<b>Motor vehicles</b>		
At fair value	2,528	2,522
Less: accumulated depreciation	(746)	(809)
	1,782	1,713
<b>Leasehold Assets</b>		
At fair value	1,886	1,749
Less: accumulated depreciation	(1,087)	(868)
	799	881
Sub-total before (under construction)	651,135	642,606
<b>Under construction</b>		
At cost	18,140	19,228
Total of infrastructure, property, plant & equipment after (under construction)	669,275	661,834

Land was valued at 30 June 2011 by Valuer-General Victoria after analysing GST free land sales in comparable proximity and other relevant factors together with making an allowance for Community Service Obligations for the risk associated with the removal of the public use restrictions of the various sites.

Non infrastructure buildings were valued at 30 June 2011 by Valuer-General Victoria at Fair Value by using depreciated replacement cost method. During the year, the corporation satisfied itself that the fair value of these assets had not moved by more than 10% with reference to relevant indices.

Infrastructure was valued at 30 June 2011 by Valuer-General Victoria at fair value using straight line depreciated replacement cost method after taking into consideration age, remaining useful life and the current replacement costs based on asset class and associated material types.

Equipment and motor vehicles were valued at 30 June 2011 by Valuer-General Victoria at fair value by using depreciated replacement cost method.

Due to the methodology of the infrastructure valuation, some previously disclosed plant and equipment has been reclassified as infrastructure.

No assets of Western Region Water Corporation have been pledged as security.

#### (b) Movements during the reporting period 2013-2014

\$'000	Opening WDV 1 July 2013	Re- classification	Adjustment to revaluation	Under construction movement	Disposals	Additions/ capital expenditure	Depreciation	Closing WDV 30 June 2014
Land								
At fair value	20,909	-	-	-	-	-	-	20,909
Buildings								
At fair value	10,595	-	-	-	-	1,300	(252)	11,643
Infrastructure								
At fair value	603,721	(781)	-	-	(111)	21,782	(13,955)	610,656
Equipment								
At fair value	4,787	530	-	-	(30)	1,161	(1,102)	5,346
Motor vehicles								
At fair value	1,713	-	-	-	(434)	789	(286)	1,782
Leasehold assets								
At fair value	881	-	-	-	-	137	(219)	799
Sub-total before (under construction)	642,606	(251)	-	-	(575)	25,169	(15,814)	651,135
Under construction								
At cost	19,228	(1,158)	-	70	-	-	-	18,140
Total infrastructure, property, plant and equipment	661,834	(1,409)	-	70	(575)	25,169	(15,814)	669,275

At 1 July 2013	
Cost or fair value	698,764
Accumulated depreciation and impairment	(36,930)
Net carrying amount	661,834

At 30 June 2014	
Cost or fair value	720,789
Accumulated depreciation and impairment	(51,514)
Net carrying amount	669,275

### Note 7 (c) Movements during the reporting period 2012-2013

\$'000	Opening WDV 1 July 2012	Re- classification	Adjustment to revaluation	Transfers	Disposals	Additions/ capital expenditure	Depreciation	Closing WDV 30 June 2013
Land								
At fair value	20,909	-	-	-	-	-	-	20,909
Buildings								
At fair value	9,916	-	-	907	-	-	(228)	10,595
Infrastructure								
At cost or fair value	577,656	-	(52)	25,568	(73)	13,666	(13,044)	603,721
Equipment								
At fair value	5,348	-	-	-	(10)	540	(1,091)	4,787
Motor vehicles								
At fair value	1,677	-	-	-	(399)	686	(251)	1,713
Leasehold assets								
At fair value	1,035	-	-	50	-	-	(204)	881
Under construction								
At cost	26,560	-	-	(26,525)	-	19,193	-	19,228
Total infrastructure, property, plant and equipment	643,101	-	(52)	-	(482)	34,085	(14,818)	661,834

At 1 July 2012	
Cost or fair value	666,031
Accumulated depreciation and impairment	(22,930)
Net carrying amount	643,101

At 30 June 2013	
Cost or fair value	698,764
Accumulated depreciation and impairment	(36,930)
Net carrying amount	661,834

**Note 7 (d) Fair value measurement hierarchy for assets as at 30 June 2014**

\$'000	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Specialised land at fair value				
- Water storage land	2,733	-	-	2,733
- Treatment plants land	12,550	-	-	12,550
- Telemetry land	200	-	-	200
- Tank waste water land	2,710	-	-	2,710
- Pump station land	2,659	-	-	2,659
- Other land	57	-	-	57
<b>Total of specialised land at fair value</b>	<b>20,909</b>	<b>-</b>	<b>-</b>	<b>20,909</b>
Specialised buildings at fair value				
- Pump station buildings	36	-	-	36
- Sheds	1,506	-	-	1,506
- Other buildings	10,101	-	-	10,101
<b>Total of specialised buildings at fair value</b>	<b>11,643</b>	<b>-</b>	<b>-</b>	<b>11,643</b>
Specialised infrastructure at fair value				
- Reservoirs	23,695	-	-	23,695
- Water pipework	201,692	-	-	201,692
- Water/storage tanks	21,250	-	-	21,250
- Sewer/Recycled water pipework and rising mains	220,561	-	-	220,561
- Sewerage manholes	20,754	-	-	20,754
- Lagoons	7,259	-	-	7,259
- Pumps	5,906	-	-	5,906
- Sewer treatment tanks	6,619	-	-	6,619
- Other infrastructure	102,920	-	-	102,920
<b>Total of specialised infrastructure at fair value</b>	<b>610,656</b>	<b>-</b>	<b>-</b>	<b>610,656</b>
Specialised equipment at fair value				
- Computer, furniture and fittings	1,413	-	-	1,413
- Compressors	631	-	-	631
- Machinery	682	-	-	682
- Other equipment	2,620	-	-	2,620
<b>Total of specialised equipment at fair value</b>	<b>5,346</b>	<b>-</b>	<b>-</b>	<b>5,346</b>
Non-specialised motor vehicles at fair value				
- 4WD	811	-	-	811
- Passenger	430	-	-	430
- Trucks	299	-	-	299
- Utilities	242	-	-	242
<b>Total of non-specialised motor vehicles at fair value</b>	<b>1,782</b>	<b>-</b>	<b>-</b>	<b>1,782</b>
Specialised leasehold assets at fair value				
- Leasehold improvements	799	-	-	799
<b>Total of specialised leasehold assets at fair value</b>	<b>799</b>	<b>-</b>	<b>-</b>	<b>799</b>
<b>Total infrastructure, property, plant &amp; equipment</b>	<b>651,135</b>	<b>-</b>	<b>-</b>	<b>651,135</b>

## Note 7 (e) Description of significant unobservable inputs to Level 3 valuations

Asset class	Valuation technique	Significant unobservable inputs	Range/average	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	(20%)	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value.
Specialised buildings  - Pump station buildings, sheds and other buildings	Depreciated replacement cost	Base useful life for the revaluation Remaining useful life Cost per unit	75 years 19-50 years 2% to 5% \$988-\$761,349	A significant increase or decrease in direct cost per unit adjustment would result in a significantly higher or lower fair value.  A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Depreciated replacement cost	Cost per unit		A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.  A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
<b>Specialised infrastructure</b>				
- Reservoirs		Base useful life for the revaluation Remaining useful life \$ per m <sup>3</sup>	133 years 89 years 0-10% \$450-\$4,750	
- Water pipework		Base useful life for the revaluation Remaining useful life 50 - 1100 Diameter 65-200mm	40 years 13-27 years 4-8% \$50 - \$1,337 (m) \$662-\$3,959 each	
- Water/storage tanks		Base useful life for the revaluation Remaining useful life Tanks total value per tank range from	60 years 19-34 years 3-5% \$319,018-\$2,350,814	
- Sewer/recycled water pipework and rising mains		Base useful life for the revaluation Remaining useful life 50 - 2100 Diameter	40 years 20 - 40 years 5% \$50 - \$4,620 (m)	
- Sewerage manholes		Base useful life for the revaluation Remaining useful life Cost = \$800 + \$800 x Depth (m) per 2 meter depth	65 years 60-80 years 1.25-1.67% \$400 - \$1,500	

Asset class	Valuation technique	Significant unobservable inputs	Range/average	Sensitivity of fair value measurement to changes in significant unobservable inputs
<b>Specialised infrastructure cont.</b>				
- Lagoons		Base useful life for the revaluation	70-350 years	
		Remaining useful life	15-171 years 1- 7%	
		Value ranges from	\$7,206-\$2,519,821	
- Pumps		Base useful life for the revaluation	20 years	
		Remaining useful life	10-32 years 3-10%	
		Pumps value ranges from	\$27,545-\$1,605,843	
- Sewer treatment tanks		Remaining useful life	21.6 - 60 years 5%	
		Tanks value ranges from	\$300,000-\$2,234,880	
- Other infrastructure		Base useful life for the revaluation	25-120 years	
		Remaining useful life	17-70 years 1-6 %	
		Some major assets value range	\$9,159-\$3,806,749	
<b>Specialised equipment</b>	Depreciated replacement cost			A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
		Remaining useful life	3-20 years 5-33.4%	
<b>Non-specialised motor vehicles</b>	Depreciated replacement cost			A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
		Remaining useful life 40% future salvage value for some vehicles	3-6.7 years 15-33.4%	
<b>Leasehold assets</b>	Depreciated replacement cost			A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
- Leasehold improvements		Over the remaining life of the lease		

---

**Note 7 (e) Description of significant unobservable inputs to Level 3 valuations cont.**

**Specialised land and buildings**

The market approach is used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For Western Water's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of Western Water's specialised land and specialised buildings was performed by the Valuer General Victoria. The valuation for land was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2011.

**Specialised infrastructure**

Specialised infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the infrastructure after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as water pipe works, structural frames and

floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the structure. The estimated cost of reconstruction including structure services and finishes as applicable.

An independent valuation of Western Water's specialised infrastructure was performed by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2011.

**Specialised equipment**

Equipment is held at fair value. When equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2014.

**Motor vehicles**

Vehicles are valued using the depreciated replacement cost method. Western Water acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in Western Water who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

**Leasehold assets**

Leasehold assets are valued using the depreciated replacement cost method.



## Note 8: Intangible assets

\$'000	Computer software	Bulk entitlement	Total
Year ended 30 June 2014			
At 1 July 2013, net of accumulated amortisation	5,936	2,591	8,527
Transfer from PPE (note 7b)	251	-	251
Additions	984	-	984
Disposals	(25)	-	(25)
Amortisation	(1,495)	-	(1,495)
Sub-total (before under construction)	5,651	2,591	8,242
Under construction			
Transfer from PPE (note 7b)	1,158	-	1,158
Reclassification	553	-	553
At 30 June 2014, net of accumulated amortisation	7,362	2,591	9,953
At cost	8,857	2,591	11,448
Less: accumulated depreciation	(1,495)	-	(1,495)
Net carrying amount	7,362	2,591	9,953
Year ended 30 June 2013			
At 1 July 2012, net of accumulated amortisation	3,610	2,617	6,227
Additions acquired	3,289	-	3,289
Other	-	(26)	(26)
Amortisation	(963)	-	(963)
At 30 June 2013, net of accumulated amortisation	5,936	2,591	8,527

## Note 9: Deferred taxes

### (a) Deferred tax assets

The balance comprises temporary differences attributable to:

	2013/14 \$000	2012/13 \$000
<i>Amounts recognised in comprehensive operating statement</i>		
Doubtful debts	26	26
Employee benefits	948	957
Tax losses	5,792	3,459
Other	37	39
<b>Total deferred tax assets</b>	<b>6,803</b>	<b>4,481</b>

<i>Movements</i>		
Opening balance at 1 July	4,481	3,313
Credited/(debited) to the comprehensive operating statement	(8)	(481)
Adjustment to previously recorded balance*	1,429	-
Tax losses	901	1,649
Closing balance at 30 June	6,803	4,481
Deferred tax asset to be recovered after more than 12 months	6,803	4,481

### (b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

<i>Amounts recognised in comprehensive operating statement</i>		
Depreciation	40,578	37,329
Labour costs in capital works	-	337
Accrued revenue	1,127	1,175
	41,705	38,841

<i>Amounts recognised directly in equity</i>		
Revaluation of property, plant & equipment	36,167	36,167
	36,167	36,167
<b>Total deferred tax liabilities</b>	<b>77,872</b>	<b>75,008</b>

<i>Movements</i>		
Opening balance at 1 July	75,008	72,573
Charged to the comprehensive operating statement	1,387	2,435
Adjustment to previously recorded balance*	1,477	-
Closing balance at 30 June	77,872	75,008

Deferred tax liabilities to be recovered after more than 12 months	77,872	75,008
<b>Net deferred tax assets/(liabilities)</b>	<b>(71,069)</b>	<b>(70,527)</b>

\* The net impact is (\$48,000).

## Note 10: Payables

	2013/14 \$000	2012/13 \$000
<i>Current/unsecured</i>		
Trade creditors	5,726	4,218
Payables - GST	9	-
Contractor deposits & retentions	1,162	1,253
Accrued expenses-Interest	2,265	2,223
Accrued expenses-Other	3,621	4,826
<b>Total current payables</b>	<b>12,783</b>	<b>12,520</b>

None of the corporation's payables are exposed to foreign exchange risk. Refer to note 2 for exposure to interest rate sensitivity.

## Note 11: Interest bearing liabilities

	2013/14 \$000	2012/13 \$000
<b>Current</b>		
<i>Secured</i>		
Bank overdraft (a)	-	-
Loans (b)	31,500	18,000
<b>Total current interest bearing liabilities</b>	<b>31,500</b>	<b>18,000</b>
<b>Non-current</b>		
<i>Secured</i>		
Loans (b)	142,500	151,000
<b>Total non-current interest bearing liabilities</b>	<b>142,500</b>	<b>151,000</b>
<b>Total interest bearing liabilities</b>	<b>174,000</b>	<b>169,000</b>
<b>Credit standby arrangements</b>		
<b>Total facilities</b>		
Bank overdraft (a)	500	500
Unused at balance date	500	500
<b>Bank overdraft balance</b>	<b>-</b>	<b>-</b>
<b>Loan facilities (b)</b>		
<b>Total facilities</b>	<b>174,000</b>	<b>169,000</b>
Used at balance date	174,000	169,000
<b>Unused at balance date</b>	<b>-</b>	<b>-</b>

(a) Overdraft limit - \$0.5 million secured by a mortgage over the general revenue of Western Region Water Corporation.

(b) Security for loans is by way of Treasurer's guarantee in favour of the Treasury Corporation of Victoria dated 22nd June 2000. Loan interest is payable every six months and loans have a maturity profile of up to 11 years. (2013: 12 years).

### Note 11: Interest bearing liabilities cont.

All loans are with Treasury Corporation of Victoria under the Treasurer's approval. Any unused facilities are not automatically carried over into the next financial year with a fresh approval required for each financial year. Treasurer's approval was dated on 13 June 2014 to re-finance \$31.5 million of maturing loans and new loans of \$19.0 million between 1 July 2014 and 30 June 2015. (2013: Maturing loans of \$18.0 million and new loans of \$5.0 million).

	2013/14 \$000	2012/13 \$000
Non traded financial liabilities		
Loans-carrying amount	174,000	169,000
Loans-fair value	180,327	181,479

The fair values of non-current interest bearing liabilities are based on cash flows discounted using borrowing rates varying from 0% to 7.25%, depending on the type of the borrowing (2013: 0% to 7.25%).

### Risk exposures

The exposure of the corporation's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

6 months or less	23,000	15,000
6-12 months	8,500	3,000
1-5 years	55,000	50,000
Over 5 years	87,500	101,000
	174,000	169,000
Current borrowings	31,500	18,000
Non current borrowings	142,500	151,000
	174,000	169,000

Treasurer's approval was received on 13 June 2014 to refinance all loans maturing in 2014/15. In line with the 2014/15 Corporate Plan, all maturities will be refinanced. The carrying amounts of the corporation's borrowings are denominated in the following currencies:

Australian dollar	174,000	169,000
-------------------	---------	---------

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 2.

## Note 12: Provision and employee benefits

	2013/14 \$000	2012/13 \$000
Current provisions		
Employee benefits (note 12a)		
Annual leave (note 12a)		
- Unconditional and expected to settle within 12 months	742	764
Long service leave (note 12a)		
- Unconditional and expected to settle within 12 months	1,551	1,549
Provisions for on-costs (note 12a and note 12b)		
- Unconditional and expected to settle within 12 months	376	345
<b>Total current provisions</b>	<b>2,669</b>	<b>2,658</b>
Non-current provisions		
Employee Benefits (note 12a)		
Long service leave (note 12a)		
- Conditional and expected to settle after 12 months	433	463
Provisions for on-costs (note 12a and note 12b)		
- Conditional and expected to settle after 12 months	68	70
<b>Total non-current provisions</b>	<b>501</b>	<b>533</b>
<b>Total provisions</b>	<b>3,170</b>	<b>3,191</b>

### (a) Employee benefits and on costs

Current employee benefits		
Annual leave	742	764
Long service leave	1,551	1,549
	2,293	2,313
Non-current employee benefits		
Long service leave	433	463
<b>Total employee benefits</b>	<b>2,726</b>	<b>2,776</b>
Current on-costs	376	345
Non-current on-costs	68	70
<b>Total on-costs</b>	<b>444</b>	<b>415</b>
<b>Total employee benefits and on-costs</b>	<b>3,170</b>	<b>3,191</b>

**Note 12: Provision and employee benefits cont.**

	2013/14 \$000	2012/13 \$000
Movement in provisions		
<i>Annual leave (including on costs)</i>		
Carrying amount at start of year	874	823
Leave paid out to departing employees	(53)	(61)
Additional provision recognised	54	112
	875	874
<i>Long service leave (including on costs)</i>		
Carrying amount at start of year	2,317	2,382
Leave taken by employees	(311)	(294)
Additional provision recognised	289	229
	2,295	2,317
The number of full time equivalent employees at reporting date	148	153

The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:

Weighted average increase in employee costs	3.60%	4.50%
Weighted average discount rates	3.57%	2.72%
Weighted average settlement period	10 years	10 years

The corporation made no ex-gratia payments.

**Note 13: Contributed capital**

<i>Opening balance at 1 July</i>	160,413	160,413
Capital transactions with the State in its capacity as owner arising from:		
- Capital contributions	-	-
Closing balance at 30 June	160,413	160,413

## Note 14: Reserves

	2013/14 \$000	2012/13 \$000
Composition of reserves		
Asset revaluation-Land	18,587	18,587
Asset revaluation-Buildings	2,606	2,606
Asset revaluation-Infrastructure	79,106	79,106
Total reserves	100,299	100,299
Movements in reserves		
Asset revaluation surplus		
Balance 1 July	100,299	100,299
Balance 30 June	100,299	100,299

The asset revaluation surplus is used to record asset revaluation increments and decrements in the value of non-current physical assets.

## Note 15: Accumulated funds

	2013/14 \$000	2012/13 \$000
Opening balance at 1 July	174,640	171,778
Comprehensive result	1,105	2,862
Closing balance at 30 June	175,745	174,640

## Note 16: Financial instruments

### Interest Rate Risk Exposure

The following table sets out Western Water's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominantly from liabilities bearing variable interest rates as the corporation intends to hold fixed rate liabilities to maturity.

	Non interest bearing	Fixed interest rate	Floating interest rate	Contractual repricing or maturity periods						Total
				1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets										
Cash	2	684	9,192	-	-	-	-	-	-	9,878
Receivables	9,057	-	-	-	-	-	-	-	-	9,057
Other receivables	174	-	-	-	-	-	-	-	-	174
Total financial assets	9,233	684	9,192	-	-	-	-	-	-	19,109
Financial liabilities										
Payables	12,783	-	-	-	-	-	-	-	-	12,783
Interest bearing liabilities	-	174,000	-	31,500	15,000	10,000	16,500	13,500	87,500	174,000
Total financial liabilities	12,783	174,000	-	31,500	15,000	10,000	16,500	13,500	87,500	186,783
<i>Net financial liabilities</i>	(3,551)	(173,316)	9,192	(31,500)	(15,000)	(10,000)	(16,500)	(13,500)	(87,500)	(167,675)
Weighted average interest rate	-	-	2.37%	3.27%	4.94%	4.86%	6.62%	5.19%	5.46%	

	Non interest bearing	Fixed interest rate	Floating interest rate	Contractual repricing or maturity periods						Total
				1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets										
Cash	2	1,157	11,012	-	-	-	-	-	-	12,171
Receivables	8,807	-	-	-	-	-	-	-	-	8,807
Other receivables	191	-	-	-	-	-	-	-	-	191
Total financial assets	9,000	1,157	11,012	-	-	-	-	-	-	21,169
Financial liabilities										
Payables	12,520	-	-	-	-	-	-	-	-	12,520
Interest bearing liabilities	-	169,000	-	18,000	8,500	15,000	10,000	16,500	101,000	169,000
Total financial liabilities	12,520	169,000	-	18,000	8,500	15,000	10,000	16,500	101,000	181,520
<i>Net financial liabilities</i>	(3,520)	(167,843)	11,012	(18,000)	(8,500)	(15,000)	(10,000)	(16,500)	(101,000)	(160,351)
Weighted average interest rate	-	5.42%	2.70%	5.10%	4.92%	4.94%	4.86%	6.62%	5.43%	



## Fair value

The following tables present Western Water's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 2013. It also shows the comparison between the carrying amount of the asset or liability and its fair value.

Please refer to note 1 (l) for accounting policy relating to disclosure of fair value measurement hierarchy.

2014 \$'000	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Financial assets				
Cash	9,878	9,878	-	-
Receivables	9,146	-	9,146	-
<b>Total financial assets</b>	<b>19,024</b>	<b>9,878</b>	<b>9,146</b>	<b>-</b>
Financial liabilities				
Payables	12,986	-	12,986	-
Other loans	174,000	-	180,327	-
<b>Total financial liabilities</b>	<b>186,986</b>	<b>-</b>	<b>193,313</b>	<b>-</b>

2013 \$'000	Carrying amount as at 30 June 2013	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Financial assets				
Cash	12,171	12,171	-	-
Receivables	8,998	-	8,998	-
<b>Total financial assets</b>	<b>21,169</b>	<b>12,171</b>	<b>8,998</b>	<b>-</b>
Financial liabilities				
Payables	12,520	-	12,520	-
Other loans	169,000	-	181,479	-
<b>Total financial liabilities</b>	<b>181,520</b>	<b>-</b>	<b>193,999</b>	<b>-</b>

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form. The fair value of borrowings is based upon market prices, where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Fair value is inclusive of costs which would be incurred on settlement of a liability.

## Note 17: Commitments

The following commitments are inclusive of GST.

	2013/14 \$000	2012/13 \$000
Operating lease commitments		
<i>At 30 June 2014, Western Water had the following operating lease commitments :</i>		
- within one year	480	565
- one to five years	969	1,591
Total operating lease commitments payable	1,449	2,156
Capital commitments		
<i>At 30 June 2014, Western Water had the following capital commitments :</i>		
- within one year	4,867	5,503
- one to five years	705	427
Total capital commitments payable	5,572	5,930
Operating commitments		
<i>At 30 June 2014, Western Water had the following operating commitments :</i>		
- within one year	3,193	2,814
- one to five years	4,435	3,524
- greater than five years	-	-
Total operating commitments payable	7,628	6,338
Environment contribution		
<i>At 30 June 2014, Western Water had outstanding environmental contribution commitments, to be paid is follows :</i>		
- within one year	2,410	2,410
- one to five years	2,410	4,820
Total environment contribution payable	4,820	7,230
Total commitments inclusive of GST	19,469	21,654
Operating lease receivables		
<i>At 30 June 2014, Western Water had the following operating lease commitments, to be received is follows :</i>		
- within one year	175	171
- one to five years	888	525
Total operating lease receivables	1,063	695

Minimum future lease payments receivable includes the aggregate of all lease payments receivable and any guaranteed residual. Operating leases for land are mostly for ten years. Building leases are generally for a twelve month period with an option to cancel with 28 days notice.

Total net commitments inclusive of GST	18,406	20,959
Less GST recoverable from the Australian Taxation Office	1,235	1,248
Total net commitments exclusive of GST	17,171	19,711

## Note 18: Contingent liabilities and contingent assets

	2013/14 \$000	2012/13 \$000
<b>Contingent liabilities</b>		
Western Water has entered into a contract with Honeywell under the Victorian Government's Greener Government Buildings scheme. Contracted expenditure is \$262,000. Western Water has decided not to go ahead with this contract and an amount of \$262,000 has been paid to Honeywell during the financial year 2013/14.		
<b>Total estimated contingent liabilities</b>	-	262
<b>Contingent assets</b>		
Western Water enters into agreements with land developers whereby assets are transferred to Western Water at no cost. These assets are brought to account as revenue and capitalised on completion of the project. At the reporting date, land developers had commenced construction of assets that would eventually be transferred to Western Water contingent upon the release of Statements of Compliance by Western Water. This amount has been calculated as the sum of the estimate of the project costs by their percentage complete at 30 June.		
<b>Total estimated contingent assets</b>	3,092	5,534

## Note 19: Superannuation

Western Water makes employer superannuation contributions in respect of most employees to the Local Authorities Superannuation Fund (the fund). The fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

The obligations for contributions are recognised as an expense in the comprehensive operating statement when they are incurred.

### Accumulation

The fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under superannuation guarantee legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the fund.

### Defined Benefit Plan

The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Western Water and the Western Water's legal or constructive obligation is limited to these contributions.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the fund's assets and liabilities are pooled and are not allocated by employer, the actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under AASB 119, Western Water does not use defined benefit accounting for these defined benefit obligations.

---

**Note 19: Superannuation cont.**

Western Water makes employer contributions to the defined benefit category of the fund at rates determined by the trustee on the advice of the fund's actuary. On the basis of the results of the most recent full actuarial investigation conducted by the fund's actuary as at 31 December 2011, Western Water makes employer contributions to the fund's defined benefit category at rates determined by the fund's trustee. This rate is currently 9.25% of members' salaries (2012/13: 9.25%).

In addition, Western Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI (Vested Benefit Index) multiplied by the benefit. Western Water's liability to the fund as at 30 June 2014, for retrenchment increments and tax is \$82,463 (2012/13: \$nil).

Western Water is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to make member contributions to the fund. As such, assets accumulate in the fund to meet member benefits, as defined in the trust deed, as they accrue.

The Local Authorities Superannuation Fund (Vision Super) latest 31 December 2011 actuarial investigation identified an unfunded liability of \$406 million excluding the contributions tax in the defined benefit fund of which Western Water is a member. Western Water was made aware of the expected short fall through the year and was informed formally of their share of the shortfall on 2nd August 2012 which amounted to \$2,147,821 including contributions tax payable on 1st July 2013. Western Water has not been advised of any further adjustments.

Western Water has accounted for an amount of \$1,998,000 (adjusted for interest and inclusive of contribution tax) for this short fall in the statement of comprehensive income in employee benefits and in the balance sheet in payables in 2011/12 (see note 12). Western Water has settled its share of shortfall by paying \$2,016,667 in 2012/13. With the settlement of \$2,016,667, Western Water has received an early payment discount of \$131,154 and an amount of \$18,667 has been accounted for in the 2012/13 comprehensive operating statement within employee benefits (see note 3c).

The fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the Western Water's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

The amount of the unpaid shortfall at 30 June 2014 is \$nil (2012/13: \$nil).

The fund's liability for accrued benefits was determined by the actuary at 31 December 2011 pursuant to the requirements of Australian Accounting Standard AAS 25 as follows:

	31 Dec 11 \$000
Net market value of assets	4,315,324
Accrued benefits (per accounting standards)	4,642,133
Difference between assets and accrued benefits	(326,809)
Vested benefits	4,838,503

The financial assumptions used to calculate the accrued benefits for the defined benefit category of the fund were:

Net investment return	7.50% p.a.
Salary inflation	4.25% p.a.
Price inflation	2.75% p.a.

The next full actuarial investigation of the fund's liability for accrued benefits will be based on the fund's position as at 30 June 2014. The anticipated completion date of this actuarial investigation is 19 December 2014.

Western Water contributes in respect of its employees to the following superannuation schemes:

	Type of scheme	Contribution rate	2013/14 \$000	2012/13 \$000
Vision Super	Defined Benefit	9.25%	157	153
Vision Super	Defined Benefit	Shortfall	-	2,017
Vision Super	Defined Benefit	Retrenchment Adj	82	-
Vision Super	Defined Contribution	9.00%	-	778
Vision Super	Defined Contribution	9.25%	762	-
Vision Super	Defined Contribution	10.00%	12	-
Vision Super Clearing House	Defined Contribution	9.00%	-	103
Vision Super Clearing House	Defined Contribution	9.25%	188	-
Total contributions to all funds			1,201	3,051

As at the reporting date, there was \$101,372 (2013: \$85,090) payable to Vision Super for payments in the normal course of business and \$76,617 payable to Vision Super in relation to an executive termination.

As at the reporting date, there were no loans to or from Western Water to any of the above funds.

## Note 20: Remuneration of executives and payments to other personnel

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

### (a) Responsible persons

Name	Title	Period of appointment
The Hon.Peter Walsh MP	Minister for Water	1 July 2013 to 30 June 2014
L Cade	Chairman of the Board of Directors	1 July 2013 to 30 June 2014
R Anderson	Deputy Chairman of the Board of Directors	1 July 2013 to 30 June 2014
R Johns	Board Member/Chairman of the Audit and Risk Committee	1 July 2013 to 30 June 2014
T Mollenkopf	Board Member	1 July 2013 to 30 September 2013
J Doolan	Board Member	1 October 2013 to 30 June 2014
A Osborne	Board Member	1 July 2013 to 30 June 2014
R Cooper	Board Member	1 July 2013 to 30 June 2014
M Douglas-Crane	Board Member	1 July 2013 to 30 June 2014
N Brennan	Managing Director	1 July 2013 to 30 June 2014

### Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet.

Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

	2013/14 \$000	2012/13 \$000
Remuneration received, or due and receivable from Western Water in connection with the management of Western Water (includes termination payments and bonuses paid at the end of contracts).	505	589

The number of responsible persons whose remuneration from Western Water was within the specified bands are as follows:

Income band (\$)	2013/14 No.	2012/13 No
0 - 9,999	1	2
10,000 - 19,999	1	4
20,000 - 29,999	5	3
30,000 - 39,999	-	1
50,000 - 59,999	1	-
130,000 - 139,999	-	1
270,000 - 279,999	-	1
320,000 - 329,999	1	-
Total number of responsible persons	9	12

## Retirement benefits of responsible persons

	2013/14 \$000	2012/13 \$000
The retirement benefits paid by the corporation in connection with the retirement of responsible persons for the corporation amounted to:	-	129

## Related party transactions of responsible persons

(i) Western Water transacted business of water purchase from Melbourne Water and development and management of the Waterways Charge throughout the financial year 2012/13 to the value of \$21,427,000.

T Larkins who was the Chairman of Board of Directors of Western Water until 30 September 2012, was also a director of Melbourne Water until August 2012. These transactions were undertaken in the ordinary course of business, are at arms length and carry normal commercial terms.

Transactions with Melbourne Water		
Purchase of water	-	14,072
Remittance of waterways charge on behalf of customers	-	2,879
Receipt of waterways charge administration fee	-	115
Desalination return of funds	-	4,361
Aggregate amounts recognised	-	21,427

(ii) Lucia Cade is Director - Strategy & Development, Water & Infrastructure Services, AECOM. During the financial year 2012/13, AECOM provided the Victorian Water Corporations a report on water infrastructure indexation.

Amounts receivable from and (payable) to responsible persons or their responsible person related parties at 30 June:		
Current - payable	-	(774)

There were no other transactions between Western Water and responsible persons and their related parties during the financial year.

Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet.

## Note 20 (b) Executive officers' remuneration cont.

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

A number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long-service leave and retrenchment payments.

Income band (\$)	Total remuneration		Base remuneration	
	2014 No.	2013 No	2014 No.	2013 No
20,000 - 29,999	1	1	1	1
30,000 - 39,999	1	-	2	-
40,000 - 49,999	1	-	-	-
140,000 - 149,999	-	-	1	-
150,000 - 159,999	1	-	1	-
170,000 - 179,999	-	-	1	2
190,000 - 199,999	-	2	-	1
200,000 - 209,999	-	1	1	-
230,000 - 239,999	1	-	-	1
250,000 - 259,999	-	1	-	-
260,000 - 269,999	1	-	-	-
300,000 - 309,999	1	-	-	-
Total number of executives	7	5	7	5
Total annualised employee equivalents (i)	4.4	4.3	4.4	4.3
Total amount \$'000	1,068	884	775	812

(i) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

## (c) Other personnel

Western Water has not engaged any personnel as contractors during the reporting period that have significant management responsibilities (2013: \$nil).



## Note 21: Reconciliation of net result for the year after related income tax to net cash flows from operating activities

	2013/14 \$000	2012/13 \$000
Net results for the year after income tax	1,105	2,862
Add/(less) non cash flows in net result		
(Profit)/loss on disposal of non-current assets	174	73
Depreciation and amortisation	17,310	15,781
Gifted assets	(6,658)	(13,666)
Fair value adjustment	-	45
Provision for impaired receivables	2	17
Changes in assets and liabilities		
Decrease/(increase) in receivables	(531)	(583)
Decrease/(increase) in prepayments	(72)	(5)
Decrease/(increase) in deferred tax asset	(2,322)	(1,168)
Increase/(decrease) in trade creditors	263	(856)
Increase/(decrease) in income in advance	43	423
Increase/(decrease) in deferred income	-	-
Increase (decrease) in deferred tax liabilities	2,864	2,435
Increase/(decrease) in provisions	(21)	(14)
Net cash (outflow)/inflow from operating activities	12,157	5,344

## Note 22: Dividends

The process to determine the 2014 dividend has not yet been completed at the reporting date.

The Board's preliminary dividend estimate for this period is \$nil (2013: \$nil).

## Note 23: Events occurring after the balance sheet date

On 11 May 2014 the Minister for Water announced the Victorian Government's Fairer Water Bills initiative to deliver more than \$1 billion of savings that will be made across Victoria's urban water sector over the next four years.

As part of this initiative, Western Water's residential water using customers are entitled to a bill reduction of \$100 in their first bill, for each of the next four years, starting from 2014/15. Based on the conditions of the Victorian Government's Fairer Water Bills \$100 bill reduction, Western Water has not met the provision recognition criteria of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, therefore has not recognised a provision as at 30 June 2014. The cost of this initiative to be recognised in the first quarter of 2014/15 is estimated to be \$5.516 million.

Consistent with the Victorian Government's Fairer Water Bills initiative, Melbourne Water has identified efficiency savings that will be provided to Western Water in the form of a rebate in respect of each discrete financial year to which the efficiencies relate.

Based on the conditions of entitlement of the Melbourne Water Fairer Water Bills Rebate for the first quarter 2014/15 Western Water has not met the recognition criteria of AASB 1004 Contributions and therefore is not entitled to recognise a receivable as at 30 June 2014. The value of the rebate that will be recognised in the first four months of 2014/15 is estimated to be \$4.092 million.

## Note 24: Ex-gratia expenses

	2013/14 \$000	2012/13 \$000
Forgiveness or waiver of debt	306	341
Total ex-gratia expenses	306	341

The ex-gratia expenses relate to unpaid water usage charges by vacated residential tenants, waivers due to leak allowances as per industry guidelines and grants given to customers as part of the customer support program. These amounts are deemed to be unrecoverable and in accordance with policy are written off. These expenses have been recognised in the comprehensive operating statement under other operating and administration expenses.

## Statutory certification

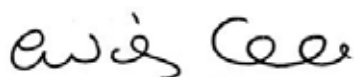
### Accountable officer's and chief finance and accounting officer's declaration

The attached financial report for Western Region Water Corporation have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2014 and financial position of the corporation at 30 June 2014.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 29 August 2014.



Lucia Cade, Chair, Western Region Water Corporation



Neil Brennan, Managing Director, Western Region Water Corporation



Julie Williams, Chief Finance and Accounting Officer, Western Region Water Corporation

29 August 2014

---

# Auditor General's report on the Financial Report

**VAGO**

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Western Region Water Corporation

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of the Western Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

#### *The Board Members' Responsibility for the Financial Report*

The Board Members of the Western Region Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

*Auditing in the Public Interest*

## Independent Auditor's Report (continued)

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Western Region Water Corporation as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Western Region Water Corporation for the year ended 30 June 2014 included both in the Western Region Water Corporation's annual report and on the website. The Board Members of the Western Region Water Corporation are responsible for the integrity of the Western Region Water Corporation's website. I have not been engaged to report on the integrity of the Western Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report 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 report to confirm the information contained in the website version of the financial report.

MELBOURNE  
2 September 2014

  
John Doyle  
Auditor-General

# Appendices

## Appendix 1: Disclosure index

Financial Reporting Directions		Page
FRD 10	Disclosure index	100
FRD 11	Disclosure of ex-gratia payments	84
FRD12A	Disclosure of major contracts	38
FRD 21B	Disclosures of responsible persons, executive officers and other personnel in the Financial Report	92
FRD 22E	Standard disclosures in the report of operations	Operations report
	Manner of establishment and responsible Minister	1
	Objectives, functions, powers and duties	1
	Nature and range of services provided	2
	Organisational structure	9
	Comparative workforce data	15
	Occupational health and safety	13
	Application of the <i>Protected Disclosures Act</i>	40
	Financial summary, objectives and performance	42
	Significant changes in financial position	45
	Post balance date events	45
	Consultancies	38
	Government advertising	38
	Environmental performance	34
	Application of the <i>Freedom of Information Act</i>	39
	Availability of other information	41
Compliance with the <i>Building Act</i>	39	
Compliance with the National Competition Policy	39	
FRD 25B	Victorian Industry Participation Policy disclosures	38
FRD 27C	Performance reporting	33-35
FRD 29	Workforce data disclosures	15
FRD 30A	Annual Report design and print requirements	All
FRD 102	Inventories	n/a
FRD 103D	Non-current physical assets	54
FRD 104	Foreign currency	52
FRD 106	Impairment of assets	55
FRD 107	Investment properties	n/a
FRD 109	Intangible assets	79
FRD 110	Cash flow statements	51
FRD 112D	Defined benefit superannuation obligations	89
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	62
FRD 114A	Financial instruments	86
FRD 119A	Transfers through contributed capital	54

Standing Directions		Page
SD 4.2(b)	Income statement	48
	Balance sheet	49
	Statement of recognised income and expense	48
	Cash flow statement	51
	Notes to the financial statements	52-93
SD 4.2(c)	Compliance with Australian Accounting Standards and other authoritative pronouncements	52
	Accountable Officer's declaration	97
SD 4.2(e,j)	Sign off requirements	97
SD 4.2(f,i)	Compliance with Model Financial Report	97
SD 4.2(g)	General information requirements	48
SD 4.2(h)	Compliance with FRDs	97
SD 4.5.5	Risk management compliance attestation	41

Ministerial Reporting Directions		Page
MRD 01	Performance reporting	33
MRD 02	Water consumption	16
	Drought response	19
	Corporate water consumption	17
MRD 03	Sustainable water use	21
	Sustainable and resilient water services system	23
	Environmental statutory obligations	25
	Greenhouse gas emissions	27
	Community service obligations	32
MRD 04	Bulk entitlement reporting	102
	Transfers, groundwater etc	19
MRD 05	Water efficiency	20
	Major non-residential water users	20

Legislation		Page
<i>Freedom of Information Act 1982</i>		39
<i>Building Act 1983</i>		39
<i>Protected Disclosure Act 2012</i>		40
Victorian Industry Participation Policy 2003		38
<i>Financial Management Act 1994</i>		97

## Appendix 2: Bulk entitlements report

Under bulk entitlement (BE) compliance requirements, Western Water must report the following for 2013/14 on the 10 BEs currently held by Western Water. References to the relevant BE clause are stated in (brackets/lowercase).

Reporting for	Barringo	Lancefield	Macedon	Maribyrnong
Under BE clause	11.1	14.1	14.1	19.1
Water source and storage	Barringo Creek, Pierce Reservoir	Garden Hut Creek (G), Monument Creek (M), Garden Hut Reservoir	Railway Creek, Turitable Creek, Willimigongon Creek and Reservoir (W), Kitty English (K), Frank Mann (F), Andersons (A), McDonalds (MC) and Orde Hill (O) Reservoirs	Slatey Creek, Jacksons Creek, Salty Creek, Gisborne Creek, Rosslynne Reservoir
Annual rainfall (mm)	670	556	1,035	623
Capacity of storage (ML)	41	46	473	25,368
Annual bulk entitlement (ML)	525 in any year, 1,600 over 5 years	315	873 in any year, 3,225 over 5 years	6,100
Western Water's entitlement in storage at the start of the financial year (ML), and % full for the storage	15 37%	8.7 19% (d)	360 76% (d)	18,596 86% (a, iii)
Inflows to storages from this BE water source (ML)	0	1,003	443	1,936
Extra inflows (e.g. diversions into the storages) or local catchment runoff	6.56	0	0	0 - Melbourne H'works BE 255 - Macedon BE
Volume taken from the storage (ML)	0 (e)	102 (e)	240 - Woodend supply (O,MC, A,W) 250 - Rosslynne supply (214 O,MC,A,W & 36 K,F) (e)	2,619 (a, i)
Maximum extraction rate from storage or water source (ML/day)	0 from Barringo Creek (c)	0.67 Garden Hut Reservoir (c)	5 - Macedon storages (c)	23 - Rosslynne Reservoir
Estimated evaporation (ML)	1.7	6.6	-20 See note 1	SRW See note 4 (a, iv)
Other losses e.g. seepage, plant losses (ML)	5.2	Included in passing flows	-4.5 See note 2	992 See note 4
Environmental releases (ML)	N/A	N/A	0	1,126
Volume of environmental and passing flows (ML)	565 (b)	882 (G)& all Monument Creek flows (b)	211	SRW (a,v)
Passing/environmental requirements met	Yes	Yes	See note 3	N/A
Amendments to the bulk entitlement	No (h)	No (i)	No (f)	No (d)
Failure to comply with the BE, or compliance difficulties experienced or anticipated in the future	No	No	See note 3	No
Western Water's entitlement unused or remaining in storage at end of financial year (ML) and % full for the storage	14.6 36%	20 44%	337 71%	16,118 75%



Key to table abbreviations					
WW	Western Water	MW	Aspect managed by Melbourne Water	N/A	Not applicable
ML	Megalitres	SRW	Aspect managed by Southern Rural Water		

	Myrning	Riddells Creek	Romsey	Werribee	Woodend	Melbourne Headworks System
	12.1	11.1	12.1	13.1	14.1	16.1
	Pykes Creek, Pykes Creek Reservoir	Main Creek, Forster and Wright Reservoirs	Bolinda Creek, Kerrie Reservoir	Lerderderg River, Goodmans Creek, Coimadai Creek, Lake Merrimu (M) Djerriwarrh Creek, Djerriwarrh Reservoir (DJ)	Campaspe River, Falls and Smokers Creeks, Barbour and Kavanagh Springs, Straws Lane Bore, Campaspe (CR), Graham Brock (GB) Reservoir, Reservoir C (C)	Various catchments via Melbourne Water's supply system
	N/A	678	623	456	777	N/A
	22,119	76	297	32,516 (M) 1,014 (D)	366	1,812,175
	58	300	460	8,500 (M) 1,486 (DJ)	470	18,250
	58 100%	43 57%	72 24%	16,824 - 82% (M) 817 - 81% (DJ) (a, ii)	275 75% (d)	18,250 100% of BE
	SRW	110	273	2,088 (M) (a,iii) 87.6 (DJ) (a,iv)	2,738 CR (e) 54 local catchment & springs 0 Falls Ck & Bore	N/A
	0	166	330	0 (M) 0 (DJ)	0 - Melbourne Headworks BE 240 - Macedon	N/A
	38.5 (b)	246 (e)	472 (e)	6,414 (M) (a, i) 195.3 (DJ)	200 (CR) (e) 30 (GB, C) (e)	3,316 (a)
	0.3 from Pykes Reservoir	1.7 - Main Creek	4.7 - Bolinda Creek (c)	25.3 from (M) 2.4 from (DJ)	2.16 (CR) 0 Falls & Smokers Crk (c)	37
	SRW See note 4	3.8	15.2	SRW (M) See note 4 95.4 (DJ)	21.6	N/A
	SRW	21.5	58 See note 6	1153 (M) 74 (DJ)	Included in passing flows balance	N/A
	SRW	0	0	424 (M) (a,v) 17 (DJ)	1	N/A
	SRW	235 (a)	504 (b)	SRW (M) 17 (DJ)	2,452 (b)	N/A
	SRW	See note 5	Yes	SRW (M) Yes (DJ)	See note 7	N/A
	No (i)	No (h)	No (i)	No (d)	No (i)	No (e)
	No	See note 5	No	No	See note 7	No
	19.5 34%	48 63%	129 43%	11,197 62% (M) 620 61% (DJ)	194 53%	14,934 82% of BE

## General information for bulk entitlements (BEs)

Barringo	Pierce Reservoir is an emergency off stream storage supplied by Barringo Creek and was not used for supply during the year.
Lancefield	The Lancefield bores & Garden Hut Creek are used together as the sources of water for this town, after being treated at the Lancefield Water Filtration Plant.
Macedon (see table for sources)	Storages are closely monitored to ensure adequate levels are maintained for fire-fighting (i.e. > 60%). This was achieved at all times during the year. The Macedon system allows for storages to be grouped for efficient monitoring of the total volume taken from these groups of storages. These groups are Kitty English and Frank Mann reservoirs (Railway Creek), Andersons and McDonalds reservoirs (Turitable Creek), and Orde Hill and Willimigongon reservoirs (Willimigongon Creek).
Maribyrnong	Greater use of water from Rosslynne Reservoir occurred during the year due to completion of upgrade works at the Rosslynne Water Filtration Plant. Storage levels decreased as a result.
Myrning	Pykes Creek Reservoir remained steady in volume, no changes to security of supply were made during 2013/14.
Riddells Creek	A volume of Maribyrnong BE was transferred to Riddells Creek and, combined with Riddells Creek BE, was transferred to Kerrie Reservoir to supplement supply and security in Romsey.
Romsey	An amount of 187 ML for 2013/14 was able to be added to the drought reserve for this BE. Extra inflows were sent to this BE from Riddells Creek and Maribyrnong BEs. Other losses associated with this BE are high mostly due to an incident with a raw water transfer main (see note 6). A new bore was used during 2013/14 to supplement surface water supplies for Romsey.
Werribee	Djerriwarrh Reservoir can supply an additional volume if needed for Melton and Bacchus Marsh, which are supplied via Merrimu Water Filtration Plant. A small raw water supply is also provided for local properties.
Woodend	0 ML of Melbourne Headworks BE and 240ML of Macedon BE were diverted to supplement the Woodend supply.
Melbourne Headworks	No changes to reliability of supply or system restriction to the total Melbourne Headworks BE volume was required. Western Water applied the same restrictions as Melbourne to all customers in towns receiving any Melbourne Headworks BE water, as required under clause 8.1(a) of the BE. The total taken shown in the table can be split into 463 ML taken via the Hillside interface point to Melton and Bacchus Marsh, and 2,853 ML taken via the Loemans Rd interface point to Sunbury and the Macedon Ranges region.

There were no bulk entitlements transfers to any of Western Water's BEs during 2013/14.

Western Water has worked with DEPI, SRW and Melbourne Water in the operation of its Bulk Entitlements during the year, and has largely complied with the provisions and requirements they contain, except as noted below.

Transition from extreme drought to average rainfall and then to hot, dry conditions has presented different challenges in water resource management and planning. Any reference to SRW in the above table indicates that this item is managed by SRW and the information can be sourced from the SRW Annual Report.

Western Water submitted a metering plan to DEPI, approved by the Minister. Implementation of this plan commenced in 2011/12 with improvements made to monitoring and measuring stations in conjunction with the Bureau of Meteorology program. These upgrades have improved both accuracy and coverage of bulk entitlement data, enhancing compliance.

Western Water has previously submitted an Environmental Management Program associated with its bulk entitlements. However, DEPI have indicated that guidelines will be provided giving further advice on this program.

## Notes for bulk entitlements report

Note	Comment
1	This value is measured including the amount of rain in the area. The negative value indicates there was more rain than evaporation.
2	The negative value indicates an unknown inflow e.g. unmeasured local catchment, spring or rainfall.
3	Passing flow requirements on Willimigongon Creek require manual operation, and a shortfall totalling 46 ML was failed to be released as instantaneous passing flows. This was compensated by ensuring average passing flows over the year exceeded the shortfall (i.e. 63 ML available to be harvested under this BE was passed downstream through the BE passing flow monitoring point). To improve the manual process, an extra flow meter will be installed at Orde Hill offtake.
4	SRW provides net inflows which include adjustments for Merrimu, Rosslynne and Pykes Creek reservoirs. The estimated evaporation for Merrimu and Rosslynne reservoirs is included in 'Other losses' and is part of the SRW volume correction water balance.
5	<p>Passing flow requirements on Main Creek require manual operation, and a shortfall totalling 17 ML was failed to be released as instantaneous passing flows. This was compensated by ensuring average passing flows over the year exceeded the shortfall (i.e. 69 ML available to be harvested under this BE was passed downstream through the BE passing flow monitoring point).</p> <p>Main Creek diversion station will be investigated to determine if telemetry can be used to monitor the diversion. If telemetry is a viable option, it will not eliminate the manual process but it will provide greater monitoring capability to allow for daily changes in creek flow.</p> <p>Historically (including in 2013/14), a greater passing flow than what is required by the BE has been allowed to pass over the financial year in recognition of this non-compliance. If telemetry is not viable, we will continue to allow the greater total annual passing flow.</p>
6	An unauthorised opening of a scour valve on a raw water transfer main caused significant losses to the Romsey system. Actions have been taken to secure the scour valve to prevent losses in the transfer main in future.
7	Western Water installed new infrastructure to conduct environmental releases from Campaspe Reservoir in 2013/14. Due to a fault in the flow meter, the volume of releases could not be accurately determined. Releases have been held back until the meter fault has been resolved. The flow meter manufacturer is currently determining the fault with the meter and the situation is expected to be resolved by October 2014. Passing flow analysis indicates that a total of 40.26 ML was required to be released in 2013/14. A total of 2,452 ML passed while the reservoir was spilling.

# Annual Report index

	Page
Advertising	38
Audit and Risk Committee	12
Biodiversity	25
Biosolids	29
Board	10
Board committees	12
<i>Building Act</i>	39
Bulk entitlements	19
Bulk entitlements report	102
Business at a glance	6
Capital works	7
Collaboration	4
Community service obligations	32
Complaints	31
Corporate governance	9
Customer Advisory Group	12
Customer service	30
Disclosure index	100
Drought response	16
Energy consumption	27
Environmental impacts	40
Environmental obligations	25
Environmental sustainability	21
Eynesbury	24
Financial hardship	32
Financial Report	42
Financial summary	42
Freedom of information	39
Grants	8
Greenhouse gas emissions	27
Highlights	6
Human resources	13
Information available on request	41
Intelligent Water Network	24
Investment Review Committee	12
Major contracts	38
Manner of establishment	1

	Page
Mission	2
National Competition Policy	39
Optimisation	2
Organisational structure	9
People and Culture Committee	12
Performance Report	33
Protected disclosures	40
Recycled water	22
Recycled water usage	17
Reservoir levels	16
Responsible Minister	1
Risk management	41
River health	25
Service area	3
Service charges	31
Service delivery	30
Showerheads	23
Stormwater	27, 21
Strategic theme	2
Sunbury	23
Sustainable gardening	23
Sustainable water use	21
Toolern	21
Values	2
Victorian Industry Participation Policy	38
Vision	2
Water consumption	16
Water efficiency	20
Water losses	18
Water quality	18
Water services	23
WaterTight	23
Waterways	25
Whole-of-water cycle	4, 21
Workforce	15
Workplace incidents	14
Year in review	4



Contact us at  
Address **36 Macedon Street, Sunbury**  
Hours **8.15am to 5pm**  
Website **[www.westernwater.com.au](http://www.westernwater.com.au)**  
Email **[mail@westernwater.com.au](mailto:mail@westernwater.com.au)**  
Telephone **1300 650 425**  
Mobile telephones and interstate callers **03 9218 5400**  
Facsimile **03 9218 5444**

Mailing address **Western Water, PO Box 2371, Sunbury DC, Victoria 3429**

© State Government of Victoria, Western Region Water Corporation (Western Water) 2014 This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the *Copyright Act 1968*.

ISSN 1835-5927 (print)

ISSN 1835-5935 (online)