



WESTERN  
WATER

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# Annual Report 2015/16



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# Introduction

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## 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.

The responsible Minister for the reporting period, 1 July 2015 to 30 June 2016, was:

- 1 July 2015 to 22 May 2016 – the Hon Lisa Neville MP, Minister for Environment, Climate Change and Water
- 23 May 2016 to 30 June 2016 – the Hon Lisa Neville MP, Minister for Water.

Western Water is responsible to the current Minister for Water via the Department of Environment, Land, Water and Planning (DELWP).

The Department of Treasury and Finance (DTF) also has a shareholder governance role. The Department of Health and Human Services (DHHS) 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 section 93 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
- ensure that lack of full scientific certainty is not used as a reason for postponing measures to address threats of serious or irreversible environmental damage.

In addition, under section 94 of the *Water Act 1989*, Western Water – in carrying out its duties – must act as efficiently as possible, consistent with commercial practice. The corporation must also 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 2015/16 year.

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## Strategic intent

Engaging with our community on the provision of water services to enable regional economic growth and resilience in a climate-changing environment.

## Strategic themes

Western Water has identified four strategic themes:

1. **Customers:** delivering value for customers
2. **Liveability:** contributing to a highly liveable, viable region
3. **Environment:** caring for the environment, people and places
4. **Innovation:** developing sustainable services

## Values

At Western Water, our values are:

- People
- Integrity
- Respect
- Teamwork
- Excellence

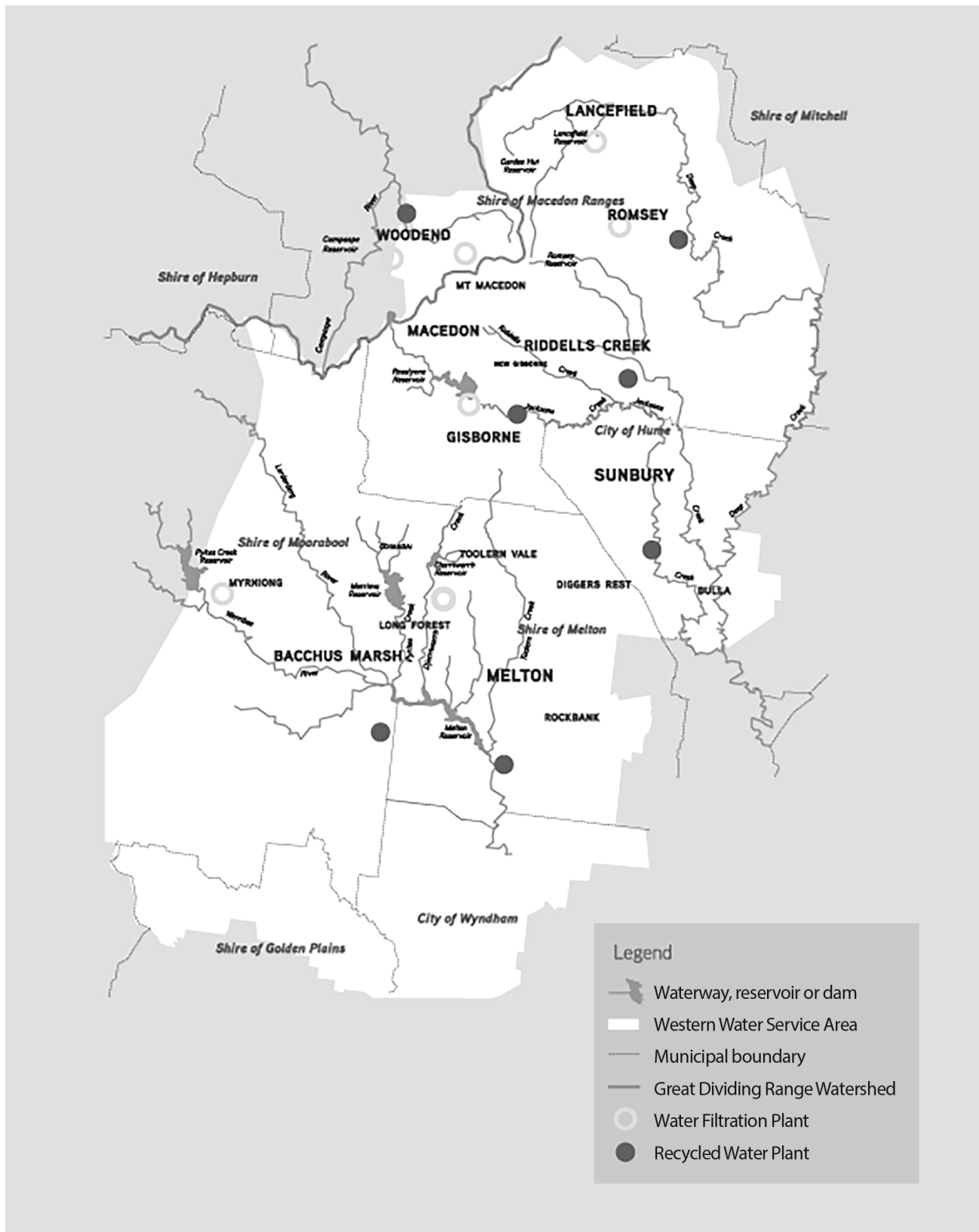
## Nature and range of services provided

In 2015/16, Western Water provided water, sewerage and recycled water services to 63,229 properties across a region of 3,000 square kilometres to the north-west of Melbourne.

Serviced properties grew by 3.2% this year – particularly within the new residential estates in and around Melton and Sunbury. Average property growth rates of 4.1% per annum are expected over the next ten years.

Population growth has slowed in recent years, growing by 1.2% this year to reach 163,400. However, the strong growth in property numbers indicates a return to higher population growth rates for the region.

# Service area map



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# Year in review

## Highlights

- Safely delivered 14,357 million litres of drinking water to a population of 163,400
- Supplied 5,404 million litres of recycled water for reuse by 1,613 customers
- Invested \$35.5 million in capital works, including \$7.4 million on a range of water and sewer system works for the new residential developments in Rockbank
- Awarded the design, build and operate contract for Sunbury Recycled Water Plant's upgrade to Downer, who commenced operating the plant in April 2016
- Finalist at the Australian Water Association's 2016 Water Industry Safety Excellence Awards

## Financial summary

- Net pre-tax profit of \$18.5 million was delivered for the year. This strong financial result reflects increased revenue from connection growth in the region and growth in demand for water, along with a continued focus by the business on managing controllable costs.
- Developer revenue increased by \$13.3 million to \$25.1 million reflecting strong residential development activity in the region.

- Low rainfall during the year resulted in minimal inflows to local storages and increased customer demand. Supply was maintained to all customers through optimising the local sources, and increased use of the connection to the Melbourne Headworks system. Water purchases from the Melbourne Headworks system increased operational costs during the year.
- Debt level of \$181 million remained constant over the year with operational cash flows and cash investments funding the \$35.5 million of capital expenditure.

Table 1: Financial summary (\$m) – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
Revenue	77,226	82,261	77,090	81,735	101,916
Expenses	72,041	78,132	75,444	70,058	83,378
Net profit before tax	5,185	4,129	1,646	11,677	18,538

## 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.

## Foreword from the Chair and Managing Director

Since Western Water was established 21 years ago, the combined impact of climate change and growth has presented significant challenges for the services we provide and for how we go about providing them.

In this period, as our service population has more than doubled, increasing dry conditions have meant the limited local water sources are not always able to meet demand.

We are proud of how the business has addressed these challenges with sustainable solutions. We provide water, sewer and recycled water services to more than 163,400 people. They – and future generations – now have a secure supply through interconnection with external sources. For the second time in a decade, all major towns in Western Water's region are being supplied with water from Melbourne.

Western Water's 2015/16 Annual Report describes how our corporate objectives have been met and exceeded in the past year, and provides detail on how we will continue to do so in future in which strong growth in customer numbers is expected. At the same time, we also anticipate dramatic climate events – more severe dry periods, more extreme downpours.

We will meet these ongoing challenges head on, working with all stakeholders – particularly state and local government, developers and the community – to address the demand created by the unprecedented growth in Melbourne's western corridor.

Our core strategy is to make optimal use of our local water, capital systems, processes and people to balance the needs of our customers and stakeholders. At the same time we must contain prices for our customers, delivering value for money services, while remaining financially and environmentally sustainable.

We will ensure our actions are aligned with the objectives set out in Water for Victoria and we will continue to seek innovative and collaborative ways to invest in and deliver efficient, timely infrastructure across the service region.

We would like to take this opportunity to thank the Board, Executive and staff at Western Water for their support and effort during the reporting period. We look forward to meeting the challenges of the future, working with our stakeholders and community to contribute to a prosperous, sustainable and liveable 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 2016. It is compliant with all statutory reporting requirements.



Terry Larkins  
Chair

Neil Brennan,  
Managing Director

17 August 2016

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## Business at a glance

Table 2: Business at a glance – FY15 vs FY16

Properties	2014/15	2015/16
Serviced assessments (including vacant land)	61,190	63,229
Serviced assessments (vacant land)	2,713	3,071
<b>Water supply</b>		
Connected water customers	58,477	60,158
• Residential	55,418	57,062
• Non-residential	3,059	3,096
Water consumption (ML)	13,101	14,357
• Residential consumption (ML)	9,836	11,022
• Non-residential consumption (ML)	1,795	2,032
• Non-revenue water (ML)	1,470	1,303
Water mains (km)	1,924	1,960
Water filtration plants	7	7
Chlorination plants	14	14
<b>Sewer service</b>		
Serviced sewer customers	54,997	56,987
Connected sewer customers	52,564	54,197
Sewage treated (ML)	9,030	9,142
Sewer mains (km)	1,231	1,257
<b>Recycled water supply</b>		
Recycled water customers	1,390	1,613
• Residential uses (Class A)	1,285	1,510
• Non-residential uses (Classes A, B or C)	105	103
Recycled water produced (ML)	7,500	10,848
Percentage reused	74%	83%
Recycled water mains – Classes A, B and C (km)	167	185
Recycled water plants	7	7



## Capital projects

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

During 2015/16, \$35.5 million was invested in capital works across the region. The major capital works project this financial year was commencing the upgrade of the Sunbury Recycled Water Plant, which is being undertaken by Downer under a design, build and operate contract. Downer took over operation of the plant in April 2016.

Major capital works during 2015/16 included:

- \$3.8 million on Sunbury Recycled Water Plant upgrade
- \$3.4 million on Rockbank sewer pump station
- \$2.4 million on Rockbank North sewer
- \$2.3 million on sewer main rehabilitation work across the region
- \$1.6 million on Leakes Road water main for Rockbank, and
- \$1.2 million on new water main for Bacchus Marsh Avenue of Honour.

Over the coming decade, as the service population increases rapidly, forecasts indicate significant capital works investment for the Western Water service area of close to \$80 million per year.

Major capital investment planned for 2016/17 will include:

- \$22.1 million on Sunbury Recycled Water Plant upgrade
- \$4.4 million on Melton Recycled Water Plant upgrade
- \$4.0 million on Rockbank sewer rising main
- \$3.0 million on Leakes Road water main for Rockbank, and
- \$2.7 million on Rockbank sewer pump station.

Table 3: Capital works investment (\$m) – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
Capital works investment	27.9	22.5	19.9	19.5	35.5

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## Governance and organisational structure

### Organisational structure and corporate governance arrangements

Western Water's executive management team is comprised of 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:

- Customer and Community Relations
- Strategy and Planning
- Capital Program Delivery
- Business Services, 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 Authority. Neil has been employed in the Victorian water industry for 33 years and has had various Ministerial appointments to industry committees.

Neil 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's Intelligent Water Networks Executive. Neil's academic achievements include a Graduate Diploma in Management, a Masters in Business Leadership, and completion of the Oxford Advanced Management Programme.

### Board, committee membership and roles

#### Board of Directors

A Board of Directors, supported and advised by the Executive, is appointed by the Minister to set Western Water's strategic direction and policies.

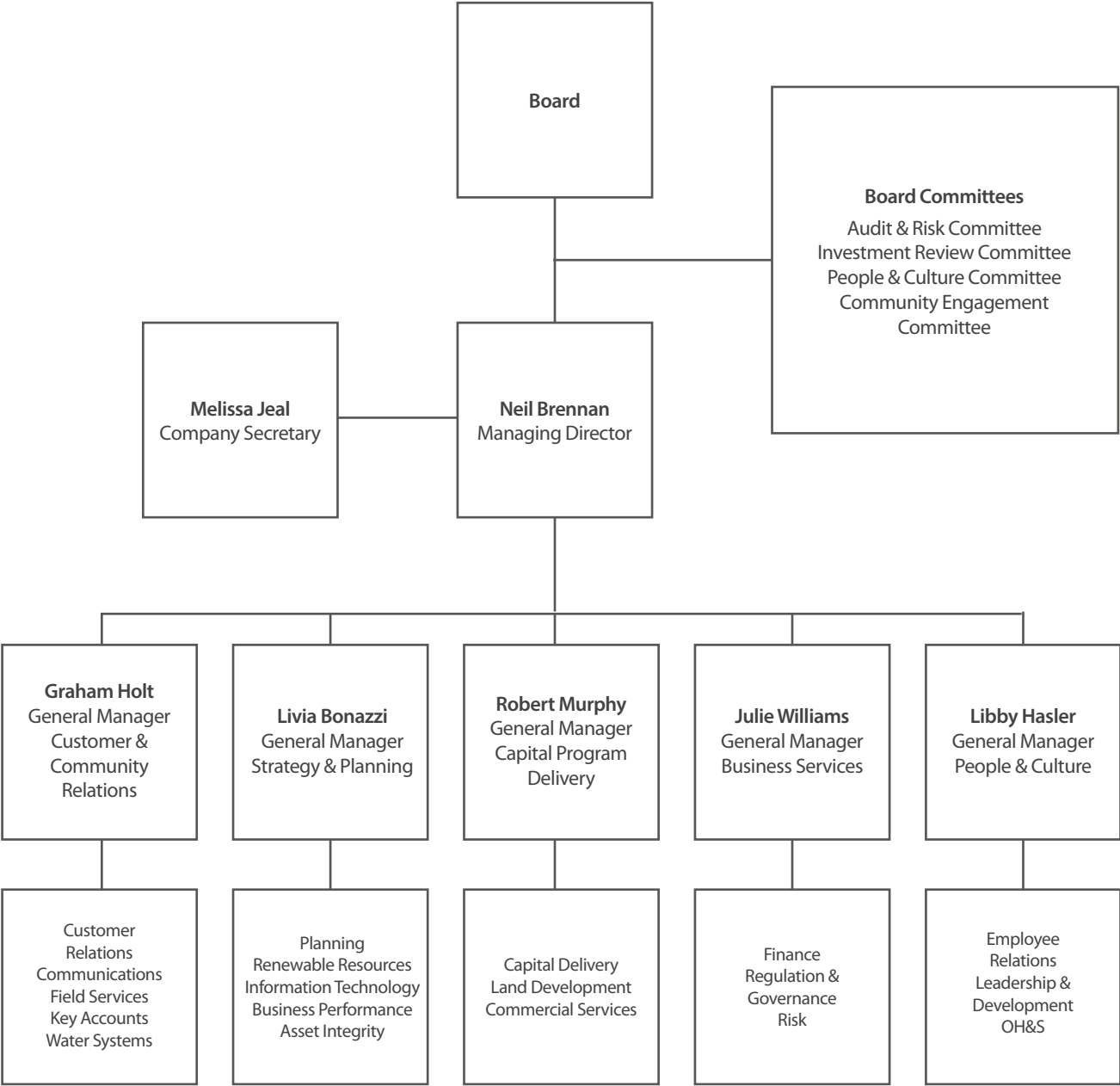
Board Directors are appointed with an appropriate mix of skills, experience and expertise, and a range of backgrounds, to meet our objectives.

In September 2015, Western Water farewelled five Board Directors:

- Lucia Cade (Chair, October 2012–September 2015)
- Russell Cooper (October 2012–September 2015)
- Andrew Osborne (October 2011–September 2015)
- Miranda Douglas-Crane (October 2012–September 2015), and
- Ross Johns (October 2011–September 2015).

We acknowledge their contribution to Western Water and its customers.

Chart 1: Organisational chart as at 30 June 2016



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## Board of Directors (continued)

The current Directors of the Western Water Board are:



**Terry Larkins DipBus, PSM, JP, Chair – October 2015**

Terry has extensive experience as a CEO in the local government and health sectors, including the Macedon Ranges. His experience also extends to the water sector where he was a past Chair of Western Water, and a Board member of Melbourne Water and the Victorian Water Industry Association (including Chair for two years).

Terry is currently a Board member of Dousta Galla Aged Services, Victorian Local Government Association (currently Vice Chair), and Northern Melbourne Regional Development Australia. Locally, he is on the Board of Macedon Ranges Further Education Centre and the Mount Macedon Memorial Cross Reserve. He has a long standing involvement in the local community.



**Joanne Anderson BBus (Bus Admin) FAICD, Deputy Chair – October 2015**

Joanne is a past Director at North East Water from 2006–2013, serving firstly as Deputy Chair then Chair during that period. She is also a past Board member of the Victorian Water Industry Association, the Victorian Catchment Management Council and the Melbourne Market Authority.

Joanne has extensive experience in local government having held roles as Administrator at both Brimbank City Council and the Benalla Rural City, Member of the Victoria Grants Commission, and CEO at the Rural City of Wangaratta. Her farming background includes livestock, fruit growing (domestic and export), Landcare and the CFA.



**Russell Anderson BComm, ACA, GIA (Cert), MAICD – October 2007**

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

Russell 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, and is currently a director of public sector and not-for-profit bodies in the sustainability sector.



**Professor Jane Doolan, BSc (Hons), PhD, MAICD – October 2013**

Jane is currently a Professorial Fellow in Natural Resource Governance at the University of Canberra, and the Chair of the Murray-Darling Freshwater Research Centre. 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. She was also a Commissioner with the National Water Commission until its recent closure and was a Director with eWater Ltd.



**Llewellyn Prain LLB (Hons), BA (Hons), GAICD – October 2015**

Llewellyn has worked as a commercial litigation lawyer and in senior roles at a number of government agencies. Through her firm, PrainWriting, she has helped develop public policy in a range of areas, including health, public transport and equal opportunity. She is currently a Director of the Royal Victorian Eye and Ear Hospital and the Public Transport Ombudsman of Victoria. She was an inaugural Director of cohealth, one of the largest community health organisations in Australia, and is a past Chairperson of the Western Region Health Centre.



**Michael McGarvie LLB, BA,  
GAICD – October 2015**

Michael is currently Victorian Legal Services Commissioner and

Chief Executive Officer of the Legal Services Board, the regulator of the Victorian legal profession. During his private sector legal career he was a solicitor, then partner at the law firm, Holding Redlich for 23 years.

Michael was then appointed the Chief Executive Officer of the Supreme Court of Victoria from 2006–2009. Michael is also a Graduate in Strategic Management of Regulatory and Enforcement Agencies from the John Kennedy School of Government, Harvard, and a graduate of the Australian Institute of Company Directors.



**Russell Walker DipBus (Acc),  
GradDip (Govt Acc), FCPA,  
MAICD – October 2015**

Russell has extensive experience

in both the not-for-profit and public sectors. He was Assistant Auditor-General of Victoria (a position he held for 20 years), a Commissioner on the Victorian Commission of Audit, and has undertaken a number of consultancies, including for the Victorian Parliament's Public Accounts and Estimates Committee.

Russell is currently Board Member and Audit and Risk Committee Chair of Macedon Ranges Health. Russell has also been a past President of Guide Dogs Victoria, Board Member of the Royal Guide Dogs of Australia, Board Member of Coliban Region Water Corporation from 2010 to 2015, serving as Deputy Chair of the Board and Audit and Risk Committee Chair, and Chair of a Western Bulldogs Football Club major fundraising group. Russell is an active member in the local community and is currently Vice President of the Gisborne and District Lions Club.



**Rosa McQuilten DipT,  
BEd – December 2016**

Rosa is a mathematics and literacy consultant with a long and

distinguished career in education. With family, she established and developed a central Victorian vineyard which produced high quality red wines. Rosa has extensive experience in small business management, workplace risk management, community aged care including resident advocacy.

Rosa has a Diploma of Teaching and a Bachelor of Education.

## Board committees

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

- Audit and Risk
- People and Culture
- Investment Review, and
- Community Engagement.

Each Board committee is chaired by a Board Director and operates under approved terms of reference. Committee members are chosen for their skills, experience and other relevant qualities. Board committees are entitled to resources and information required to fulfil their responsibilities. This includes access to Western Water staff and the Managing Director, members of the Executive and other staff, who attend committee meetings as required. All 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 circulated to Board Directors.

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## **Audit and Risk Committee**

The Audit and Risk Committee assists the Board in fulfilling its responsibilities by reviewing all matters related 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 current members of the Audit and Risk Committee – all of whom are independent – are:

- Russell Walker (Chair)
- Joanne Anderson
- Russell Anderson, and
- Terry Larkins.

The Audit and Risk Committee met seven times during the year.

## **People and Culture Committee**

The People and Culture Committee review remuneration and performance arrangements of executives and terms of employment for all employees.

The members of the People and Culture Committee are:

- Terry Larkins (Chair)
- Jane Doolan
- Llewellyn Prain, and
- Russell Walker.

The People and Culture Committee met four times during the year.

## **Investment Review Committee**

The Investment Review Committee provides strategic input into Western Water's Capital Works Plan and monitors implementation of the plan in accordance with timeframes and budgets.

The current members of the Investment Review Committee are:

- Russell Anderson (Chair)
- Joanne Anderson
- Terry Larkins
- Jane Doolan, and
- Russell Walker.

The Investment Review Committee met twice during the year.

## **Community Engagement Committee**

The Community Engagement Committee supports the Board with effective, open and transparent processes under which Western Water will engage customers and the community in its planning processes to ensure the services it provides reflect the needs and expectations of customers and the community.

The current members of the Community Engagement Committee are:

- Joanne Anderson (Chair)
- Terry Larkins
- Llewellyn Prain, and
- Rosa McQuilten.

The Community Engagement Committee met three times during the year.

## Board and committee meeting attendance

The Board has eleven scheduled meetings each year, with additional meetings convened as required.

Table 4: Board meeting and committee meeting attendance

Board Director	Board	Audit and Risk Committee	People and Culture Committee	Community Engagement Committee	Investment Review Committee
Terry Larkins (Chair from Oct 2015)	8/8	6/6	3/3	3/3	1/1
Lucia Cade (Chair to Sept 2015)	3/3	1/1	1/1	-	1/1
Joanne Anderson (Deputy Chair from Oct 2015)	8/8	5/6	-	3/3	1/1
Russell Anderson (Deputy Chair to Sept 2015)	11/11	7/7	1/1	-	1/1
Russell Cooper (to Sept 2015)	3/3	-	1/1	-	1/1
Jane Doolan	10/11	-	4/4	-	1/1
Miranda Douglas-Crane (to Sept 2015)	3/3	-/1	-	-	1/1
Andrew Osborne (to Sept 2015)	3/3	1/1	-	-	1/1
Ross Johns (to Sept 2015)	3/3	1/1	-	-	1/1
Llewellyn Prain (from Oct 2015)	8/8	-	2/3	3/3	-
Michael McGarvie (from Oct 2015)	8/8	-	-	1/2	-
Russell Walker (from Oct 2015)	7/8	6/6	2/3	-	1/1
Rosa McQuilten (from Dec 2016)	5/5	-	-	1/1	-
Neil Brennan (Managing Director)	11/11	7/7*	4/4*	3/3*	2/2*

\* The Managing Director attended but is not a member of the Committee.

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## Human resource management

### Workforce

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 of People, Integrity, Respect, Teamwork and Excellence – combined with our 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. These include our People & Culture Policy, Recruitment and Selection Procedure, Occupational Health and Safety Policy, and Equal Opportunity, Anti-Discrimination, Harassment and Bullying Policy. Western Water has been very successful at achieving gender balance in the workforce.

### 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 2015/16, the training budget represented 2.25% of payroll.

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

### Comparative workforce data

Western Water aims to attract, engage, develop, and retain talented and committed people. At 30 June 2016, 151 (full time equivalent) 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.

Not taking vacancies into account, the total employee base decreased by one from the prior year. Of total employees, 44% are female.

Table 5: Workforce composition by function – 2 years

	2014/15		2015/16	
	Male	Female	Male	Female
Board Directors	4	3	4	4
Managing Director/ General Managers	3	3	3	3
Managers	8	8	11	7
Operational, administration and field staff	77	63	76	60
<b>Total</b>	<b>92</b>	<b>77</b>	<b>94</b>	<b>74</b>
Full time equivalent employees	88	64	90	61

### Executive officer disclosures

At 30 June 2016, Western Water's executive officers comprised of:

- Managing Director
- 8 Board Directors
- 5 General Managers, and
- 3 Senior Managers.

The number of executive officers remained the same as the prior year. There were no positions vacant at 30 June 2016. Remuneration received, or due and receivable from Western Water in connection with the management of Western Water, by executive officers totalled \$2,167,000. Full executive officer disclosures including retirement benefits, other related party transactions, and payments to other personnel can be found in Note 21 of the financial statements.



## Occupational health and safety

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, policies and procedures, and onsite toolbox meetings.

Consultation is a significant feature of Western Water's commitment to Occupational Health and Safety (OH&S) with monthly OH&S committee meetings, and pre-start toolbox meetings playing a key role in improving the safety of the work environment.

To support this, Western Water's OH&S Policy, committee member details and meeting minutes are displayed on worksite noticeboards, the intranet and/or via monthly team meetings.

Western Water's OH&S training program is aligned with its strategy and has a strong emphasis on prevention and early intervention.

Positive OH&S outcomes during 2015/16 include:

- Western Water reviewed and changed its AS 4801 accreditation provider after five years' service with its previous auditor. A full accreditation safety audit was conducted and Western Water received zero non-conformances. This was reassuring considering fresh eyes were reviewing our performance.
- procurement of an individually designed and built hydro excavation truck has reduced the organisation's manual handling injury reports. Manual handling injuries are 80% of reported incidents. A second truck was delivered in June 2016, further reducing manual handling injuries and meeting our current operational requirements.
- Western Water was a finalist at the Australian Water Association's 2016 Water Industry Safety Excellence Awards for its entry on reducing manual handling injuries through the development and procurement of the hydro excavation truck.

In the coming year, Western Water will work to:

- review and embed the newly formulated WSAA Risk Standards
- implement a contractor management data information package and improved lone worker technology
- embed and constantly improve Western Water's health and wellbeing program to meet the needs of our diverse workforce, and
- participate in the new national WSAA OH&S statistical benchmarking program.

### Workplace OH&S reporting

In total there were 18 reported incidents in 2015/16, well below the average over the past 5 years of 22. Of the 18 reported incidents:

- 5 were lost time injuries
- 5 were minor injuries requiring first aid or medical treatment, and
- 8 were near misses.

Table 6: Workplace incidents – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
Workplace incidents	19	29	15	30	18

There were 65 hazard alerts received during the reporting period, representing a significant increase in preceding years. This improvement is due to a broader reporting base and more proactive reporting systems.

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## WorkCover claims

Standard WorkCover claims decreased this year, while the number of minor claims increased. With 8 claims in total, this year's result is below the average of 10 over the past 5 years.

Table 7: WorkCover claims – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
New standard* claims	2	6	5	5	2
New minor claims	4	13	5	2	6
<b>Total</b>	<b>6</b>	<b>19</b>	<b>10</b>	<b>7</b>	<b>8</b>

\* 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.

Of the two standard claims, one was due to manual exertion and the other to a long term joint injury.

Programs addressing these and other risks include:

- one-on-one training on lifting technique reviewed through filming and focusing on lift avoidance and assessment
- design and procurement programs focused on manual exertion assessment and reduction, and
- improved focus and reporting of hazards and near misses allowing for proactive improvements and targeted alignment of programs.

## WorkCover lost days

WorkCover lost days significantly increased in 2015/16 compared to the prior year. Despite this, the result remains below the five year average of 89.

Of the 81 days lost, the majority were due to an injury that occurred outside the reporting period and required 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 8: WorkCover lost days – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
Lost time injuries	2	2	2	3	5
Lost time injury days	78	135	118	33	81

## WorkCover premiums

WorkCover premiums decreased significantly in 2015/16. The premiums are calculated from the application of industry rates and claims made between 1 January 2013 and 30 June 2015, thereby reflecting the claim history within that period.

Claims reported after 30 June 2015 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 9: WorkCover premiums (\$) – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
Premiums	173,178	228,984*	199,509*	172,395*	88,652**

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

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

# Operations report

## Water consumption and drought response

### Reservoir levels

Typically most of Western Water's service region is supplied by two major local reservoirs – Rosslynne and Merrimu. These local water sources are used for drinking water supply whenever possible.

Across 2015/16, 60% of all drinking water supplied was sourced from local reservoirs – compared to 98% the year before – with the balance supplied from the Melbourne system.

Over the year, low rainfalls resulted in the capacity in Rosslynne and Merrimu and local reservoirs dropping from a combined total of 33% to 12%. Consequently, Western Water's

connection to the Melbourne Headworks system has again proven critical to ensuring the region has a reliable water supply.

### Total drinking water consumption

During 2015/16, Western Water supplied 14,357 million litres of drinking water to the service region. This is the highest level of water consumption recorded for the region in more than a decade. The increase in consumption of 9% compared to last year is well above the rate of population growth.

Similarly, residential consumption increased to 185 litres per person per day – a significant rise from 166 the previous year. The higher per capita usage is attributed to the very dry summer and increased outdoor water usage. This is illustrated by the monthly consumption results in Table 12.

Table 10: Major reservoir levels (% capacity) – 10 years

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rosslynne Reservoir	4%	3%	3%	5%	66%	72%	85%	76%	44%	15%
Merrimu Reservoir	13%	13%	10%	9%	85%	78%	76%	63%	29%	10%

Table 11: Regional water consumption (ML) and population – 10 years

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Consumption (ML)	11,601	10,730	10,719	10,592	10,251	11,260	12,830	12,648	13,101	14,357
Population	131,312	134,810	139,730	144,948	150,664	155,431	158,290	159,813	161,447	163,401

Table 12: Average daily household drinking water consumption (ML)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Daily consumption (ave)	25	23	25	32	31	41	39	38	33	29	24	25
Monthly consumption	761	709	736	981	922	1,271	1,194	1,053	1,029	883	743	739

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Chart 2: Water consumption (ML) – 10 years

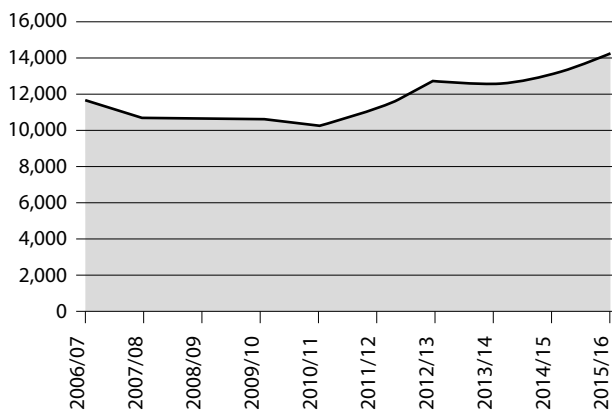
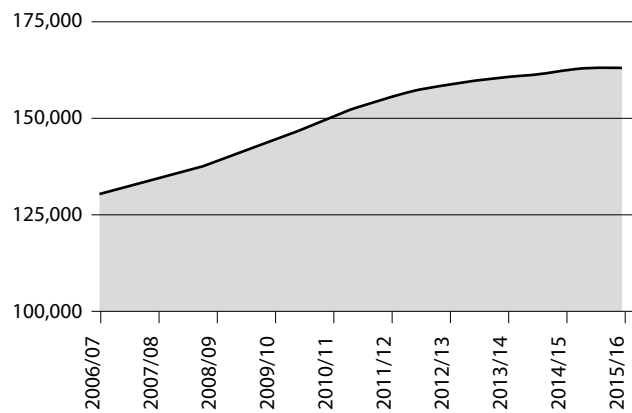


Chart 3: Service area population – 10 years



## Consumption by district

Western Water monitors water consumption at the 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. This approach led to the early identification of a leak under a creek during the reporting period which was losing more than 500 kilolitres per day.

Consumption of recycled water is also monitored and included in Table 13. In addition, Western Water is piloting a stormwater harvesting project in Toolern, a new suburb of Melton. The project aims to harvest an average of 150 million litres of stormwater each year, with most of this water transferred to Melton Reservoir for use by Southern Rural Water's Werribee Irrigation District customers. Stormwater consumption has not commenced in the region.

Table 13: Water consumption (ML) by district

	Bacchus Marsh	Sunbury/Macedon Ranges	Melton/Eynesbury	Romsey/Lancefield	Total
Residential water customers	7,947	23,806	22,862	2,447	57,062
Residential water consumption (ML)	1,520	4,565	4,453	484	11,022
Residential per capita consumption (litres/person/day)	184	184	187	190	185
Non-residential water customers	488	1,515	926	167	3,096
Non-residential water consumption (ML)	280	841	821	89	2,032
Annual real water losses (ML)	112	336	328	36	811
Non-revenue water (ML)	180	540	527	57	1,303
Total annual consumption (ML)	1,980	5,946	5,800	631	14,357
Average annual consumption (7 years)* (ML)	1,892	5,253	5,107	542	12,794
Recycled water consumption (ML)	446	1,056	3,712	190	5,404

\* average calculated for the seven financial years to 30 June 2016

## Non-revenue water and real water losses

Non-revenue water – including real water losses – is calculated and reported each 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 2015/16 – is shown in Table 2: Business at a glance.

Addressing water losses is a key component of Western Water's efficiency approach to reduce costs and guarantee future supply. Total estimated non-revenue water for the supply system was 9.1% of water consumption, a reduction from 11.2% recorded in the prior year. Real losses (i.e. bursts and leaks from the supply system) are estimated at 5.6% of total consumption, as shown in Table 14, also a reduction from the prior year's results of 7.8%.

Table 15 shows annual values for non-revenue water and real losses over the past five years as a proportion of drinking water consumption. The variations over the five years are associated with demand, climate impacts, particularly hot dry climate, and leakage reduction efforts including asset replacement and new infrastructure.

Table 14: Real water losses calculation (ML)

	2014/15	2015/16
Operational use by Western Water (metered & unmetered)	129	119
Firefighting use (estimated)	80	92
Unauthorised consumption & meter errors (estimated)	246	281
Annual real losses	1,015	811
Total non-revenue water	1,470	1,303

Table 15: Non-revenue water and real water losses (% of total consumption) – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16	5 year performance average
Non-revenue water	10.5%	12.9%	9.0%	11.2%	9.1%	10.5%
Real water losses	8.0%	8.4%	5.5%	7.8%	5.6%	7.1%

Table 16: Office based water consumption (kL) – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
Water consumption (kL)	374	395	428	488	529
Full time equivalent (FTE) staff	106	108	105	100	104
Water consumption (kL) per year per FTE staff	3.5	3.7	4.1	4.9	5.1

## 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 site including depots, treatment plants or sewer infrastructure.

In 2015/16, corporate water consumption increased to 529,000 litres, with usage per FTE staff member 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. Increased usage per person may not be reflective of actual behavior as it can be impacted by higher usage by other tenants, as well as greater numbers of visitors, contractors and consultants who are not included in the FTE figure.

Western Water conserves drinking water supplies by using recycled water where available to wash fleet vehicles, for garden watering, cleaning and other maintenance tasks at recycled water plants.

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## Bulk entitlements, transfers, groundwater and water shares

Western Water has ten bulk entitlements that 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 bulk entitlements to the region's two major reservoirs: Merrimu Reservoir, near Bacchus Marsh, and Rosslynne Reservoir, near Gisborne. Both reservoirs are owned and operated by Southern Rural Water. Entitlements also exist for a number of smaller local reservoirs.

Western Water also has an entitlement to access water from the Melbourne Headworks system. This entitlement became critical during the Millennium Drought and, at the end of this reporting period, is once again supplying all major towns in the Western Water service area.

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

To supplement surface water supplies, Western Water has access to groundwater from bores in Lancefield and Romsey. Groundwater is supplied in compliance with Take and Use Licences issued to Western Water. Groundwater supplies are closely monitored via a network of monitoring bores which allow Western Water to determine any impacts on the greater aquifer.

## 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, Romsey and Woodend, these were

supplemented by groundwater and surface water transfers from other local, connected systems.

## Water quality

Consistent with previous years, all Western Water's 19 water quality zones complied with all microbiological requirements for drinking water quality.

In February 2016, Western Water passed an external hazards and critical control points (HACCP) audit for drinking water quality and, in June 2016, passed the Department of Health and Human Services drinking water quality audit.

Western Water drew more than half of its water from local sources during 2015/16, with only 40% drawn from the Melbourne Headworks system. When system changes occur, Western Water ensures customer needs are addressed through communications and increased quality monitoring. Nonetheless, there was a spike in customer water quality complaints this year due to changes in taste noticed when Melbourne water supplies were replaced with local supplies.

Tank integrity improvements were made during the reporting period, and additional water quality improvement projects for the distribution network are planned for 2016/17.

## Water efficiency

### Major non-residential water users

Non-residential customers make up 5.1% of Western Water's customer base and account for 14.2% of water consumption. There are no customers in the service region that would be categorised as major water users under the Department's definition (i.e. exceeding 200 million litres of drinking water consumption per year).

Western Water's two largest non-residential water customers are ABMT Textiles and Saizeriya Australia who respectively consumed 74 and 93 million litres of drinking water in the past year. Western Water works closely with all large non-residential water users to optimise their water consumption, as illustrated in Table 17, and 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 working towards cleaner production strategies as well as other general improvements. Western Water is working with ABMT to progress the implementation of modified trade waste treatment processes. In association with Victoria University and Western Water, ABMT are committed to implementing an innovative treatment process to capture the salt and water for reuse within the process. Technical challenges are slowing the project but the three partners remain committed to finding solutions.
Saizeriya Australia, Melton	Saizeriya is 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 are considering involvement in a potential waste to energy program.

## Other water efficiency actions

Key activities addressing water efficiency with major customers during 2015/16 include:

- a nodal monitoring program, aimed at establishing key water and sewer real-time monitoring locations across all towns serviced, continues to be rolled out. These monitoring sites and their outputs align with the work of the Intelligent Water Networks 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, and
- ongoing development of the market for recycled water. Currently Western Water supplies 103 properties with recycled water for non-residential uses. Locally sourced recycled water will provide a resilient water supply, supporting commerce and industry across the region.

In the coming year, Western Water will focus on greater collaboration with stakeholders to prioritise integrated water management initiatives and deliver innovative solutions to industry, commercial businesses and agriculture.

## Environmental sustainability

### Sustainable water use

Western Water's Integrated Water Management (IWM) Strategy outlines our approach to water planning and management, safeguarding water resources for the future. The strategy provides a platform to collaborate with regional partners and implement integrated water management opportunities that contribute value to the community.

The IWM Strategy aims to deliver a range of outcomes, including:

- optimising local water supplies
- maximising the beneficial reuse of recycled water
- protecting waterway health
- enhancing liveability
- maintaining economic prosperity
- ensuring maximum drinking water is sourced locally
- reduction of 50% in drinking water consumption in new growth areas through alternative supply, and
- 100% beneficial reuse of recycled water.

Significant sustainable water achievements during 2015/16 include:

- installation of a new disc filtration system at the Melton Recycled Water Plant farm, creating up to 300 million litres of recycled water storage
- installation of a 30 million litre pivot irrigation system in Riddells Creek, and
- completion of the investigation into the use of recycled water for environmental flows.

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

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## Recycled water

In 2015/16, Western Water's seven recycled water plants received 9,142 million litres of sewage and produced 10,848 million litres of recycled water, 83% of which was re-used. The amount of recycled water produced is higher than the sewage inflow due to the volume of recycled water used within the treatment process at Gisborne and Sunbury.

In total, 8,956 million litres were recycled, of which 5,404 million litres of recycled water was used by customers outside of the recycled water treatment process. This has resulted in the saving of an estimated 4,929 million litres of drinking water through substitution with recycled water for non-potable purposes. Overall, customer use of recycled water is equal to more than 37% of total drinking water consumption (excluding water losses).

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 1,500 customers now have recycled water supplied to their homes in Eynesbury and Toolern.

Western Water also has 103 non-residential recycled water customers (Classes A, B and C). These customers include industrial, recreational, agricultural, local government and construction businesses.

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

	2011/12	2012/13	2013/14	2014/15	2015/16
Recycled water (ML)	7,544	7,494	7,628	7,500	10,848
Recycled water used (ML)	4,225	5,021	5,042	5,569	8,956*
Recycled water used (%)	56%	67%	66%	74%	83%*

\* includes 3,442 million litres of recycled water used within Western Water's internal treatment processes.

In addition to integrated water management highlights mentioned previously, further highlights for Western Water's recycled water program during 2015/16 include:

- continuing Class A recycled water for clothes washing machines, with all new houses in areas supplied with Class A recycled water having a recycled water tap installed in their laundry
- completing the construction phase for the Toolern stormwater harvesting pilot
- collaborating with stakeholders to progress development of integrated water management plans (IWMP) for Melton, Sunbury, and Bacchus Marsh, including participating in the Bacchus Marsh Growth Reference Group
- commencing development of the Woodend IWMP
- commencing sewer mining in Gisborne
- investigations into an alternative water grid across the region to support agricultural growth and jobs
- exploring opportunities for regional stormwater harvesting across Western Water's service region, particularly Sunbury and Melton
- investigating the potential of managed aquifer recharge and recovery options in Melton, Bacchus Marsh and Lancefield to optimise storages required for balancing supply with demand
- connecting Western Water's biggest recycled water customer to date. Outer Eynesbury will use 1.2 gigalitres of Class C recycled water per year for large scale crop irrigation, and
- connecting a Bacchus Marsh poultry business to recycled water where an onsite treatment plant will further treat the Class C recycled water supplied to Class A standard so it is fit for purpose.



## 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 integrated water management philosophy, and encouraging all to make the most of local resources as much as possible. We have undertaken the following activities in 2015/16 to build sustainable, resilient water services systems.

### Working with customers and community

Western Water has a comprehensive customer and community engagement framework that includes a well-established online customer panel, project based community consultation groups and regular speaker circuits at formal and informal meetings or social media outlets. This framework provides a structure for building an understanding about our business, guiding interactions with customers, enhancing input to decision-making and capturing feedback from customers and the community.

### Community Engagement Reference Group

During the year Western Water established a Community Engagement Reference Group whose membership comprises of Board Directors and members representative of our customer and community base. The Group provides a direct link between the Board and our community, and assists Western Water to effectively engage and strengthen relationships with our community about matters of strategic and operational importance.

### Online engagement

Western Water now has access to over 20,000 customers via online groups including our online panel members and social media followers. These channels are critical for informing and engaging customers about decision-making and will be highly valuable as we prepare our Urban Water Strategy and Price Submission.

## Education and community relations

Close to 8,000 preschool and primary students took part in presentations by trained educators as part of Western Water's education program in the reporting period, receiving information about water conservation, water for health and the water cycle. Our longstanding, successful engagement with schools has resulted in more than half of the 60 schools in our service region taking part in the Schools Water Efficiency Program. This is one of the highest levels of involvement across the state.

### Choose Tap

Western Water is promoting the Choose Tap message in our service region – at community events, in cafes, businesses, local government, sporting clubs and through drinking water fountains in parks and shopping strips. Encouraging the community to drink tap water will reduce the use of bottled water and landfill.

### Sustainable water

Western Water is contributing to the development of a new T155 campaign with Government and other water corporations, as announced by the Minister for Water. The campaign will encourage all customers to reduce their water consumption to 155 litres per person per day.

Western Water is also taking sustainable water messages focusing on drinking tap water to community events through its purpose designed H2O Café marquee and provides drinking water bottles and portable drinking water units to a range of community events throughout the year.

### Sustainable gardening

One of the main drivers of extra water use by customers in the past year has been outdoor watering over the hot, dry summer. For this reason, Western Water continues to issue its seasonal gardening electronic newsletter to almost 2,000 subscribers with local advice on sustainable gardening practices.

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## Grants

Each year, Western Water's grants program supports a large number of schools, community and environment groups across the region to help spread the message about sustainability and wise water use. In 2015/16, a total of \$21,000 in financial grants were awarded to 14 community organisations.

Five grants were provided for community garden projects and a further seven grants were given to local primary schools and

preschools for their gardens, including two grants to provide water tanks.

Two environment grants were provided for preservation and enhancement works at local waterways or wetlands.

The grants were established to support the development of more liveable communities across our service region and are named after our education mascots, Sammy the Snake and Frances the Frog.

**Table 19a: Sammy's school garden grants**

Recipient	Project description	Amount \$
Arnolds Creek Primary School	Vegetable garden supplies and tools	1,000
Exford Primary School, Melton	Plants for school walkways gardens	1,000
St Ambrose Parish School, Woodend	Sustainable garden tools, supplies, worm farm	1,000
St Brigids Primary School, Gisborne	Drip irrigation system for vegetable gardens	1,000
Young Street Preschool, Bacchus Marsh	Vertical garden materials and plants	1,000
A Step Ahead Learning Centre, Sunbury	Rainwater tank for garden	1,000
Goonawarra Primary School, Sunbury	Rainwater tank for garden	1,000
<b>Total school garden grants</b>		<b>7,000</b>

**Table 19b: Sammy's community garden grants**

Recipient	Project description	Amount \$
Djerriwarrh Health Services, Bacchus Marsh	Community garden for Grant Lodge aged care facility	2,000
Macedon Ranges Health, Gisborne	Sensory Garden for Gisborne Oaks aged care facility	2,000
Melton Botanic Garden	Plants for National Tree Day project with Scouts	2,000
New Gisborne Community Garden	Stage 2: expansion of raised beds	2,000
Sunbury Community Garden	Upgrade watering system, build wicking beds and install signage	2,000
<b>Total community garden grants</b>		<b>10,000</b>

**Table 19c: Frances' environment project grants**

Recipient	Project description	Amount \$
Friends of Blind Creek, Sunbury	Plants for waterway education day with Killara Primary	2,000
Gisborne Vintage Machinery Society	Preservation works for New Gisborne wetlands	2,000
<b>Total environmental grants</b>		<b>4,000</b>

## Working with industry and local government

### Intelligent Water Networks

Western Water continues to play a lead role in the water industry's Intelligent Water Networks (IWN) program to encourage trials, shared services and joint procurement and ensure opportunities are more efficient and leveraged whenever possible. Trials of a range of leak detection solutions including pipe rover, P-Cat and satellite data have improved our understanding of technology and the potential to improve efficiencies for the whole industry.

### Town-based integrated water management plans

The Bacchus Marsh Integrated Water Management Plan has been completed in collaboration with stakeholders in the region including other water corporations, state government (DELWP) and councils as well as current and prospective irrigation customers. This plan outlines a number of significant demands for recycled water in the Bacchus Marsh region and has identified a supply from the recycled water plants at Bacchus Marsh and Melton that could be used to increase agricultural potential around the area. Further work on developing the demands will continue.

The Sunbury Integrated Water Management Analysis (IWMA) involves multiple stakeholders and aims to inform the future planning, design and construction of the development areas and the water infrastructure which supports it. This study considers proposed development across the Sunbury region, which is anticipated to deliver more than 20,000 new homes. The analysis reviews integrated water management opportunities arising from development that could deliver greater community outcomes when compared to traditional servicing options.

Likewise, the Melton IWMA is a multiple stakeholder project that is investigating the best way to service the growing Melton community. The analysis aims to identify and optimise opportunities that use all available water resources to deliver community and stakeholder benefits through improved liveability, waterway health and wellbeing. More detailed assessments are being undertaken through ecological risk assessment led by Melbourne Water to assess the benefit of alternative water for environmental flows. Further demand to manage Melton's recycled water has been assessed through the Bacchus Marsh IWMA.

### Council partnerships

Western Water regularly updates and actively partners with councils to deliver alternative water to support liveable communities, and they are intrinsically involved in integrated water management planning. As a result, the region's local councils are among the largest users of recycled water in the service area and most major recreation reserves in the region are now supplied with recycled water.

Western Water also works closely with councils on capital works projects, collaborating with Macedon Ranges Shire Council in the past year on the New Gisborne Sports Fields which will contribute an additional two football fields and other recreational areas to New Gisborne, as well as working with the Metropolitan Planning Authority to provide the Bacchus Marsh Growth Framework.

Construction of a stormwater harvesting wetland in the new development of Toolern has been completed. The wetland will reduce the environmental impact of the new development by reducing the potential for large flows and increasing water quality before it enters the creek. The wetland will also become a beautiful visual amenity for the development. Future plans will consider treating and reusing captured stormwater for residential properties.

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## 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 2015/16:

- established a partnership with Port Philip Catchment Management Authority to implement a tree planting project on Western Water property at Melton Recycled Water Plant under the Grow West 1 Million Trees program
- assisted Pinkerton Landcare and Environment Group to obtain a grant under Threatened Species Protection Initiatives for Diamond Firetails, and
- obtained approval under the Biodiversity Conservation Strategy for the removal of native vegetation for the construction of Rockbank Toolern Sewer Project.

### Victorian Biodiversity Strategy

The Victorian Biodiversity Strategy requires Western Water to undertake weed and pest control programs at its landholdings. During the reporting period, Western Water worked with an adjoining neighbor to control willows along Jacksons Creek. This joint approach has cemented a strong neighbourhood relationship and is expected to provide a long term biodiversity benefit along Jacksons Creek.

The rehabilitation of land previously used for controlled disposal of biosolids continued at the Melton Recycled Water Plant property. The work on the Pinkerton Link habitat corridor included direct seeding of native grass with seeds collected from previously seeded areas.

### 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 outlines specific management issues required for waterways for various stakeholders including water corporations.

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 an adverse impact on river health. Western Water also owns assets along waterways.

Western Water is helping ensure waterway health through:

- developing preventative action plans to minimise discharges to waterways from the recycled water plants at Melton and Riddells Creek
- working with Melbourne Water, local government and other stakeholders to ensure adequate water resources are available for maintaining flows in rivers and streams through the development of an Integrated Water Management Strategy. Improving environmental flows – particularly in Jacksons Creek – has been identified as one of the priorities in Melbourne Water’s Healthy Waterways Strategy
- working with Melbourne Water (over the past seven 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. Streamside vegetation improvement is one of the visions in Melbourne Water’s Healthy Waterways Strategy for improving habitat for various native fauna
- commencing work along Garden Hut Creek – which feeds Garden Hut Reservoir – to improve water quality. The Garden Creek was degraded due to previous stock grazing activity. Western Water, with assistance from Melbourne Water, is working towards the eradication of weeds and encouraging natural germination. This action is consistent with priorities identified for improving vegetation for Garden Hut Creek in Melbourne Water’s Healthy Waterways Strategy.

Western Water is also committed to minimising any impact on the environment and risks to the aquatic ecosystem from our activities. To support this, the following actions were undertaken in 2015/16:

- planting over 1500 trees along Jacksons Creek, Deep Creek, Werribee River and Pinkerton Link, 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, some climatic conditions may result in storages and irrigation areas being unable to contain all flows. When required, a controlled release can minimise environmental impact.

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During 2015/16, Western Water achieved compliance with all the limits specified in its EPA licence except for pH at the recycled water plants at Gisborne and Woodend. The pH exceedance at Woodend was suspected to be due to algal blooms which can occur during summer. Whilst Western Water attempted to correct pH with acid dosing, the large quantity of water in the storages meant that the pH correction was not adequate. Measures have been implemented to achieve compliance in future.

The recycled water plants at Riddells Creek and Melton do not have enough land for beneficial reuse of recycled water. During the reporting period, it was necessary to discharge excess water to Jacksons Creek and Werribee River respectively. Such discharges were reported to EPA and subsequently EPA issued a Pollution Abatement Notice and a warning letter to prevent further unlicensed discharges to surface waters from Riddells Creek RWP and Melton RWP respectively. Western Water has developed and submitted comprehensive Preventative Action Plans to EPA.

Western Water also obtained a licence amendment from EPA to include a mixing zone in Jacksons Creek to acknowledge a minor change in water quality due to the discharge from Gisborne Recycled Water Plant. Such an amendment allows Western Water to comply with the State Environment Protection Policy (Waters of Victoria).

During the reporting period, Western Water undertook a comprehensive soil assessment at its recycled water plants to determine the risk of using recycled water for irrigation. The assessment indicated that there is no risk of contamination from heavy metals. However, there are indications of elevated nutrients and sodium in the soil and Western Water will undertake remedial work to progressively reduce the nutrients in the soil.

## Stormwater

Working with Melbourne Water, the stormwater harvesting trial 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 upgraded in 2012 in conjunction with the Bureau of Meteorology funding program, to improve the accuracy and completeness of data captured. Western Water continues to improve the monitoring network with three new metering sites completed and upgrades to three existing sites. Details of passing flows and environmental releases can be viewed in Western Water's Bulk Entitlements Report, contained in Appendix 2.

## Biosolids

Biosolids are the solid, organic by-product of sewage treatment. They can be reused safely as nutrients, soil conditioners and for compost. In 2015/16, Western Water produced 1,785 tonnes of biosolids of which 1,280 dry tonnes were beneficially used.

## 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. This year Western Water decided not to retire offsets to reach its aspirational goal of maintaining an annual 50% reduction of net greenhouse gas emissions, based on 2004/05 levels. As a result, net greenhouse gas emissions for 2015/16 are 5% higher than last year at 31,900 tonnes CO<sub>2</sub>e.

## Energy consumption

Energy consumption for water treatment and supply was 27,696,138 megajoules. This equates to an energy intensity of 1,929 megajoules per megalitre (MJ/ML) of water produced. Energy consumption for sewage treatment and management was 35,048,830 megajoules. This equates to an energy intensity of 3,231 MJ/ML of recycled water produced.

### 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 2015/16, emissions associated with water treatment and supply increased by 10%. This was primarily due to a 15% increase in electricity consumption related to increased pumping of water from Melbourne. Two fifths of the region's water supply was sourced from Melbourne during the reporting period.

Emissions from the treatment and management of sewage rose by 2%. This was due to a 3.5% increase in electricity consumption and a 6% increase in fugitive emissions. Fugitive emissions rose as a result of population growth, but also due to a 16% rise in the volatile solids concentration in the solids captured in the initial stages of the treatment process (primary sludge).

Transportation emissions increased by 16% from the previous year and were primarily due to a 10% increase in the volume of diesel used, as well as increases in both emission factors (from the Department of Environment National Greenhouse Accounts Factors 2015) for unleaded and diesel fuel.

### 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. This accounts for 67% of all emissions, despite a 4% decrease in the electricity emission factor compared to last year.

Over the year, electricity consumption increased by 8%. This rise would have been 13% if operational control of the Sunbury Recycled Water Plant had not been handed to a third party contractor in April 2016 (as part of the plant's upgrade design, build and operate contract which will continue through to 2026).

Table 20: Total energy consumption

	2011/12	2012/13	2013/14	2014/15	2015/16
Energy consumption: water treatment and supply	24,325,421	31,987,963	26,310,392	24,110,036	27,696,138
Energy consumption: sewage treatment and supply	25,742,686	25,806,684	29,199,273	33,861,710	35,048,830
Total potable water produced (ML)	11,260	12,830	12,648	13,101	14,357*
Total recycled water produced (ML)	7,544	7,494	7,628	7,498	10,848
MJ consumed/ML of potable water	2,160	2,493	2,080	1,840	1,929
MJ consumed/ML of recycled water produced	3,412	3,444	3,828	4,516	3,231

\* Authorised drinking water consumption

Table 21: Significant activities generating GGE (tonnes CO<sub>2</sub>e) – 5 years

Activities generating GGE	2011/12	2012/13	2013/14	2014/15	2015/16
Water treatment and supply	8,176	10,574	8,551	7,903	8,697
Sewerage treatment and management	14,688	15,235	16,186	20,790	21,127
Transport	572	549	635	476	554
Other – recycled water distribution	719	1,183	1,281	1,252	1,522
Other – office	547	574	568	0*	0*
Total gross scope 1 and 2 emissions (tonnes CO <sub>2</sub> e)	24,702	28,115	27,221	30,420	31,900

\* Western Water's Sunbury office sourced 100% GreenPower from the grid during 2015/16 which is a zero emissions electricity source.

# 30

Highlights of Western Water's greenhouse gas reduction program for 2015/16 include:

- completion of the Energy and Greenhouse Prioritisation project, which included updating our Marginal Abatement Cost Curve (MACC) for greenhouse gas emission and energy reduction
- commenced developing a staged and prioritised implementation plan to achieve carbon neutrality, as a result of the Energy and Greenhouse Prioritisation project
- resolution of the technical problems at the biogas co-generation facility at the Melton Recycled Water Plant, which will soon be operational
- 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
- completion of investigations and design for treatment plant efficiency measures to be implemented over 2016/17, in particular the UV upgrade at Melton Recycled Water Plant which is expected to reduce energy consumption.

Table 22: Net GGE source breakdown\* (tonnes CO<sub>2</sub>e) – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
Nitrous oxide emissions	3,673	3,643	3,591	3,605	3,714
Methane emissions	2,318	2,994	2,984	5,845**	6,185
Diesel consumed	386	303	584	520	580
Unleaded petrol consumed	200	172	142	153	154
Gaseous fuel combustion	29	28	49	43	50
B20 biodiesel	2	1	0	0	1
Other	0	0	0	0	0
Autogas	0	1	3	0	0
Direct emissions (scope 1)	6,608	7,141	7,353	10,167	10,683
Vic grid electricity consumed	18,094	20,855	19,868	20,834	21,765
Reduction from GreenPower purchase	-1,403	-545	-568	-580	-548
Indirect emissions (scope 2)	16,691	20,310	19,300	20,253	21,217
Offsets purchased and retired	-5,783	-11,927	-11,436	0	0
Total net scope 1 and 2 emissions (tonnes CO <sub>2</sub> e)	17,515	15,524	15,217	30,420	31,900

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

\*\* New monitoring equipment on sludge dewatering process at Melton RWP revealed historical underestimation of emissions.



## Social sustainability

The population serviced by Western Water grew by 1.2% during the reporting period to reach 163,400. This is lower growth than historically recorded in the region. However, serviced properties grew by 3.2% supporting an expected increase in population growth. Local property numbers are forecast to escalate by around 4% per annum in coming years as Melton and Sunbury undergo rapid development. Overall customer satisfaction remains high across the service region.

### Service delivery

#### Water supply system

In 2015/16, Western Water supplied water to 60,158 connected properties via 1,960km of drinking 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 standards supplied to customers.

The number of water main bursts per 100km during 2015/16 was higher than last year but remained below that experienced in preceding years (see Table 23).

Table 23: Water main bursts per 100km – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
Bursts per 100km of water main	18.0	18.8	14.0	12.1	13.3

Table 24: Sewer main blockages per 100km – 5 years

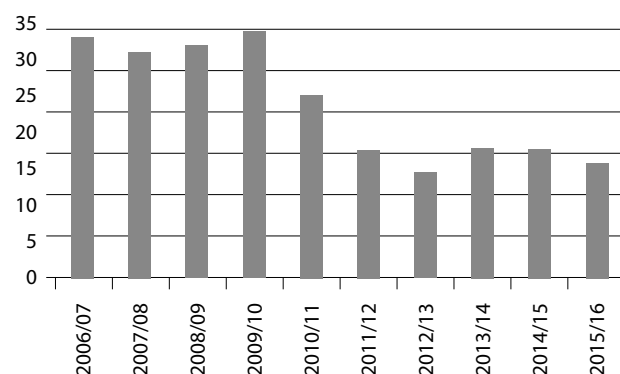
	2011/12	2012/13	2013/14	2014/15	2015/16
Sewer blockages per 100km of sewer main	15.8	12.7	15.7	15.5	14.1

## Sewer system

In 2015/16, Western Water supplied 54,197 connected properties with sewage and trade waste collection services through 1,257km of sewer mains and the innovative Sewer Spill Prevention Strategy continued successfully to maintain improved performance of the system.

Overall, there has been a significant decline in sewer blockages – and consequent spills – since the strategy commenced in 2010, reducing from 30 to approximately 15 blockages per 100km of sewer mains.

Chart 4: Sewer main blockages per 100km – 10 years



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## Customer service

The total number of customer service calls increased slightly in 2015/16 while the number of customers seeking information on Western Water's website continues to grow.

### Managing complaints

Overall customer complaints increased by 33% during 2015/16 to reach 332. This increase was driven by a rise in water quality complaints as well as improvements in data recording. Water quality complaints related primarily to the difference in taste following supply source changes – i.e. switching between Melbourne water supplies and local water (from Rosslynne and Merrimu Reservoirs). The rise in sewerage odour complaints was due to a new approach to recording data for this category following audit recommendations.

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 Victoria (EWOV). During 2015/16, EWOV handled 41 referrals on behalf of Western Water customers. The majority of these were handled as enquiries requiring no further action. Only two were escalated for further investigation by the Ombudsman's office. All cases have now been resolved.

Table 26: Customer complaints – FY15 vs FY16

Complaint category	2014/15	2015/16
Water quality	185	251
Water supply reliability	1	1
Sewerage service reliability	1	6
Payment issue	24	28
Flow rate	1	3
Sewerage odour	0	34*
Other	10	9
<b>Total</b>	<b>222</b>	<b>332</b>

\* During 2015/16, an audit identified sewerage odour complaints related to reticulated supply were being recorded and actioned but not reported to the ESC. ESC reporting has now been updated.

## Community service obligations

More than a quarter of Western Water's residential customers hold a pensioner, healthcare or a veteran affairs concession card. During the year, a total of 48,493 concessions were provided, amounting to \$3.9 million – with an annual concession cap of \$298. There was a slight increase in the number of not-for-profit organisations receiving rebates on their annual water and sewer charges, and a slight decrease in water concessions granted for life support machines.

The number of customers receiving Utility Relief Grants provided by Department of Health and Human Services (DHHS) increased this year. Customers receive payments for the Hardship Relief Grant Scheme (Sewerage Connection Scheme) and Non-Mains Water Concession directly from DHHS.

Table 25: Customer service statistics – 5 years

	2011/12	2012/13	2013/14	2014/15	2015/16
Customer service calls received	67,341	62,410	65,620	63,005	63,273
Calls answered within 30 seconds (%)	98%	97%	98%	95%**	90%
Average wait time (seconds)*	8	8	19*	20*	21*
Correspondence requiring a response	1,766	1,698	1,953	2,792	2,762

\* Western Water's privacy message of 10 seconds has been included in the total wait time results since 2013/14

\*\* Western Water's new telephone system was introduced in December 2014. Callers are now answered by an auto attendant that enables automated fast tracking calls to appropriate areas.

## Utility Relief Grant Scheme

Of 513 applications received from customers, 271 applications were approved, totaling over \$124,685.

Table 27: Community service obligations –FY15 vs FY16

Concession type	2014/15		2015/16	
	No.	\$	No.	\$
Pensioners, Healthcare, Veterans Affairs	14,768	3,677,942	15,665	3,965,695
Not for profit rebates	466	161,189	474	162,808
Utility Relief Grant Scheme	226	101,559	271	124,685
Water concession on life support machines – haemodialysis	6	1,783	4	1,465

## 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 2015/16, 171 customers entered our Customer Support Program while 51 customers graduated. A total of 339 customers received financial assistance totalling \$140,578. This has increased steadily since the commencement of the program indicating the program's success in assisting vulnerable customers. Team members also visited 131 properties of customers in need of support.

## Service charges

Western Water's tariffs for 2015/16 were based on the Water Plan 2013–2018 price determination by the ESC.

Table 28: Water and sewerage charges 2015/16

	Residential	Non-residential
Water service and usage		
Service charge (per annum)	\$249.99	\$249.99
Usage (per kl) – rate based on average litres used per day per bill		
0–440 litres	\$1.6226	
441–888 litres	\$2.1552	\$2.1552
889+ litres	\$4.3179	
Sewerage tariff		
Service charge (per annum)	\$551.61	\$551.61
Class A recycled water		
Service charge (per annum)	\$109.60	
Usage (per kl)	\$1.6226	

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# Performance Report

## Performance reporting indicators

### Financial performance indicators

Table 29: Financial performance indicators

Performance indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year %	Notes	Variance to target %	Notes
<b>Cash interest cover</b>							
Net operating cash flows before net interest and tax/net interest payments	2.88	2.77	2.76	(3.8%)		0.4%	
<b>Gearing ratio</b>							
Total debt (including finance leases)/ total assets * 100	25.1%	22.3%	24.8%	(11.2%)	1	(10.1%)	2
<b>Internal financing ratio</b>							
(Net operating cash flow less dividends)/ capital expenditure	118.0%	60.0%	40.8%	(49.2%)	3	47.1%	4
<b>Current ratio</b>							
Current assets/current liabilities (excluding long-term employee provisions and revenue in advance)	1.14	1.05	1.00	(7.9%)		5.0%	
<b>Return on assets</b>							
Earnings before net interest and tax/average assets * 100	2.90%	3.84%	2.57%	32.4%	5	49.4%	5
<b>Return on equity</b>							
Net profit after tax/average total equity * 100	1.85%	2.77%	1.70%	49.7%	6	62.9%	6
<b>EBITDA margin *</b>							
Earnings before interest, tax, depreciation and amortisation/total revenue * 100	49.55%	47.32%	45.51%	(4.5%)		4.0%	

## Notes:

- The drop in gearing ratio from last year is due to the asset revaluation increasing total assets by \$67 million in addition \$17 million of assets gifted from developers. Total debt remained constant at \$181 million over 2014/15 and 2015/16.
- The gearing ratio is less than plan due to debt levels remaining constant against a planned increase of \$20 million. In addition, the asset base increase over 2015/16 was higher than planned as a result of a larger revaluation impact and higher than expected developer gifted assets.
- While the net operating cash flow has remained relatively constant year on year, the capital expenditure required to be funded in 2015/16 has increased by approximately \$15 million. As a result the percentage of capital expenditure funded by the net operating cash flow has fallen.
- The net operating cash flow result for 2015/16 was in line with the target however the capital expenditure funded during the year was lower than the target level by approximately \$18 million. The result is a favourable internal financing ratio as compared to the target.
- The average asset balance for 2015/16 was consistent with 2014/15 and also the target level. The return on assets ratio for 2015/16 is favourable compared with the prior year and the target as a result of increased earnings before interest and tax. Earnings before interest and tax increased largely as a result of higher New Customer Contributions related to development activity in the region, in addition to higher water services and usage charges which were partially offset by higher water purchase expenditure.
- The average total equity balance for 2015/16 was consistent with 2014/15 and also the target level. The return on equity ratio for 2015/16 is favourable compared with the prior year and the target as a result of increased net profit after tax. Net profit after tax increased largely as a result of higher New Customer Contributions related to development activity in the region, in addition to higher water services and usage charges which were partially offset by higher water purchase expenditure.

## Water and sewerage service performance indicators

Table 30: Water and sewerage service performance indicators

Performance indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year %	Notes	Variance to target %	Notes
<b>Unplanned water supply interruptions</b>							
Number of customers receiving >5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100	0.0%	0.0%	0.01%	0.0%	7	(100.0%)	7
<b>Interruption time indicators</b>							
Average duration of unplanned water supply interruptions	59.2 minutes	92.8 minutes	88 minutes	56.7%	8	5.4%	8
<b>Restoration of unplanned water supply</b>							
Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	98.5%	98.0%	98.0%	(0.5%)		0.0%	
<b>Containment of sewer spills</b>							
Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers	100.0%	100.0%	99.9%	0.0%		0.1%	
<b>Sewerage interruptions</b>							
Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100.0%	100.0%	100.0%	0.0%		0.0%	

Notes:

- Western Water has a focused water mains renewal program which considers repeat failures as a key asset management driver. This along with consequence of failure considerations such as number of customers affected, cost of repair and recovery, potential for damage etc. aim to minimise repeat failures through a targeted renewals program which has the greatest impacts on this indicator. The other impact is 3rd party contractors hitting our mains by mistake, and Western Water provides dial-before-you-dig advice as a mitigation against this. The target is small to allow for unforeseen events that occasionally occur. In 2015/16 no customers received more than 5 interruptions (2014/15 Nil).
- The average duration of unplanned interruptions is governed largely by the time to undertake the repair of a burst main. This activity is highly variable depending on the situation of the burst. During 2015/16 on average it took 33 minutes extra time compared with the prior year to restore unplanned water supply interruptions, which was associated with some bursts being complex and taking extra time to complete. Restoration of interruptions will continue to be assessed on a case by case basis and repaired in a manner that ensures minimal customer inconvenience.

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## Customer responsiveness performance indicators

Table 31: Customer responsiveness performance indicators

Performance indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year %	Notes	Variance to target %	Notes
<b>Water quality complaints</b>							
Number of complaints per 1000 customers	0.322	0.417	0.333	29.5%	9a	25.2%	9b
<b>Sewerage service quality complaints</b>							
Number of complaints per 100 customers	0.002	0.011	0.020	550.0%	10	(45.0%)	10
<b>Sewage odour complaints</b>							
Number of complaints per 100 customers	0.000	0.063	0.003	0.0%	11	1991.1%	11
<b>Billing complaints</b>							
Number of complaints per 100 customers	0.039	0.047	0.050	20.5%	12	(6.0%)	

## Notes:

- 9a. The increase in water quality complaints against target relate primarily to the difference in taste and odour following water supply source changes i.e. switching between Melbourne system water and local water sources (from Rosslynne and Merrimu Reservoirs). Changes in water supply during the 2015/16 year were required to meet customer demands that were at times greater than the supply available from local water sources. Western Water provided customers with notice of pending changes in the source of water supplied to mitigate possible customer issues and/or concerns and is targeting operations to minimise such changes in water source in the future.
- 9b. The increase in water quality complaints against the 2014/15 result also related primarily to the difference in taste following water supply source changes, i.e. switching between Melbourne Water supplies and local water (from Rosslynne and Merrimu Reservoirs).
10. There were six sewerage service quality complaints in 2015/16 compared to one complaint in the prior year. However, the number of sewerage service complaints was less than target. Rectification works were subsequently carried out to eliminate the issues raised by complainants.
11. Sewer odour complaints in 2015/16 increased compared to last year and were in excess of the target. Rectification works were subsequently carried out to eliminate the odour issues raised by the complainants.
12. Billing complaints increased from 24 in 2014/15 to 28 in 2015/16. However, the number of billing complaints was less than target. Western Water provides ongoing support to customers in respect to their bills and areas of concern.

## Environmental performance indicators

Table 32: Environmental performance indicators

Performance indicator	2014/15 Result	2015/16 Result	2015/16 Target	Variance to prior year %	Notes	Variance to target %	Notes
<b>Effluent reuse volume (end use)</b>							
Percentage recycled for each category	74.3%	82.8%	54.0%	11.4%		53.3%	13
<b>Total net CO<sub>2</sub> emissions</b>							
Net tonnes CO <sub>2</sub> equivalent	30,420	31,900	15,217	4.9%		109.6%	14

## Notes:

13. Actual reuse was higher than target as a result of increased inflows (partly due to growth and partly due to an increase in the per capita use for 2015/16). The in-process use has also increased due to the use of recycled water to break down sludge in the lagoons. Previous year assumptions for Sunbury RWP were lower than current due to improved information being received from the plant. This has contributed to an increase on this year's percentage compared to 2014/15.
14. Western Water is aiming to reduce greenhouse gas emissions through a combination of energy efficiency measures, renewable energy generation and the purchase of carbon offsets. Consistent with the 2014/15 year Western Water did not retire offsets to reduce annual net greenhouse gas emissions even though it was assumed in the target. The business is progressing the assessment of renewable energy projects to support a reduction in emissions.


## Certification of Performance Report 2015/16

We certify that the accompanying Performance Report of Western Region Water Corporation in respect of the 2015/16 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 2015/16 Corporate Plan. We have reported our actual and comparative results achieved for the financial year against predetermined performance targets and these indicators. We have also reported an explanation of any significant variance between the actual results and performance targets and/or between the 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.

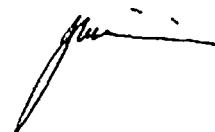
Signed at Sunbury on 17 August 2016, on behalf of the Board.



Terry Larkins  
Chair



Neil Brennan  
Managing Director



Julie Williams  
Chief Finance & Accounting Officer

## 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

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*

I have audited the accompanying performance report for the year ended 30 June 2016 of 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 Western Region Water Corporation are responsible for the preparation and fair presentation of the performance report 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.



### Independent Auditor's Report (continued)

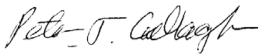
#### *Independence*

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, I and my staff and delegates have complied with all applicable independence requirements of the Australian accounting profession.

#### *Opinion*

In my opinion, the performance report of Western Region Water Corporation in respect of the 30 June 2016 financial year presents fairly, in all material respects.

MELBOURNE  
25 August 2016

  
for Dr Peter Frost  
Acting 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 City of Melton are considered metropolitan, while Moorabool Shire Council and Macedon Ranges Shire Council are regional.

**Table 33: VIPP applicable contracts**

New projects
There was one regional VIPP applicable contract completed in 2015/16 – the Avenue of Honour water main replacement in Bacchus Marsh. Four jobs were retained as a result of this contract.
Completed projects
Western Water had three new metropolitan VIPP-applicable contracts and one new regional VIPP applicable contract in 2015/16. Job creation and local content information for these contracts will be confirmed at their completion.
Metropolitan
<ul style="list-style-type: none"> <li>Sunbury Recycled Water Plant upgrade – commenced in 2015/16, due to finish in 2017/18.</li> <li>Rockbank sewer pump station – commenced in 2015/16, due to finish in 2016/17.</li> <li>Leakes Road water main – commenced in 2015/16, due to finish in 2016/17.</li> </ul>
Regional
<ul style="list-style-type: none"> <li>Avenue of Honour water main, Bacchus Marsh (job creation data for this contract is provided below).</li> </ul>

### Consultancy expenditure

In 2015/16, there were 14 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 \$706,549 (excluding GST). Details of individual consultancies can be viewed at [westernwater.com.au](http://westernwater.com.au).

In the reporting period, 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 this consultancy is \$5,500 (excluding GST).

### Information and Communication Technology (ICT) expenditure

ICT expenditure refers to Western Water's costs in providing business-enabling information and communication technology services. Business as usual expenditure mainly relates to ongoing activities to operate and maintain the current ICT capability, while non business as usual expenditure relates to extending or enhancing the current capabilities. For 2015/16, Western Water had a total ICT expenditure of \$4,260,000, with the details shown in Table 34.

**Table 34: ICT expenditure (\$'000)**

ICT expenditure area	\$'000
Operational expenditure	0
Capital expenditure	2,221
Non business as usual expenditure (operational & capital expenditure)	2,221
Business as usual expenditure	2,039
Total ICT expenditure	4,260

## Advertising expenditure

Western Water did not undertake any government advertising. Western Water's total advertising spend in 2015/16 was \$47,987. This low level of advertising expenditure is a result of continuing efforts to reduce advertising costs including a shift to lower cost, effective advertising for campaigns in local newsletters and social media. Further, tender advertising has now moved to an online portal, significantly reducing costs for this area.

## Freedom of information

Victoria's *Freedom of Information Act* (the 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 2015/16, there were six requests for access to information in accordance with the Act. There were no requests outstanding at 30 June 2015 and one request outstanding as at 30 June 2016. One personal request was received to which access to identified documents was granted in full. In respect to the non-personal requests received, access was granted in full for two requests, one request did not proceed, and no documents were identified for one request.

**Table 35: Freedom of information summary**

Personal requests received	1
Non personal requests received	5
Requests outstanding at 30 June 2016	1
Reviews by the FOI Commissioner received	1
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.33(1)
Total dollar of application fees collected	\$163.20
Total dollar of charges collected and waived	\$0

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 2016, a fee of \$27.50 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).

## Names and titles of FOI decision makers

Authorised person – Julie Williams,  
General Manager Business Services

Principal officer – Neil Brennan,  
Managing Director

## 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.

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## Compliance with *Protected Disclosure Act 2012*

The *Protected Disclosure Act 2012* (the Act) facilitates the making of disclosures about serious improper conduct by public bodies or public officers or even members of the public who incite public bodies or officers to commit serious improper conduct. The Act provides for a system for these matters to be confidentially disclosed and impartially investigated. The Act also provides protection from detrimental action to the discloser and welfare support during the process.

### 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 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 Independent Broad-Based Anti-Corruption Commission using the following contact details.

Please note that Western Water is not able to receive protected disclosures.

## Contact

### 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.

### 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).

## Office-based environmental impacts

Under Western Water's Environmental Management System, the environmental impacts from office-based activities have been identified and an environmental management program developed. This includes waste reduction requirements via procurement as well as decreasing office:

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

Office water consumption and greenhouse gas emissions are reported separately in this report (refer Tables 16 and 21).

## 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 and 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, and
- details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed.

## Risk management attestation

I, Terry Larkins, Chair of the Board, certify that Western Water has fully complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes of the Standing Directions 2003. The Western Water Board has verified this compliance.



Terry Larkins  
Chair  
17 August 2016

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# Financial Report

## Financial summary

The following summary tables and graphs illustrate for the 2015/16 year, Western Water made an overall surplus of \$18.5 million before tax. This result includes developer assets and cash contributions of \$25.2 million.

Western Water invested \$35.5 million in capital works during the year. The debt level, net of cash and cash equivalent assets, has now increased to \$173.4 million from \$160.7 million in 2014/15.

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

	2011/12	2012/13	2013/14	2014/15	2015/16	% change on prior year	Plan 2015/16
Operating revenue	55,180	59,645	63,683	67,507	73,850	9.4%	70,592
New customer contributions	21,168	19,453	9,416	11,909	25,174	111.4%	11,569
Government contributions	142	1,227	2,044	182	179	(1.6%)	0
Interest	137	124	115	101	228	125.7%	111
Other	599	1,812	1,832	2,036	2,485	22.1%	2,019
<b>Total</b>	<b>77,226</b>	<b>82,261</b>	<b>77,090</b>	<b>81,735</b>	<b>101,916</b>	<b>24.7%</b>	<b>84,291</b>

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

	2011/12	2012/13	2013/14	2014/15	2015/16	% change on prior year	Plan 2015/16
Operating expenses	45,736	52,026	50,427	46,673	58,284	24.9%	50,583
Corporate expenses	15,364	14,349	11,878	10,284	11,575	12.6%	11,490
Finance	9,326	10,142	10,729	10,691	11,109	3.9%	11,936
Environmental contribution	1,615	1,615	2,410	2,410	2,410	0	2,410
<b>Total</b>	<b>72,041</b>	<b>78,132</b>	<b>75,444</b>	<b>70,058</b>	<b>83,378</b>	<b>19.0%</b>	<b>76,419</b>
<b>Net profit before tax</b>	<b>5,185</b>	<b>4,129</b>	<b>1,646</b>	<b>11,677</b>	<b>18,538</b>	<b>58.8%</b>	<b>7,872</b>

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

	2011/12	2012/13	2013/14	2014/15	2015/16	% change on prior year	Plan 2015/16
Current assets	21,534	21,838	19,918	32,099	20,993	(34.6%)	23,930
Non-current assets	652,857	696,871	686,205	690,003	789,200	14.4%	787,856
Total assets	674,391	718,709	706,123	722,102	810,193	12.2%	811,786
Current liabilities	35,828	34,742	48,553	18,295	25,375	38.7%	18,681
Non-current liabilities	206,073	226,776	221,115	259,184	280,113	8.1%	300,848
Total liabilities	241,901	261,518	269,668	277,479	305,488	10.1%	319,529
Net cash flow from operations	14,132	5,344	12,157	19,675	19,065	(3.1%)	20,354
Payments for property, plant & equipment	24,571	26,052	19,876	16,677	32,234	93.3%	49,351

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

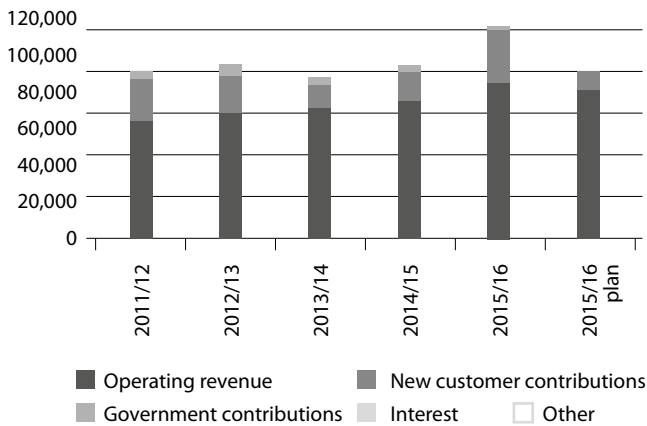
	2011/12	2012/13	2013/14	2014/15	2015/16	Plan 2015/16
Internal financing ratio	57.5%	20.5%	61.2%	118.0%	60.0%	40.8%
Gearing ratio	22.1%	23.5%	24.6%	25.1%	22.3%	24.8%
Interest cover (ebit)	1.56	1.41	1.16	2.10	2.81	1.61
Interest cover (cash)	2.57	1.54	2.15	2.88	2.77	2.80
Return on average assets	2.2%	2.1%	1.7%	3.1%	3.8%	2.6%
Return on average equity	0.9%	0.7%	0.3%	1.9%	2.8%	1.7%

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## Revenue

Revenue increased by 2.7% in the 2015/16 year largely as a result of increases in core business operating revenues and increased revenue from developer contributions.

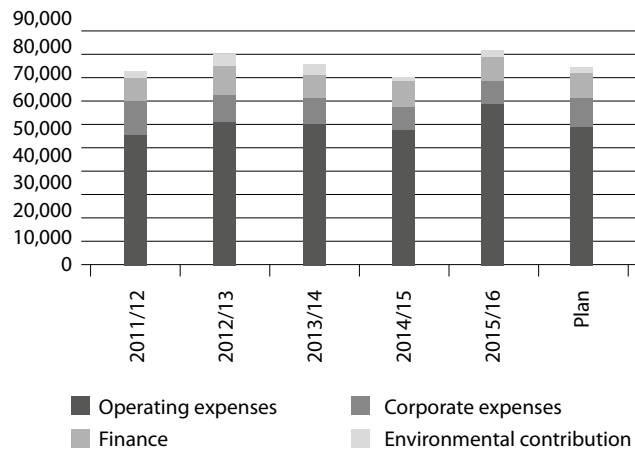
Chart F1: Revenue (\$'000) – 5 years



## Expenditure

Expenses were higher in 2015/16 due to higher volumes of water being purchased from the Melbourne system as a result of lower local sources of water available to meet customer demand.

Chart F2: Expenditure (\$'000) – 5 years



## Net profit before tax

Western Water made an overall pre-tax surplus of \$18.5 million compared to \$11.7 million in 2014/15. The overall result includes developer asset and cash contributions of \$25.1 million (\$11.9 million in 2014/15).

## Developer contributions

Total developer contributions increased by \$13.3 million (111%) in 2015/16 reflecting increased growth activity within the region. Of the total revenue from developer contributions, cash contributions increased by 31.5% to \$7.6 million as compared to \$5.7 million in 2014/15.

## 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 2015 to 30 June 2016.



## Major changes or factors affecting performance

In 2015/16 total expenses were 19% higher than the prior year largely due to a requirement to purchase water from Melbourne Water due to low inflows into local storages; resulting in \$10 million higher water purchases expenditure and higher electricity costs of \$0.3 million. The increase in water related expenses was partially offset by higher revenues driven by growth within the region and higher demand per customer.

As discussed above, developer contributions increased by \$13.3 million and this increase along with the increased higher charges and usage revenues more than offset the increase in water purchase costs.

A large portion of the \$35.5 million investment in capital works during the year related to growth and compliance related projects. While there was a significant increase in expenditure on recent years, the business also managed to defer some planned expenditure to ensure growth related expenditure is delivered just-in-time in order to optimise financial performance.

## Significant changes in financial position

The significant change in the financial position for the year ending 30 June 2016 was a revaluation of Infrastructure Assets, Property, Plant & Equipment. The revaluation increased the written down value of assets by \$67.2 million, increased the deferred tax liability by \$20.1 million and increased the asset revaluation reserve by \$47.1 million. There will be a change in future depreciation charge as a result of the increase value of the assets.

## Post balance date events

There are no significant post balance sheet events.

## Outlook 2016/17

Western Water's operating profit in 2016/17 will remain positive despite a forecast decline in service charges and usage revenues as a result of a fall in customer service charges reflecting a pass through of a reduction in water purchases costs post the Melbourne Water Price Determination and also an expected fall in demand as customers respond to the Government's 155 Target campaign.

The capital expenditure program will increase substantially over the 2016/17 year with larger projects – including an upgrade to the Sunbury Recycled Water Plant – under way during the year.

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## 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 2016, Western Water made a profit after tax of \$12.9 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 2016, Western Water had a net cash inflow of \$19.1 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.

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## Comprehensive operating statement for the financial year ended 30 June 2016

	Notes	30 June 2016 \$'000	30 June 2015 \$'000
<b>Revenue</b>			
Service charges	4(a)	48,688	45,365
Water usage charges	4(a), 3(b)	25,162	22,142
Government grants and contributions	4(a)	179	182
Interest	4(a)	228	101
Developer contributions	4(a)	25,174	11,909
		<b>99,431</b>	<b>79,699</b>
Net gain/(loss) on disposal of infrastructure, property, plant and equipment	4(b)	(161)	(119)
Other revenue	4(c)	2,646	2,155
		<b>2,485</b>	<b>2,036</b>
<b>Total revenue</b>		<b>101,916</b>	<b>81,735</b>
<b>Expenses</b>			
Borrowing costs	4(d)	11,109	10,691
Depreciation	4(d)	16,916	16,409
Amortisation	4(d)	1,895	1,825
Employee benefits	4(d)	14,609	14,232
Repairs and maintenance expenses	1(d)(v)	4,013	3,829
Environmental contributions	1(d)(vi)	2,410	2,410
Water purchases		14,934	4,919
Electricity		3,319	2,961
Other operating & administration		14,173	12,782
<b>Total expenses</b>		<b>83,378</b>	<b>70,058</b>
<b>Net result before income tax expense</b>		<b>18,538</b>	<b>11,677</b>
<b>Income tax (expense)/revenue</b>	5	<b>(5,573)</b>	<b>(3,511)</b>
<b>Net result for the period</b>		<b>12,965</b>	<b>8,166</b>
<b>Other comprehensive income</b>			
Change in asset revaluation reserve	8(b)	67,311	-
Income tax relating to change in asset revaluation reserve	5,10	(20,194)	-
		<b>47,117</b>	<b>-</b>
<b>Comprehensive result</b>		<b>60,082</b>	<b>8,166</b>

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

## Balance sheet as at 30 June 2016

	Notes	30 June 2016 \$'000	30 June 2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	7,613	20,321
Receivables	7	12,749	11,115
Prepayments	1(e)(iii)	631	663
<b>Total current assets</b>		<b>20,993</b>	<b>32,099</b>
<b>Non-current assets</b>			
Receivables	7	181	122
Infrastructure assets, property, plant and equipment	8	778,709	676,546
Intangible assets	9	9,190	10,209
Deferred tax assets	10	1,120	3,126
<b>Total non-current assets</b>		<b>789,200</b>	<b>690,003</b>
<b>Total assets</b>		<b>810,193</b>	<b>722,102</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	11	17,539	13,203
Income in Advance		2,297	2,158
Provisions and employee benefits	13	3,031	2,934
Current tax payable	5	2,508	-
<b>Total current liabilities</b>		<b>25,375</b>	<b>18,295</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	12, 17	181,000	181,000
Provisions and employee benefits	13	494	477
Deferred tax liabilities	10	98,619	77,707
<b>Total non-current liabilities</b>		<b>280,113</b>	<b>259,184</b>
<b>Total liabilities</b>		<b>305,488</b>	<b>277,479</b>
<b>Net assets</b>		<b>504,705</b>	<b>444,623</b>
<b>Equity</b>			
Contributed capital	14	160,413	160,413
Reserves	15	147,416	100,299
Accumulated surplus/(deficit)	16	196,876	183,911
<b>Total equity</b>		<b>504,705</b>	<b>444,623</b>

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

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## Statement of changes in equity for the financial year ended 30 June 2016

	Notes	Contributed capital \$'000	Reserves \$'000	Accumulated surplus/ (deficit) \$'000	Total \$'000
<b>Balance as at 1 July 2014</b>		160,413	100,299	175,745	436,457
Comprehensive result	14, 15, 16	-	-	8,166	8,166
<b>Balance at 1 July 2015</b>	14, 15, 16	<b>160,413</b>	<b>100,299</b>	<b>183,911</b>	<b>444,623</b>
Comprehensive result	14, 15, 16	-	47,117	12,965	60,082
<b>Balance at 30 June 2016</b>	14, 15, 16	<b>160,413</b>	<b>147,416</b>	<b>196,876</b>	<b>504,705</b>

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

## Cash flow statement for the financial year ended 30 June 2016

	Notes	30 June 2016 \$'000	30 June 2015 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service and usage charges		80,008	74,038
Goods and Services Tax received		4,903	3,163
Developer contribution fees		7,590	5,770
Interest received		253	71
Grants received from government – Other		208	48
		<b>92,962</b>	<b>83,090</b>
<b>Payments</b>			
Payment to employees		(14,562)	(13,821)
Payment to suppliers		(45,217)	(36,567)
Interest and other costs of finance paid		(11,204)	(10,518)
Income taxes paid		(340)	-
Environmental contribution levy paid		(2,410)	(2,410)
Goods and Services Tax paid		(164)	(99)
		<b>(73,897)</b>	<b>(63,415)</b>
Net cash (outflow)/inflow from operating activities	22	<b>19,065</b>	<b>19,675</b>
<b>Cash Flows from investing activities</b>			
Payments for infrastructure assets, property, plant and equipment		(30,934)	(15,197)
Proceeds from sale of infrastructure assets, property, plant & equipment	4(b)	461	445
Payments for intangible assets		(1,300)	(1,480)
Net cash (outflow)/inflow from investing activities		<b>(31,773)</b>	<b>(16,232)</b>
<b>Cash Flows from financing activities</b>			
Proceeds from borrowings		15,000	38,500
Repayment of borrowings		(15,000)	(31,500)
Net cash (outflow)/inflow from financing activities		-	<b>7,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(12,708)</b>	<b>10,443</b>
Cash and cash equivalents at the beginning of the financial year		20,321	9,878
<b>Cash and cash equivalents at end of the financial year</b>	6	<b>7,613</b>	<b>20,321</b>

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

## Notes to the financial statements 30 June 2016

### Note 1: Summary of significant accounting policies

#### (a) Basis of accounting

This annual Financial Report is an audited general purpose Financial Report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes for Western Region Water Corporation (Western Water, or the Corporation) for the year ended 30 June 2016.

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* (FMA) and applicable Ministerial Directions.

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

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

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

The annual financial statements were authorised for issue by the Board on 17 August 2016.

The principal address is:

Western Region Water Corporation  
36 Macedon Street  
SUNBURY VIC 3429

#### (i) 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.

#### (ii) Functional and presentation currency

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

#### (iii) 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 released or settled within the next twelve months, being Western Water's operational cycle – see 1(f) under Provisions for a variation in relation to employee benefits.

#### (iv) 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.

#### (v) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets, all classes of property, plant and equipment and investment property.

#### (vi) 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.



Management has also exercised 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:

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

Refer Note 3: Critical accounting estimates and judgements

#### **(vii) Change in accounting estimates**

Western Water discloses the nature of any change in accounting estimate and the effect of the change on assets, liabilities, income and expense for the current period in the relevant notes.

For the 30 June 2015 year the estimated unbilled income was an amount of \$4,232,042. The application of Australian Taxation Office Interpretive Decision 2012/15 for the 30 June 2015 year resulted in a reduction in the Deferred Tax Asset balance by \$1,269,613 and the Deferred Tax Liability balance by \$1,269,613.

#### **(viii) Comparative figures**

Where appropriate, comparative figures have been amended to align with current presentation and disclosure, and related notes have been added to present the impact on changes in presentation for the current financial year.

Recycled water usage charges which were included under "Service charges" on 30 June 2015, are classified under "Water usage charges" (Note 4(a)) on 30 June 2016.

Borrowings are classified as Non-Current Liabilities in the current period as Western Water has unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Comparative figures for prior period in note 12 and in the Balance Sheet have been updated to reflect this change (Note 12).

Comparative figures for prior year 2014/15 have been updated to ensure consistency in applying changes in the definition of executive officer as per the applicable Ministerial Direction (Note 21(b)).

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

A change in accounting policy resulting from the initial application of an AAS shall be applied in accordance with the transitional provisions of that AAS. Where specific transitional provisions are not included, the change shall be applied retrospectively.

Prior to the balance sheet date, Western Water has received the Treasurer's approval to refinance borrowings maturing in the period 12 months after the balance sheet date. In line with the provisions of *AASB 101 Presentation of Financial Statements*, borrowings are classified as Non-Current Liabilities in the current period as Western Water has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Comparative figures for the prior period in note 12 and in the balance sheet have been updated to reflect this change.

#### **(c) Revenue recognition**

##### **(i) Service and usage charges**

Service and usage 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.

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## Note 1: Summary of significant accounting policies (continued)

Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per the trade waste agreements. The meters are read on a cyclical basis with accounts sent on a monthly or quarterly basis.

Amounts received in advance from customers relating to service and usage charges are recognised as current liabilities.

### (ii) 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 Contributions*, 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 Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners in accordance with *FRD 119A Transfers through Contributed Capital*.

### (iii) Interest

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

### (iv) Developer contributions

Water infrastructure assets built by developers in new land subdivisions that on completion are transferred 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 received.

### (v) Fair value of resources received free of charge

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when Western Water obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

### (vi) Disposal of infrastructure, property, plant and equipment

The profit or loss on disposal of infrastructure, property, plant and equipment 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 Comprehensive Operating Statement.

### (vii) Other income

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) Expenses

#### (i) Borrowing costs

Borrowing costs represent costs incurred in connection with borrowings. It includes interest on loans, overdrafts, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Borrowing costs are recognised in the period in which they are incurred. Further details of borrowing costs are provided in Notes 2, 4(d), 12 and 17.

#### (ii) 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 if appropriate, 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(e)(xii) under Intangibles.

Depreciation useful lives for each asset class are consistent with the previous year and fall within the following ranges:

Asset	Useful Life
Buildings	20–75 Years
Infrastructure	
<i>Water &amp; recycled water:</i>	
• Storage	25–350 Years
• Distribution network	50–110 Years
• Treatment plants	10–90 Years
<i>Sewerage:</i>	
• Storage	20–350 Years
• Distribution network	50–120 Years
• Treatment plants	10–90 Years
<i>Plant &amp; equipment:</i>	
• Equipment	2–50 Years
• Machinery	2–50 Years
• Furniture & computers	3–20 Years
• Motor vehicles	2–8 Years
Leasehold assets	Up to 10 Years
Intangibles	
• Software	5 Years
• Water entitlement	Infinite

### (iii) Employee benefits

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

### (iv) Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Western Water to the relevant superannuation plans in respect to the services of Western Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Western Water is required to comply with.

### (v) 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.

### (vi) 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 time, 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 was extended to cover the period 1 July 2012 until 30 June 2016 and further extended to cover the period from 1 July 2016 until 30 June 2020.

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.

## Note 1: Summary of significant accounting policies (continued)

Western Water as a statutory authority under the *Water Industry Act 1994* is required to pay an environmental contribution to the Department of Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred.

### (e) Assets

#### (i) Cash and cash equivalents

Cash and cash equivalents recognised in the Balance Sheet comprise cash on hand and cash at bank, deposits at call and those highly liquid investments (with an original maturity of three months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and readily convertible to known amounts of cash with an insignificant risk of changes in value.

For Cash Flow Statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as interest bearing liabilities in the Balance Sheet.

#### (ii) Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, accrued income, finance lease receivables and accrued investment income; and
- statutory receivables, such as Goods and Services Tax (GST) and input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as receivables.

Contractual 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 service and usage debtors, and no more than 30 days for other debtors.

Collectability of contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts 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 provision 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 provision are recognised as an expense in the Comprehensive Operating Statement.

Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Non-Current debtors are Private Schemes, payable on terms of up to 20 years and finance lease receivables.

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

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 collected on behalf of Melbourne Water and therefore recognised as a corresponding liability. Western Water only remits funds to Melbourne Water upon receipt from the customer.

Fixed and variable service charges for Water, Sewer, Recycled Water (excluding Class B & C) and Melbourne Water Waterways and Drainage charge are levied under the *Water Act 1989* and therefore uncollected charges remain an outstanding charge on the property, providing Western Water with an opportunity to collect when the property is sold.

**(iii) Prepayments**

Prepayments represent payments in advance of the receipt of goods or services, or that part of expenditure made in one accounting period covering a term extending beyond that period.

**(iv) Recognition of non-current physical assets**

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and recycled water infrastructure, plant, equipment and motor vehicles, all used by Western Water in its operations. Items with a cost or value in excess of \$1,000 (2015: \$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.

**(v) 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 the Financial Reporting Direction (FRD) 103F *Non-financial Physical Assets*.

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to the 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 a 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, infrastructure and motor vehicles are measured at Fair Value.

Water infrastructure assets are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. 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), 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 8.

**(vi) Revaluation of non-current physical assets**

Revaluation increments are credited directly to equity in the asset revaluation reserve surplus/ (deficit), except that, 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 assets, they are debited to the asset 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 de-recognition of the relevant asset.

**(vii) Fair value**

Consistent with *AASB 13 Fair Value Measurement*, Western Water determines the policies and procedures for both recurring fair value

## Note 1: Summary of significant accounting policies (continued)

measurements such as infrastructure, property, plant and equipment 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.

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 in relation to valuation of infrastructure, property, plant and equipment.

Western Water, in conjunction with the VGV and other external valuers, if applicable, monitors changes in the fair value of infrastructure, property, plant and equipment through relevant data sources to determine whether revaluation is required.

The VGV performed an independent valuation as at 30 June 2016.

### (viii) Impairment of assets

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indications of impairment, except for deferred tax assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds 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.

### (ix) 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.

#### (x) Finance leases

##### Western Water as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any non-guaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are apportioned between periodic interest income and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

#### (xi) Operating leases

##### Western Water as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

##### Western Water as lessee

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) including any contingent rentals, are recognised as an expense in the Comprehensive Operating Statement on a straight line basis over the period of the lease, in the periods

in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

#### (xii) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially 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 (Note 9).

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

	Computer software	Bulk entitlement
Useful lives	Finite	Infinite
Amortisation method used	5 years – Straight line	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 tested and/or where an indicator of impairment exists

#### (xiii) Permanent water entitlements

Permanent water entitlements purchased after 1 July 2011 are treated as an intangible asset on the Balance Sheet at cost (in accordance with *AASB 138 Intangible Assets* and *FRD 109 Intangible Assets*), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements purchased after 1 July 2011 are tested annually for impairment. Bulk permanent water entitlements purchased prior to 1 July 2011 are not recorded in the Balance Sheet as an intangible asset, as they cannot be reliably measured.

## Note 1: Summary of significant accounting policies (continued)

### (xiv) Financial assets

#### 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 in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

#### Impairment of financial assets

At each reporting date Western Water assesses whether there is objective evidence that a financial asset has been impaired. If any such evidence exists for a financial asset, impairment losses are recognised in the Comprehensive Operating Statement.

### (f) Liabilities

#### (i) Payables

Payables consists of:

- contractual payables, such as accounts payable, and unearned income including deferred income. Accounts payable represent liabilities for goods and services provided to Western Water prior to the end of the financial year that are unpaid, and arise when Western Water becomes obliged to make future payments in respect of the purchase of those goods and services. Accounts payable amounts are unsecured and are usually paid within 30 days of recognition; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Contractual payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

There is generally a requirement to withhold retention funds from payments during construction for Under Construction Contracts, 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 11).



On behalf of Melbourne Water, Western Water collects Waterways and Drainage Charges from customers. The Waterways and Drainage Charge collected from customers are paid to Melbourne Water at the end of each billing cycle as per the Service Level Agreement between Western Water and Melbourne Water. These collections are identified as a current liability – trade creditors (Note 11).

### (ii) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value of the consideration received, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the interest bearing liabilities, using the effective interest method.

Borrowings which mature within 12 months are classified as non-current liabilities on the basis that Western Water will and has discretion to refinance or roll over these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*.

### (iii) 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.

### Onerous contracts

An onerous contract is considered to exist when the unavoidable cost of meeting the contractual obligations exceeds the estimated economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the estimated economic benefits to be received.

### Employee benefits

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

#### *Wages and salaries and annual leave*

Liabilities for wages and salaries, including annual leave, are 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 and annual leave are measured at:

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

#### *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.

## Note 1: Summary of significant accounting policies (continued)

The components of this current LSL liability are measured at:

- nominal 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.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the 'net result from transactions', except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as another economic flow.

### *Termination benefits*

Termination benefits are payable when employment is terminated by Western Water 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 when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### *On-costs*

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

### *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.

## **(g) Equity**

### **(i) 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.

### **(ii) Reserves**

#### **Asset revaluation reserve**

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

## **(h) 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 corporate 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.

### **(i) Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 18) 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.

### **(j) 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 19) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### **(k) Events after the reporting period**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between Western Water and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date.

Note disclosure is made (Note 23) about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest. No such events were deemed material for this reporting period.

### **(l) 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 (2015:\$nil).

### **(m) 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 with current receivables or payables 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 ATO is presented as operating cash flows.

## Note 1: Summary of significant accounting policies (continued)

### (n) New accounting standards and interpretations issued that are not yet effective

certain new Australian accounting standards and interpretations applicable to the Corporation have been published that are not mandatory for the 30 June 2016 reporting period. 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 Western Water financial statements
AASB 9 Financial Instruments.	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	The 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 as Western Water does not hold any AFS assets, it will continue to be monitored and assessed.
AASB 2014 – 1 Amendments to Australian Accounting Standards (AAAs) [Part E Financial Instruments].	This results in amendments to various AASs to reflect the Australian Accounting Standards Board's (AASB's) decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 January 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. While the preliminary assessment has not identified any material impact arising from AASB 9, Western Water will continue to assess the impact of this standard.
AASB 15 Revenue from Contracts with Customers.	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. The assessment has indicated that Western Water has no immediate potential impact to recognise revenue upfront. Ongoing work is being done further to monitor and assess the impact of this standard.
AASB 2014 – 4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138].	This amendment to AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: <ul style="list-style-type: none"> <li>establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;</li> <li>prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.</li> </ul>	1 January 2016	The assessment has indicated that that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Western Water financial statements
AASB 16 Leases.	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase.</p> <p>Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.</p> <p>No change for lessors.</p>
AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> <li>• the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and</li> <li>• other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</li> </ul>	1 January 2018	<p>The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.</p>
AASB 2014 – 5 Amendments to Australian Accounting Standards arising from AASB 15.	<p>Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when:</p> <ul style="list-style-type: none"> <li>• the entity's right to receive payment of the dividend is established;</li> <li>• it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>• it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>• the amount can be measured reliably.</li> </ul>	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply from 1 January 2018	The assessment has indicated that there will be no significant impact for the Corporation.
AASB 2014 – 7 Amendments to Australian Accounting Standards arising from AASB 9.	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 July 2018	The assessment has indicated that there will be no significant impact for the Corporation.

## Note 1: Summary of significant accounting policies (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Western Water financial statements
AASB 2014 – 9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128].	Amends AASB 127 to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. In particular, dividends from a subsidiary, a joint venture or an associate are recognised in profit or loss in the separate financial statements of an entity when the entity's right to receive the dividend is established. The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.	1 January 2016	The Corporation will account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.
AASB 2014 – 10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128].	Amends AASB 10 and AASB 128 to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: <ul style="list-style-type: none"> <li>• a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and</li> <li>• a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</li> </ul>	1 January 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.
AASB 2015 – 1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140].	Amends the methods of disposal in AASB 5 Non current assets held for sale and discontinued operations. Amends AASB 7 Financial Instruments by including further guidance on servicing contracts.	1 January 2016	The assessment has indicated that when an asset (or disposal group) is reclassified from 'held to sale' to 'held for distribution', or vice versa, the asset does not have to be reinstated in the financial statements. Disclose is necessary for all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset.
AASB 2015 – 6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not for Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049].	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 January 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.
AASB 2015 – 8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 Revenue from Contracts with Customers.	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 14 Regulatory Deferral Accounts.	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 January 2016	The assessment has indicated that there is no expected impact as the Corporation has already adopted Australian Accounting Standards.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Western Water financial statements
ASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 Revenue from Contracts with Customers.	<p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> <li>• A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;</li> <li>• For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and</li> <li>• For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).</li> </ul>	1 January 2018	The assessment has indicated that there will be no significant impact for the Corporation, other than the impact identified in AASB 15.
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities.	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017	The assessment has indicated that there is minimal impact to the Corporation from this amendemnts. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.

In addition to the new standards and amendments above, the AASB has issued the following list of other accounting pronouncements that are not effective for the 2015-16 reporting period (as listed below). At this stage, preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 1056 Superannuation Entities;
- AASB 1057 Application of Australian Accounting Standards;
- AASB 2014 1 Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only];
- AASB 2014 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11];
- AASB 2014 6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141];
- AASB 2015 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049];
- AASB 2015 5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128];
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057];
- AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128;
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]; and
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.

## 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 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 and ageing analysis for credit risk.

Risk management is carried out by Western Water's Business Services department under policies approved by the Board of Directors. The Corporation identifies, evaluates and hedges financial risks in close co-operation with Treasury Corporation Victoria. The Audit and Risk Committee which is a sub-committee of the Board assists the Board to fulfil its governance and risk oversight responsibilities including the development of policies covering specific areas, such as foreign exchange risk, interest rate risk, 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 of 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 in the paragraphs below:

#### (i) Interest rate risk

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

Western Water minimises its exposure to interest rate changes on its long term borrowings by holding a high portion of fixed 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 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 rates in accordance with its Treasury Management Policies. As at 30 June 2016, no FSL arrangements were in place (2015: Nil).

#### (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.

#### Market risk sensitivity analysis

The following table summarises the sensitivity of Western Water's financial assets and financial liabilities to interest rate risk. The Corporation believes that:

- a movement of 0.5% in interest rate is reasonable over the next 12 months (2015: 0.5%).



## Market risk sensitivity analysis table

30 June 2016	Carrying amount \$'000	Interest rate risk			
		0.5%		-0.5%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	7,613	19	19	(19)	(19)
Contractual receivables	11,935	-	-	-	-
<b>Financial liabilities</b>					
Contractual payables	17,386	-	-	-	-
Interest bearing liabilities	181,000	(52)	(52)	52	52
<b>Total increase/(decrease)</b>		<b>(33)</b>	<b>(33)</b>	<b>33</b>	<b>33</b>

30 June 2015	Carrying amount \$'000	Interest rate risk			
		0.5%		-0.5%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	20,321	51	51	(51)	(51)
Contractual receivables	10,311	-	-	-	-
<b>Financial liabilities</b>					
Contractual payables	13,055	-	-	-	-
Interest bearing liabilities	181,000	(82)	(82)	82	82
<b>Total increase/(decrease)</b>		<b>(31)</b>	<b>(31)</b>	<b>31</b>	<b>31</b>

The majority of interest bearing liabilities are fixed rate loans. Interest rate sensitivity has been applied only for the loans that are maturing within the next 12 months (Note 17).

**(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 overdue receivables.

## Note 2: Financial risk management objectives and policies (continued)

### (i) Credit quality of contractual financial assets that are neither past due nor impaired

	Financial institutions (triple-A credit rating) \$'000	Government agencies (triple-A credit rating) \$'000	Government agencies (triple-B credit rating) \$'000	Other (min triple-B credit rating) \$'000
<b>2016</b>				
Cash and cash equivalents	-	7,300	-	313
Contractual receivables	-	-	-	11,935
<b>Total</b>	<b>-</b>	<b>7,300</b>	<b>-</b>	<b>12,248</b>
<b>2015</b>				
Cash and cash equivalents	-	19,000	-	1,319
Contractual receivables	-	-	-	10,311
<b>Total</b>	<b>-</b>	<b>19,000</b>	<b>-</b>	<b>11,630</b>

An analysis of the ageing of Western Water's receivables at reporting date has been provided in Note 7(b)

### (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. The Treasurer's approval for 2016/17 borrowings was obtained in June 2016.

Western Water's financial liability maturities have been disclosed in Note 17.

### (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(e)(vii) – under Fair Value for accounting policy relating to disclosure of fair value measurement hierarchy.

Refer to Note 17 for information on Western Water's financial assets and financial liabilities measured and recognised at fair value at 30 June 2016 and 2015.

## Note 3: Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### (a) Long service leave

Determination of Conditional and Unconditional Long Service Leave calculation depends on a number of factors using a number of assumptions. The assumptions used in determining the net present value of Conditional Long Service Leave include the use of a discount rate. Any changes in these assumptions will impact the carrying amount of the Long Service Leave (Note 1(f)(iii) and 13).

### (b) Accrued income

Determination of unearned income for Water and Sewer service charges and usage includes a number of assumptions. The assumptions used in determining the Water and Sewer service charge revenue include an estimate of the average daily usage rate determined with reference to a prior billing cycle. An assumption on the percentage of water losses is also required in determining the Water usage. Any changes in these assumptions will impact the carrying amount of the unearned income (Note 1(c)(i) and 7).

### (c) Residual values and useful lives

The majority of infrastructure assets do not have residual values as it is assumed assets will be replaced when there is no remaining economic value at the end of their useful life. Useful lives are determined by reference to engineering design lives and asset extension activities including asset maintenance and protection activity. Should assets be replaced earlier than their useful life there is a possibility that there may be scrap value attributable to the asset, or alternatively the asset may require to be written off (Note 1(d)(ii), 1(e)(iv) to (ix), 8 and 9).

Motor vehicles are replaced on a more frequent basis with assumed residual values based on expected usage over an estimated period of time the vehicle will be held for (Note 1(d)(ii), 1(e)(iv) to (viii) and 8).

### (d) Asset impairment

Property, plant & equipment and intangible information technology assets are assumed to be of economic benefit and while impairment testing is undertaken, technological obsolescence may require impairment earlier than the assets useful life (Note 1(e)(viii), 8 and 9).

### (e) Contingent assets

The amount of contingent assets disclosed in Note 19 is based on information supplied by developers as to the amount and percentage complete at 30 June of assets currently under construction which will ultimately be transferred to Western Water at a future time when statement of compliance is issued.

## Note 3: Critical accounting estimates and judgements (continued)

### **(f) Defined benefit superannuation**

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact whether the Vested Benefits Index triggers the trustees to make a call on employers (Note 20).

### **(g) Deferred tax assets and liabilities**

Deferred Tax balances depend on temporary differences. Deferred tax assets represent the amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carry forward of unused tax losses. Deferred tax liabilities represent the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax balances include estimations such as depreciation expense calculations, which are based on the estimated useful lives of assets, and long service leave balances (Note 1(h) and 10).

## Note 4: Revenue and expense disclosures

### (a) Revenue

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Services charges</b>		
Water	16,477	15,107
Sewerage	31,953	30,052
Recycled water	258	206
	48,688	45,365
<b>Water usage charges</b>		
Water	26,634	22,176
Recycled water	1,613	1,331
Government water rebate *	(5,559)	(5,406)
Melbourne Water efficiency rebate **	2,474	4,041
	25,162	22,142
<b>Total service and usage charges</b>	<b>73,850</b>	<b>67,507</b>
<b>Government grants and contributions</b>		
• Operating	179	182
<b>Interest</b>		
Investments	228	101
<b>Developer contributions</b>		
Fees paid by developers	7,590	5,771
Assets received from developers	17,584	6,138
	25,174	11,909
	<b>99,431</b>	<b>79,699</b>

\* On 11 May 2014 the then Minister for Water announced the Victorian Government's Water Rebate (formally known as Fairer Water Bills Initiative) to deliver more than \$1 billion of savings that will be made across Victoria's urban water sector over the four years from 1 July 2014. As part of this initiative, Western Water's residential water use customers are entitled to a bill reduction of \$100 in their first bill, for each of the four years starting from 1 July 2014. The amount \$5,558,532 represents the Government Water Rebate for the financial year 2015/16 (2015: \$5,405,724).

\*\* Consistent with the Victorian Government's Water Rebate initiative, Western Water is entitled to receive a portion of Melbourne Water efficiency savings. Western Water received \$2,473,601 for the financial year 2015/16 (2015: \$4,041,413).

### (b) Net gain/(loss) on disposal of infrastructure, property, plant and equipment

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

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Net gain (loss) on disposal</b>		
Proceeds from sale of infrastructure, property, plant and equipment	461	445
Less Written down value of asset sold	(622)	(564)
	<b>(161)</b>	<b>(119)</b>

## Note 4: Revenue and expense disclosures (continued)

**(c) Other revenue**

	30 June 2016 \$'000	30 June 2015 \$'000
Information statements	404	351
Tapping and connection fees	1,436	1,051
Property rental	65	61
Other	741	692
	<b>2,646</b>	<b>2,155</b>
	<b>2,485</b>	<b>2,036</b>
<b>Total revenue</b>	<b>101,916</b>	<b>81,735</b>

**(d) Expenses**

<b>Borrowing costs</b>		
Interest expense	8,994	8,816
Financial accommodation levy	2,115	1,875
	<b>11,109</b>	<b>10,691</b>
<b>Depreciation</b>		
Buildings	256	255
Infrastructure, P&E	16,240	15,836
Motor vehicles	420	318
<b>Total depreciation</b>	<b>16,916</b>	<b>16,409</b>
<b>Amortisation</b>		
Leasehold Improvements	253	252
Intangible assets	1,642	1,573
<b>Total amortisation</b>	<b>1,895</b>	<b>1,825</b>
	<b>18,811</b>	<b>18,234</b>
<b>Employee benefits</b>		
Salary & wages	12,523	12,120
Annual leave and long service leave provisions	114	241
Employer's superannuation contributions	1,143	1,055
Other	829	816
<b>Total employee benefits</b>	<b>14,609</b>	<b>14,232</b>
<b>Other operating and administration expenses include:</b>		
Bad and doubtful debts	378	413
Operating Lease rental expense	634	615
<b>Auditors' remuneration</b>		
Victorian Auditor-General's Office for audit of annual financial statements	49	48
Internal audit	79	113
Regulatory audits	92	73
<b>Total auditors' remuneration</b>	<b>220</b>	<b>234</b>

## Note 5: 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

	30 June 2016 \$'000	30 June 2015 \$'000
Current income tax charge	2,848	-
Deferred tax relating to temporary differences	715	1,105
Deferred tax asset	2,036	2,470
Other	(26)	(64)
	<b>5,573</b>	<b>3,511</b>

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

Net result before income tax expense	18,538	11,677
Tax at the Australian tax rate of 30% (2015: 30%)	5,561	3,503
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
• Other	12	8
Income tax as reported in the Comprehensive Operating Statement	<b>5,573</b>	<b>3,511</b>

### (c) Income tax payable

Current tax liabilities	2,508	-
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### (d) Tax expense relating to items of other comprehensive income

Revaluation increase of infrastructure, property, plant and equipment	20,194	-
	<b>20,194</b>	<b>-</b>

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## Note 6: Cash and cash equivalents

	30 June 2016 \$'000	30 June 2015 \$'000
Cash on hand	2	2
Cash at bank	311	1,319
Deposits at call	7,300	19,000
	<b>7,613</b>	<b>20,321</b>

**(a) Reconciliation to cash at the end of 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	7,613	20,321
Balances as per Cash Flow Statement	<b>7,613</b>	<b>20,321</b>

**(b) Cash on hand**

These are non interest bearing	2	2
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**(c) Deposits at call**

The deposits are bearing floating interest rates between 1.70% and 1.95% (2015: 1.95% and 2.45%)	7,300	19,000
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## Note 7: Receivables

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Current</b>		
<i>Contractual</i>		
Trade receivables	11,909	10,354
Provision for impaired receivables	(155)	(165)
	<b>11,754</b>	<b>10,189</b>
<i>Statutory</i>		
GST Input Tax credit receivables	995	926
	<b>12,749</b>	<b>11,115</b>
<b>Non-current</b>		
<i>Contractual</i>		
Other receivables	181	122
	<b>12,930</b>	<b>11,237</b>

### (a) Provision for impaired receivables

As at 30 June 2016, current receivables of the Corporation with a nominal value of \$ 154,515 (2015: \$165,444) were impaired. The amount of the provision was \$ 154,515 (2015: \$165,444). The individually impaired receivables relate to provision of Recycled Water Service, cost recovery, 3rd party damage to Western Water assets and unlocatable vacated tenants.

The ageing of these receivables is as follows:

	30 June 2016 \$'000	30 June 2015 \$'000
Over 6 months	155	165
	<b>155</b>	<b>165</b>
Movements in the provision for impaired receivables are as follows:		
At 1 July	(165)	(85)
Provision for impairment recognised during the year	(378)	(413)
Receivables written off during the year as uncollectable	388	333
	<b>(155)</b>	<b>(165)</b>

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.

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## Note 7: Receivables (continued)

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

As of 30 June 2016, trade receivables of \$ 5,813,675 (2015: \$5,304,815) were past due but not impaired. These relate to a number of independent customers for whom there is an expectation of recovery. The ageing analysis of these receivables is as follows:

	30 June 2016 \$'000	30 June 2015 \$'000
1 to 3 months	3,185	2,844
4 months	12	8
Over 4 months	2,617	2,453
	<b>5,814</b>	<b>5,305</b>

The other amounts within receivables do not contain impaired assets and are not over 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**

None of the Corporations receivables are exposed to foreign exchange risk. The carrying amounts of the Corporation's current and non-current receivables are denominated in the following currencies:

	30 June 2016 \$'000	30 June 2015 \$'000
Australian dollars	12,930	11,237
	<b>12,930</b>	<b>11,237</b>
Current receivables	12,749	11,115
Non current receivables	181	122
	<b>12,930</b>	<b>11,237</b>

A summarised analysis of the sensitivity of receivables to interest rate risk can be found in Note 17.

**(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. Detailed below are long term non-current receivables.

	2016		2015	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Private schemes	83	83	84	84
Bond paid	98	98	38	38
	<b>181</b>	<b>181</b>	<b>122</b>	<b>122</b>

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 8: Infrastructure, property, plant and equipment

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

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Land</b>		
At fair value	26,595	20,909
	<b>26,595</b>	<b>20,909</b>
<b>Buildings</b>		
At fair value	9,820	12,380
Less: accumulated depreciation	-	(958)
	<b>9,820</b>	<b>11,422</b>
<b>Infrastructure</b>		
At fair value	690,091	666,466
Accumulated depreciation	-	(53,845)
	<b>690,091</b>	<b>612,621</b>
<b>Equipment</b>		
At fair value	16,374	20,626
Accumulated depreciation	(7,569)	(11,753)
	<b>8,805</b>	<b>8,873</b>
<b>Motor vehicles</b>		
At fair value	3,664	3,044
Less: accumulated depreciation	(931)	(781)
	<b>2,733</b>	<b>2,263</b>
<b>Leasehold Assets</b>		
At fair value	1,886	1,886
Less: accumulated depreciation	(1,592)	(1,339)
	<b>294</b>	<b>547</b>
<b>Capital Work in Progress</b>		
At cost	40,371	19,911
<b>Total of infrastructure, property, plant &amp; equipment after (under construction)</b>	<b>778,709</b>	<b>676,546</b>

## Note 8: Infrastructure, property, plant and equipment (continued)

### Land

Land was valued at 30 June 2016 by the Valuer-General Victoria (VGV) and representatives of VGV using the Market Approach, whereby the properties were compared to available recent comparable land sales making adjustment for points of difference to establish the Fair Value.

The properties were valued on the basis of the existing zoning or underlying zonings.

If appropriate an allowance was made for the risk associated with the removal of the public use restrictions of the site and consideration was given to any political, social or economic restraints due to the Public Sector ownership.

In assessing the Fair Value, the valuation also had regard to the Highest and Best Use (HBU) of the land.

### Buildings

Buildings were valued at 30 June 2016 by the Valuer-General Victoria (VGV) and representatives of VGV using the Depreciated Replacement Cost (DRC) approach. The DRC approach considered the specialised nature of the buildings and was deemed suitable given the absence of an active market for such buildings.

Building costs were used in assessing the Fair Value based on best available evidence from recognised building cost indicators and or Quantity Surveyors and examples of current costs.

The assessment included upgrading the buildings to meet current building regulations, professional fees, building and design approval and other general fees and disbursements.

### Infrastructure

Infrastructure assets were valued at 30 June 2016 by JLT Valuation Services using the Depreciated Replacement Cost (DRC) approach. The DRC approach is considered appropriate as there is no market-based evidence of fair value due to the specialised nature of the infrastructure assets.

The Replacement Cost has been determined at the date of the valuation to allow for replacement by similar assets, in a condition equal to but not better, nor more extensive, than its condition when new. As appropriate, due allowance has been made for land or sea cartage and freight, insurance, duty, delivery, installation, commissioning, design, engineering costs and obsolescence.

In assessing the Fair Value, the valuation had regard to the Highest and Best Use (HBU) of the infrastructure assets.

### Equipment

Equipment was valued at 30 June 2016 by JLT Valuation Services and Western Water using the Depreciated Replacement Cost (DRC) approach or the Market Approach depending on the availability of observable market values for the assets.

No infrastructure or property, plant and equipment assets of Western Water have been pledged as security.



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## Note 8: Infrastructure, property, plant and equipment (continued)

## (c) Movements during the reporting period 2014–2015

	Land At fair value \$'000	Buildings At fair value \$'000	Infrastructure At fair value \$'000	Equipment At fair value \$'000	Motor vehicles At fair value \$'000	Leasehold Assets At fair value \$'000	Assets under construction At cost \$'000	Total infrastructure, property, plant and equipment \$'000
<b>At 1 July 2014</b>								
Cost or fair value	20,909	11,643	610,656	5,346	1,782	799	18,140	669,275
Additions/ Capital expenditure	-	34	19,542	1,679	1,351	-	1,771	24,377
Disposals	-	-	(10)	(35)	(552)	-	-	(597)
Re-classification	-	-	(3,228)	3,380	-	-	-	152
Depreciation	-	(255)	(14,339)	(1,497)	(318)	(252)	-	(16,661)
<b>Closing balance 30 June 2015</b>	<b>20,909</b>	<b>11,422</b>	<b>612,621</b>	<b>8,873</b>	<b>2,263</b>	<b>547</b>	<b>19,911</b>	<b>676,546</b>
<b>At 1 July 2014</b>								
Cost or fair value								720,789
Accumulated depreciation and impairment								(51,514)
<b>Net carrying amount</b>								<b>669,275</b>
<b>At 30 June 2015</b>								
Cost or fair value								744,721
Accumulated depreciation and impairment								(68,175)
<b>Net carrying amount</b>								<b>676,546</b>

## (d) Aggregate depreciation recognised as an expense during the year

	30 June 2016 \$'000	30 June 2015 \$'000
Buildings	256	255
Infrastructure	14,822	14,339
Equipment	1,418	1,497
Motor vehicles	420	318
	<b>16,916</b>	<b>16,409</b>

## (e) Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying amount as at 30 June 2016 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Land at fair value – Specialised land</b>				
• Water storage land	2,912	-	-	2,912
• Treatment plants land	14,540	-	-	14,540
• Telemetry land	30	-	-	30
• Tank wastewater land	5,283	-	-	5,283
• Pump station land	3,769	-	-	3,769
• Other land	61	-	-	61
<b>Total of land at fair value</b>	<b>26,595</b>	<b>-</b>	<b>-</b>	<b>26,595</b>
<b>Buildings at fair value – Specialised buildings</b>				
• Sheds	844	-	-	844
• Other buildings	8,930	-	-	8,930
• Pump station buildings	46	-	-	46
<b>Total of buildings at fair value</b>	<b>9,820</b>	<b>-</b>	<b>-</b>	<b>9,820</b>
<b>Infrastructure at fair value – Specialised infrastructure</b>				
• Reservoirs	39,346	-	-	39,346
• Water pipework	207,063	-	-	207,063
• Water/storage tanks	42,668	-	-	42,668
• Sewer/Recycled water pipework and rising mains	247,318	-	-	247,318
• Sewerage manholes	19,827	-	-	19,827
• Lagoons	12,682	-	-	12,682
• Pumps	6,126	-	-	6,126
• Sewer treatment tanks	15,129	-	-	15,129
• Other infrastructure	99,932	-	-	99,932
<b>Total of infrastructure at fair value</b>	<b>690,091</b>	<b>-</b>	<b>-</b>	<b>690,091</b>
<b>Equipment at fair value – Specialised equipment</b>				
• Computer, furniture and fittings	1,549	-	-	1,549
• Compressors	792	-	-	792
• Machinery	813	-	-	813
• Other equipment	5,651	-	-	5,651
<b>Total of equipment at fair value</b>	<b>8,805</b>	<b>-</b>	<b>-</b>	<b>8,805</b>
<b>Motor vehicles at fair value – Non-specialised motor vehicles</b>				
• 4WD	1,154	-	-	1,154
• Passenger	438	-	-	438
• Trucks	923	-	-	923
• Utilities	218	-	-	218
<b>Total of motor vehicles at fair value</b>	<b>2,733</b>	<b>-</b>	<b>-</b>	<b>2,733</b>
Leasehold Assets at fair value – Leasehold improvements	294	-	-	294
<b>Total of leasehold assets at fair value</b>	<b>294</b>	<b>-</b>	<b>-</b>	<b>294</b>
<b>Total infrastructure, property, plant &amp; equipment excluding assets under construction</b>	<b>738,338</b>	<b>-</b>	<b>-</b>	<b>738,338</b>

## Note 8: Infrastructure, property, plant and equipment (continued)

There have been no transfers between levels during the period.

### Specialised land and buildings

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

The market approach is also 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.

Independent valuations of Western Water's specialised land and specialised buildings were performed by the Valuer General Victoria as at 30 June 2016. The valuations were performed based on the market approach and adjusted for the CSO as applicable.

### Specialised infrastructure

Specialised infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the infrastructure (building/component) 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 includes structure services and finishes as applicable.

An independent valuation of Western Water's specialised infrastructure was performed by the Valuer General Victoria as at 30 June 2016. The valuation was performed based on the depreciated replacement cost of the assets.

These assets are classified as level 3 fair value as the lowest level input. The absence of an active market, has a significant impact on the fair value which is unobservable.

### 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.

### 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 represent the leasehold improvements. Leasehold assets are valued using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the year to 30 June 2016.



**(f) Fair value measurement hierarchy for assets as at 30 June 2015**

	Carrying amount as at 30 June 2015 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Land at fair value – Specialised land</b>				
• Water storage land	2,733	-	-	2,733
• Treatment plants land	12,550	-	-	12,550
• Telemetry land	200	-	-	200
• Tank wastewater land	2,710	-	-	2,710
• Pump station land	2,659	-	-	2,659
• Other land	57	-	-	57
<b>Total of land at fair value</b>	<b>20,909</b>	<b>-</b>	<b>-</b>	<b>20,909</b>
<b>Buildings at fair value – Specialised buildings</b>				
• Sheds	1,473	-	-	1,473
• Other buildings	9,914	-	-	9,914
• Pump station buildings	35	-	-	35
<b>Total of buildings at fair value</b>	<b>11,422</b>	<b>-</b>	<b>-</b>	<b>11,422</b>
<b>Infrastructure at fair value – Specialised infrastructure</b>				
• Reservoirs	23,888	-	-	23,888
• Water pipework	200,629	-	-	200,629
• Water/storage tanks	26,403	-	-	26,403
• Sewer/Recycled water pipework and rising mains	227,049	-	-	227,049
• Sewerage manholes	21,206	-	-	21,206
• Lagoons	7,219	-	-	7,219
• Pumps	5,836	-	-	5,836
• Sewer treatment tanks	6,455	-	-	6,455
• Other infrastructure	93,936	-	-	93,936
<b>Total of infrastructure at fair value</b>	<b>612,621</b>	<b>-</b>	<b>-</b>	<b>612,621</b>
<b>Equipment at fair value – Specialised equipment</b>				
• Computer, furniture and fittings	1,846	-	-	1,846
• Compressors	569	-	-	569
• Machinery	610	-	-	610
• Other equipment	5,848	-	-	5,848
<b>Total of equipment at fair value</b>	<b>8,873</b>	<b>-</b>	<b>-</b>	<b>8,873</b>
<b>Motor vehicles at fair value – Non-specialised motor vehicles</b>				
• 4WD	896	-	-	896
• Passenger	511	-	-	511
• Trucks	630	-	-	630
• Utilities	226	-	-	226
<b>Total of motor vehicles at fair value</b>	<b>2,263</b>	<b>-</b>	<b>-</b>	<b>2,263</b>
Leasehold Assets at fair value – Leasehold improvements	547	-	-	547
<b>Total of leasehold assets at fair value</b>	<b>547</b>	<b>-</b>	<b>-</b>	<b>547</b>
<b>Total infrastructure, property, plant &amp; equipment excluding assets under construction</b>	<b>656,635</b>			<b>656,635</b>

## Note 8: Infrastructure, property, plant and equipment (continued)

## (g) Description of significant unobservable inputs to Level 3 valuations as at 30 June 2016

Asset class	Fair value at 30 June 2016 \$'000	Valuation technique	Significant unobservable inputs
<b>Land at fair value – Specialised land</b>		Market approach	Community Service Obligations (CSO)
• Water storage land	2,912		
• Treatment plants land	14,540		
• Telemetry land	30		
• Tank wastewater land	5,283		
• Pump station land	3,769		
• Other land	61		
<b>Buildings at fair value – Specialised buildings</b>		Depreciated replacement cost	Useful life Remaining useful life Average cost per unit
Specialised buildings			
• Sheds	844		
• Other buildings	8,930		
• Pump station buildings	46		
<b>Infrastructure at fair value – Specialised infrastructure</b>		Depreciated replacement cost	Useful life Remaining useful life Average cost per unit
• Reservoirs	39,346		
• Water pipework	207,063		
• Water/storage tanks	42,668		
• Sewer/recycled water pipework and rising mains	247,318		
• Sewerage manholes	19,827		
• Lagoons	12,682		
• Pumps	6,126		
• Sewer treatment tanks	15,129		
• Other infrastructure	99,933		
<b>Equipment at fair value – Specialised equipment</b>		Depreciated replacement cost	Useful life Remaining useful life Average cost per unit
• Computer, furniture and fittings	1,549		
• Compressors	792		
• Machinery	813		
• Other equipment	5,651		
<b>Motor vehicles at fair value – Non-specialised motor vehicles</b>		Depreciated replacement cost	Remaining useful life Salvage value
• 4WD	1,154		
• Passenger	438		
• Trucks	923		
• Utilities	218		
<b>Leasehold assets at fair value – Leasehold improvements</b>	294	Depreciated replacement cost	Remaining life of the lease
<b>Total</b>	<b>738,338</b>		

**(h) Reconciliation of Level 3 fair value as at 30 June 2016**

2016	Specialised land \$'000	Specialised buildings \$'000	Specialised infrastructure \$'000	Specialised equipment \$'000	Non-specialised motor vehicle \$'000	Leasehold assets \$'000
<b>Opening balance</b>	20,909	11,422	612,621	8,873	2,263	547
Purchases	2,356	-	27,260	1,061	1,406	-
Sales	-	-	-	(6)	(516)	-
Transfers in (out) of Level 3	-	-	-	-	-	-
Reclassification within Level 3	-	-	(40)	40	-	-
Depreciation	-	(256)	(14,822)	(1,418)	(420)	(253)
<b>Subtotal</b>	<b>23,265</b>	<b>11,166</b>	<b>625,019</b>	<b>8,550</b>	<b>2,733</b>	<b>294</b>
Revaluation	3,330	(1,346)	65,072	255	-	-
<b>Subtotal</b>	<b>3,330</b>	<b>(1,346)</b>	<b>65,072</b>	<b>255</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>26,595</b>	<b>9,820</b>	<b>690,091</b>	<b>8,805</b>	<b>2,733</b>	<b>294</b>

**(i) Reconciliation of Level 3 fair value as at 30 June 2015**

2015	Specialised land \$'000	Specialised buildings \$'000	Specialised infrastructure \$'000	Specialised equipment \$'000	Non-specialised motor vehicle \$'000	Leasehold assets \$'000
<b>Opening balance</b>	20,909	11,643	610,656	5,346	1,782	799
Purchases	-	34	19,542	1,679	1,351	-
Sales	-	-	(10)	(35)	(552)	-
Transfers in (out) of Level 3	-	-	-	-	-	-
Reclassification within Level 3	-	-	(3,228)	3,380	-	-
Depreciation	-	(255)	(14,339)	(1,497)	(318)	(252)
<b>Subtotal</b>	<b>20,909</b>	<b>11,422</b>	<b>612,621</b>	<b>8,873</b>	<b>2,263</b>	<b>547</b>
Revaluation	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>20,909</b>	<b>11,422</b>	<b>612,621</b>	<b>8,873</b>	<b>2,263</b>	<b>547</b>

## Note 9: Intangible assets

	Computer software * \$'000	Bulk entitlement \$'000	Total \$'000
<b>Year ended 30 June 2016</b>			
At 1 July 2015, net of accumulated amortisation	4,995	2,591	7,586
Additions	1,226	-	1,226
Amortisation	(1,642)	-	(1,642)
	4,579	2,591	7,170
<b>Under construction</b>			
At 1 July 2015	2,623	-	2,623
Additions	773	-	773
Reclassification (Note 8(b))	(1,376)	-	(1,376)
	2,020	-	2,020
<b>At 30 June 2016, net of accumulated amortisation</b>	<b>6,599</b>	<b>2,591</b>	<b>9,190</b>
Cost	16,883	2,591	19,474
Less: accumulated amortisation	(10,284)	-	(10,284)
<b>Net carrying amount</b>	<b>6,599</b>	<b>2,591</b>	<b>9,190</b>

	Computer software * \$'000	Bulk entitlement \$'000	Total \$'000
<b>Year ended 30 June 2015</b>			
At 1 July 2014, net of accumulated amortisation	5,651	2,591	8,242
Reclassification (Note 8(b))	(152)	-	(152)
Additions	1,069	-	1,069
Amortisation	(1,573)	-	(1,573)
	4,995	2,591	7,586
<b>Under construction</b>			
At 1 July 2014	1,711	-	1,711
Additions	912	-	912
	2,623	-	2,623
<b>At 30 June 2015, net of accumulated amortisation</b>	<b>7,618</b>	<b>2,591</b>	<b>10,209</b>
Cost	16,260	2,591	18,851
Less: accumulated amortisation	(8,642)	-	(8,642)
<b>Net carrying amount</b>	<b>7,618</b>	<b>2,591</b>	<b>10,209</b>

\* Software includes capitalised development costs being an internally generated intangible asset.

## Note 10: Deferred taxes

### (a) Deferred tax assets

The balance comprises temporary differences attributable to:

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Amounts recognised in comprehensive operating statement</b>		
Doubtful debts	46	50
Employee benefits	1,054	1,020
Tax losses	-	2,036
Other	20	20
<b>Total deferred tax assets</b>	<b>1,120</b>	<b>3,126</b>
<b>Movements</b>		
Opening balance at 1 July	3,126	6,803
Credited/(debited) to the comprehensive operating statement	31	79
Tax losses	(2,037)	(3,756)
<b>Closing balance at 30 June</b>	<b>1,120</b>	<b>3,126</b>
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax asset to be recovered after more than 12 months	1,120	3,126

### (b) Deferred tax liabilities

The balance sheet comprises temporary differences attributable to:

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Amounts recognised in comprehensive operating statement</b>		
Depreciation	42,259	41,540
	42,259	41,540
<b>Amounts recognised directly in equity</b>		
Revaluation of infrastructure property, plant and equipment	56,360	36,167
	56,360	36,167
<b>Total deferred tax liabilities</b>	<b>98,619</b>	<b>77,707</b>
<b>Movements</b>		
Opening balance at 1 July	77,707	77,872
Charged to the comprehensive operating statement	718	1,105
Adjustment to accrued revenue	-	(1,270)
Asset Revaluation	20,194	-
<b>Closing balance 30 June</b>	<b>98,619</b>	<b>77,707</b>
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities to be recovered after more than 12 months	98,619	77,707
<b>Net deferred tax assets/(liabilities)</b>	<b>(97,499)</b>	<b>(74,581)</b>

## Note 11: Payables

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Current/unsecured</b>		
<b>Contractual</b>		
Trade creditors	5,713	6,434
Contractor deposits & retentions	1,030	833
Accrued expenses – Interest	2,336	2,431
Accrued expenses – Other	8,307	3,357
	<b>17,386</b>	<b>13,055</b>
<b>Statutory</b>		
Payables – GST	16	19
Payables – FBT	12	16
Payables – Superannuation	125	113
	153	148
<b>Total current payable</b>	<b>17,539</b>	<b>13,203</b>

None of the Corporations payables are exposed to foreign exchange risk. Refer to Note 2(a) and 17 for exposure to interest rate sensitivity.

## Note 12: Interest bearing liabilities

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Current – Secured</b>	-	-
<b>Non-current – Secured</b>		
Loans (b) (Note 1(b) and 1(f)(ii))	181,000	181,000
<b>Total interest bearing liabilities</b>	<b>181,000</b>	<b>181,000</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>Loan facilities (b)</b>		
Total facilities	181,000	181,000
Used at balance date	181,000	181,000
<b>Unused at balance date</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 13 years (2015: 13 years).

All loans are with Treasury Corporation of Victoria borrowed 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 obtained in June 2016 which included the refinancing of \$17.0 million (2015/16: \$15.0 million) of maturing loans and obtaining new loans of \$55.0 million (2015/16: \$20.0 million) between 1 July 2016 and 30 June 2017.

## Note 12: Interest bearing liabilities (continued)

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Non traded financial liabilities</b>		
Loans-carrying amount	181,000	181,000
Loans-fair value	206,656	199,949

The fair values of non-current interest bearing liabilities are based on cash flows discounted using borrowing rates varying from 1.890% to 7.225%, depending on the type of the borrowing (2015: 3.165% to 7.250%).

### 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:

	30 June 2016 \$'000	30 June 2015 \$'000
6 months or less	-	-
6-12 months	-	-
1-5 years	57,500	65,000
Over 5 years	123,500	116,000
	<b>181,000</b>	<b>181,000</b>
Current borrowings	-	-
Non current borrowings	181,000	181,000
	<b>181,000</b>	<b>181,000</b>

Treasurer's approval was received in June 2016 to refinance all loans maturing in 2016/17. In line with the 2016/17 Corporate Plan, all maturing debts in financial year 2016/17 will be refinanced.

None of the Corporations borrowings are exposed to foreign exchange risk. The carrying amounts of the Corporation's borrowings are denominated in the following currencies:

	30 June 2016 \$'000	30 June 2015 \$'000
Australian dollar	181,000	181,000

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

## Note 13: Provisions and employee benefits

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Current provisions</b>		
Annual leave (Note 13(a))		
Unconditional and expected to settle within 12 months	793	767
Long service leave (Note 13(a))		
Unconditional and expected to settle within 12 months	282	237
Unconditional and expected to settle after 12 months	1,532	1,514
Provisions for on-costs (Note 13(a) and 13(b))		
Unconditional and expected to settle within 12 months	186	175
Unconditional and expected to settle after 12 months	238	241
<b>Total current provisions</b>	<b>3,031</b>	<b>2,934</b>
<b>Non-current provisions</b>		
Long service leave (Note 13(a))		
Conditional and expected to settle after 12 months	428	412
Provisions for on-costs (Note 13(a) and Note 13(b))		
Conditional and expected to settle after 12 months	66	65
<b>Total non-current provisions</b>	<b>494</b>	<b>477</b>
<b>Total provisions</b>	<b>3,525</b>	<b>3,411</b>

**(a) Employee benefits and on costs**

<b>Current employee benefits</b>		
Annual leave	793	767
Long service leave	1,814	1,751
	2,607	2,518
<b>Non-current employee benefits</b>		
Long service leave	428	412
<b>Total employee benefits</b>	<b>3,035</b>	<b>2,930</b>
Current on-costs	424	416
Non-current on-costs	66	65
<b>Total on-costs</b>	<b>490</b>	<b>481</b>
<b>Total employee benefits and on-costs</b>	<b>3,525</b>	<b>3,411</b>



**(b) Movement in provisions**

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Annual leave (including on-costs)</b>	-	-
Carrying amount at start of year	904	875
Additional provision recognised (net)	28	29
	932	904
<b>Long service leave (including on-costs)</b>		
Carrying amount at start of year	2,507	2,295
Additional provision recognised (net)	86	212
	2,593	2,507
	3,525	3,411

The following assumptions were adopted in measuring the present value of long service leave:

	30 June 2016 \$'000	30 June 2015 \$'000
Weighted average increase in employee costs	4.13%	3.50%
Weighted average discount rates	1.99%	3.03%
Weighted average settlement period	6 Years	7 Years

The Corporation made no ex-gratia payments to employees.

**Note 14: Contributed capital**

	30 June 2016 \$'000	30 June 2015 \$'000
Opening balance at 1 July	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 15: Reserves

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Composition of reserves</b>		
Asset revaluation reserve – Land	20,918	18,587
Asset revaluation reserve – Buildings	1,664	2,606
Asset revaluation reserve – Infrastructure	124,656	79,106
Asset revaluation reserve – Equipment	178	-
<b>Total reserves</b>	<b>147,416</b>	<b>100,299</b>
<b>Movement in reserves</b>		
Balance 1 July	100,299	100,299
Revaluation increment net of tax effect	47,117	-
<b>Balance 30 June</b>	<b>147,416</b>	<b>100,299</b>

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

## Note 16: Accumulated surplus

	30 June 2016 \$'000	30 June 2015 \$'000
Opening balance at 1 July	183,911	175,745
Net result for the period	12,965	8,166
<b>Closing balance at 30 June</b>	<b>196,876</b>	<b>183,911</b>

## Note 17: 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 tends to hold fixed rate liabilities to maturity.

2016	Non interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	Contractual repricing or maturity periods						Total \$'000
				1 Year or Less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Year \$'000 s	Over 5 years \$'000	
<b>Financial assets</b>										
Cash	2	-	7,611	-	-	-	-	-	-	7,613
Receivables	11,754	-	-	-	-	-	-	-	-	11,754
Other receivables	181	-	-	-	-	-	-	-	-	181
	11,937	-	7,611	-	-	-	-	-	-	19,548
<b>Financial liabilities</b>										
Payables	17,386	-	-	-	-	-	-	-	-	17,386
Interest bearing liabilities	-	181,000	-	-	16,500	13,500	10,000	17,500	123,500	181,000
	17,386	181,000	-	-	16,500	13,500	10,000	17,500	123,500	198,386
<b>Net financial liabilities</b>	(5,449)	(181,000)	7,611	-	(16,500)	(13,500)	(10,000)	(17,500)	(123,500)	(178,838)
Weighted average interest rate	-%	-%	2.37%	-%	6.62%	5.19%	5.82%	6.43%	4.25%	

## Note 17: Financial instruments (continued)

2015	Non interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	Contractual repricing or maturity periods						Total \$'000
				1 Year or Less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Year \$'000 s	Over 5 years \$'000	
<b>Financial assets</b>										
Cash	2	-	20,319	-	-	-	-	-	-	20,321
Receivables	10,189	-	-	-	-	-	-	-	-	10,189
Other receivables	122	-	-	-	-	-	-	-	-	122
	10,313	-	20,319	-	-	-	-	-	-	30,632
<b>Financial liabilities</b>										
Payables	13,055	-	-	-	-	-	-	-	-	13,055
Interest bearing liabilities	-	181,000	-	-	25,000	16,500	13,500	10,000	116,000	181,000
	13,055	181,000	-	-	25,000	16,500	13,500	10,000	116,000	194,055
<b>Net financial liabilities</b>	(2,742)	(181,000)	20,319	-	(25,000)	(16,500)	(13,500)	(10,000)	(116,000)	(163,423)
Weighted average interest rate	-%	-%	2.37%	-%	4.86%	6.62%	5.19%	5.82%	4.89%	

## Fair value

The following tables present Western Water's financial assets and financial liabilities measured and recognised at fair value at 30 June 2016 and 2015. It also shows the comparison between the carrying amount of the asset or liability and its fair value.

Please refer to Note 1(e)(vii) for accounting policies relating to disclosure of fair value measurement hierarchy.

	Carrying amount as at 30 June 2016 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Financial assets</b>				
Cash	7,613	7,613	-	-
Receivables	11,754	-	11,754	-
<b>Total financial assets</b>	<b>19,367</b>	<b>7,613</b>	<b>11,754</b>	<b>-</b>
<b>Financial liabilities</b>				
Payables	17,386	-	17,386	-
Interest bearing liabilities	181,000	-	206,656	-
<b>Total financial liabilities</b>	<b>198,386</b>	<b>-</b>	<b>224,042</b>	<b>-</b>

	Carrying amount as at 30 June 2015 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Financial assets</b>				
Cash	20,321	20,321	-	-
Receivables	10,189	-	10,189	-
<b>Total financial assets</b>	<b>30,510</b>	<b>20,321</b>	<b>10,189</b>	<b>-</b>
<b>Financial liabilities</b>				
Payables	13,055	-	13,055	-
Interest bearing liabilities	181,000	-	199,949	-
<b>Total financial liabilities</b>	<b>194,055</b>	<b>-</b>	<b>213,004</b>	<b>-</b>

There have been no transfers between levels during the period.

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.

None of the Corporation's financial instruments are recorded at fair value post initial recognition.

The carrying amounts of receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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## Note 18: Commitments

The following commitments are inclusive of GST

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Operating lease commitments</b>		
At 30 June 2016, Western Water had the following operating lease commitments:		
Outstanding lease commitments are to be paid as follows:		
• within one year	634	653
• one to five years	14	648
<b>Total operating lease commitments payable</b>	<b>648</b>	<b>1,301</b>
<b>Capital commitments</b>		
At 30 June 2016, Western Water had the following capital commitments:		
Outstanding capital commitments are to be paid as follows:		
• within one year	33,919	2,266
• one to five years	24,108	3,208
<b>Total capital commitments payable</b>	<b>58,027</b>	<b>5,474</b>
<b>Other significant operating commitments</b>		
At 30 June 2016, Western Water had the following operating commitments:		
Other significant operating commitments are likely to be exercised as follows:		
• within one year	3,610	4,066
• one to five years	552	3,639
<b>Total other significant operating commitments payable</b>	<b>4,162</b>	<b>7,705</b>
<b>Environment contribution commitments</b>		
At 30 June 2016, Western Water had environmental contribution commitments, to be paid as follows:		
• within one year	2,410	2,410
• one to five years	8,576	-
<b>Total environment contribution commitments payable</b>	<b>10,986</b>	<b>2,410</b>
<b>Operating lease receivables</b>		
At 30 June 2016, Western Water had the following operating lease commitments, to be received as follows:		
• within one year	254	178
• one to five years	2,176	708
<b>Total operating lease receivables</b>	<b>2,430</b>	<b>886</b>

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.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

## Note 19: Contingent liabilities and contingent assets

### Contingent liabilities

Developers are responsible for constructing water and sewer mains up to a diameter of 150mm and 225mm respectively. If Western Water require a main in excess of these sizes, an agreement is entered into with the developer to construct of the upsized main with the incremental cost being funded by Western Water. These agreements only commenced in 2015/16 due to the significant increase in developer activity.

	30 June 2016 \$'000	30 June 2015 \$'000
Total estimated contingent liabilities	347	-

### Contingent assets

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.

	30 June 2016 \$'000	30 June 2015 \$'000
Total estimated contingent assets	5,881	4,059

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## Note 20: Superannuation

Western Water makes its employer superannuation contributions in respect of its employees to a number of superannuation funds, with the majority of contributions made to the Local Authorities Superannuation Funds (the Fund). All defined benefit contributions are made to the Fund.

The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The Defined Benefit section provides lump sum benefits based on years of service and final average salary. In certain circumstances Defined Benefit member may be eligible to purchase a lifetime pension with up to 50% of their lump sum benefit. The Defined Benefit receives fixed contributions from Western Water and Western Water's legal or constructive obligation is limited to these contributions.

The obligations for contributions to the Fund and other Superannuation Funds are recognised as an expense in the Comprehensive Operating Statement when they are made or due.

### Accumulation

The Fund's accumulation category, Vision MySuper/ 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 2016, this was 9.50% (2015: 9.50%) as required under Superannuation Guarantee legislation. Our commitment to accumulation plans is limited to making contributions in accordance with our minimum statutory requirements. (There can be other agreements – i.e. contractual and or Enterprise Agreement that require additional contributions). 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.

The Superannuation Guarantee (SG) rate will remain at 9.50% for the next 5 years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

### Defined benefit plan

As provided under Paragraph 34 of AASB 119 – *Employee Benefits*, Western Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Western Water in the Fund cannot be measured as a percentage compared with other participating employer. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for the purposes of AASB 119 because of the pooled nature of the Fund's defined benefit category.

### Funding arrangements

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.

An actuarial investigation of the Fund is currently being undertaken to determine among other things the Vested Benefit Index (VBI) of the Defined Benefit category as at 30 June 2016. The VBI of the Defined Benefit category of which Western Water is a contributing employer was 102.4% as at 31 March 2016 (30 June 2015: 105.8%).



The Australian Prudential Regulation Authority (APRA) has introduced a prudential standard (SPS 160 – Defined Benefit Matters) to determine the funding requirements of a defined benefit (DB) arrangement. Under this standard:

- the VBI is the measure to determine whether there is an unfunded liability; and
- any unfunded liability that arises must be paid within three years.

Under SPS 160, the VBI is to be used as the primary funding indicator. Because the VBI was above 100% as at 31 March 2016, the actuarial investigation determined the defined benefit category was in a satisfactory financial position under SPS 160. As a result, the Fund Actuary determined that no change was necessary to the defined benefit category's funding arrangements from prior years.

The Fund's employer funding arrangements comprise of three components as follows:

1. Regular contributions – which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls – which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments – which are additional contributions to cover the increase in liability arising from retrenchments.

Western Water is also required to make additional contributions to cover the contribution tax payable on components 2 and 3 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.

## Employer contributions

### Regular contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Western Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate

was 9.50% of members' salaries (2015: 9.50%). This rate will increase in line with the required Superannuation Guarantee contribution rate increases.

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 multiplied by the benefit).

### Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Western Water) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's

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## Note 20: Superannuation (continued)

payroll at 30 June 1993 and at the date the shortfall has been calculated.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period; and
- The pensioner liabilities (including any potential pensioner liabilities arising from deferred members liabilities) which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

### Differences between calculations

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), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in 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.

### Retrenchment increments

During 2015-16, Western Water was not required to make payments to the Fund in respect of retrenchment increments (2015: \$nil). Western Water's liability to the Fund as at 30 June 2016, for retrenchment increments, accrued interest and tax is \$nil (2015: \$nil).

### Latest actuarial investigation surplus amounts

As stated previously, an actuarial investigation is currently being undertaken to determine the status of the Defined Benefit category as at 30 June 2016.

The 2015 interim actuarial investigation identified the following in the Defined Benefit category of which Western Water is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the funds' assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015.

The total service liability surplus means that the current value of the assets in the Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Western Water was notified of the 30 June 2015 VBI during August 2015.

### The 2014 full actuarial investigation

The Fund's latest actuarial investigation as at 30 June 2014 identified the following in the defined benefit category of which Western Water is a contributing employer:

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 million.

### Accrued benefits

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:

	30 June 2014
Net investment return	7.50% p.a.
Salary inflation	4.25% p.a.
Price inflation	2.75% p.a.

### Prior actuarial investigation shortfall amounts

The Fund's prior actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category. There was no amount outstanding as at 30 June 2016 (2015: \$2.6 million).

Western Water was informed of its share of the shortfall on 2 August 2012 and Western Water's share of the shortfall amounted to \$2,147,821 (including contributions tax) which has been accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

Western Water has \$nil amount owing as at 30 June 2016 (2015: \$nil).

### Superannuation contributions

Contributions by Western Water (excluding any unfunded liability payments) to the various superannuation plans for the financial year ended 30 June 2016 are detailed below:

Scheme	Type of scheme	Contribution Rate	30 June 2016	30 June 2015
			\$'000	\$'000
Vision Super	Defined Benefit	9.50%	135	140
Vision Super	Defined Contribution	9.50%	736	757
Other Super Funds	Defined Contribution	9.50%–10.00%	378	275
			1,249	1,172

As at the reporting date, there was \$74,828 (2015: \$79,086) payable to Vision Super and \$41,694 (2015: \$33,871) payable to other super funds through Vision Clearing House for payments in the normal course of business and there was no amount payable to Vision Super in relation to an Executive Termination (2015: \$nil).

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

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2016 is \$134,575 (2015: \$130,000).

## Note 21: Remuneration of executives and payments to other personnel

### 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

The persons who held the positions of ministers and accountable officers in the Corporation are as follows:

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Environment, Climate Change and Water	1 July 2015 to 22 May 2016
	Minister for Water	23 May 2016 to 30 June 2016 *
L Cade	Chairman of the Board of Directors	1 July 2015 to 30 September 2015
T Larkins	Chairman of the Board of Directors	1 October 2015 to 30 June 2016 *
	Chairman of the People and Culture Committee	21 October 2015 to 30 June 2016 *
R Anderson	Deputy Chairman of the Board of Directors	1 July 2015 to 30 September 2015
	Board Member	1 July 2015 to 30 June 2016 *
	Chairman of the Investment Review Committee	21 October 2015 to 30 June 2016 *
J Anderson	Board Member	1 October 2015 to 30 June 2016 *
	Deputy Chairman of the Board of Directors	1 October 2015 to 30 June 2016 *
	Chairman of the Community Engagement Committee	21 October 2015 to 30 June 2016 *
R Johns	Chairman of the Audit and Risk Committee	1 July 2015 to 30 September 2015
	Board Member	1 October 2015 to 30 September 2016
R Walker	Board Member	1 October 2015 to 30 June 2016 *
	Chairman of the Audit and Risk Committee	21 October 2015 to 30 June 2016 *
J Doolan	Board Member	1 July 2015 to 30 June 2016 *
A Osborne	Board Member	1 July 2015 to 30 September 2015
	Chairman of the Investment Review Committee	1 July 2015 to 30 September 2015
R Cooper	Board Member	1 July 2015 to 30 September 2015
M Douglas-Crane	Board Member	1 July 2015 to 30 September 2015
J Van Reyk	Board Member	1 October 2015 to 9 October 2015
M McGarvie	Board Member	1 October 2015 to 30 June 2016 *
R McQuilten	Board Member	18 December 2015 to 30 June 2016 *
L Prain	Board Member	1 October 2015 to 30 June 2016 *
N Brennan	Managing Director	1 July 2015 to 30 June 2016 *

\* Ongoing

**(i) 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.

	30 June 2016 \$'000	30 June 2015 \$'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).	526	521

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

Income Band (\$)	30 June 2016 No.	30 June 2015 No.
0–9,999	5	-
10,000–19,999	5	-
20,000–29,999	2	6
30,000–39,999	-	-
40,000–49,999	1	-
50,000–59,999	-	1
130,000–139,999	-	-
270,000–279,999	-	-
320,000–329,999	-	1
330,000–339,999	1	-
<b>Total number of responsible persons</b>	<b>14</b>	<b>8</b>

In 2015/16 five Directors' appointments ceased on 30 September 2015, five new Directors were appointed on 1 October 2015 and one new director appointed 18 December 2015.

## Note 21: Remuneration of executives and payments to other personnel (continued)

### (ii) Retirement benefits of responsible persons

No retirement benefits were paid by the Corporation in connection with the retirement of responsible persons for the financial year 2015/16 (2014/15: \$nil).

### (iii) Related party transactions of responsible persons

No amounts were receivable from and payable to responsible persons or their responsible persons related parties as at 30 June 2016 (2015: \$nil).

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

### (b) Executive officers

#### (i) Executive officers' remuneration

The number of executive officers, other than ministers and managing directors, 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 2015/16 year. A number of employment contracts were completed during the previous year and renegotiated and a number of executives received performance based payments during the previous year. These performance based payments depend on assessments of performance and 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	
	2016 No.	2015 No.	2016 No.	2015 No.
1,000–9,999	1	1	1	1
10,000–19,999	1	1	1	1
40,000–49,999	-	-	1	-
80,000–89,999	-	-	1	-
100,000–109,999	1	-	-	-
110,000–119,999	-	-	-	1
120,000–129,999	-	1	-	1
130,000–139,999	-	1	1	-
140,000–149,999	-	-	1	1
150,000–159,999	-	2	1	3
160,000–169,999	2	1	1	-
170,000–179,999	2	1	-	-
180,000–189,999	-	1	-	1
190,000–199,999	-	-	2	-
200,000–209,999	3	-	1	-
210,000–219,999	-	-	-	1
230,000–239,999	1	1	-	-
<b>Total Number of executives <sup>(i)</sup></b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>10</b>
<b>Total annualised employee equivalents <sup>(ii)</sup></b>	<b>8</b>	<b>7.1</b>	<b>8</b>	<b>7.1</b>
<b>Total amount \$'000 <sup>(iii)</sup></b>	<b>1,641</b>	<b>1,360</b>	<b>1,343</b>	<b>1,283</b>

(i) During the financial year 2015/16, the definition of executive officer has changed as per the applicable Ministerial Direction. Comparative figures for the prior financial year 2014/15 have been updated to ensure consistency in applying the requirements of the applicable Ministerial Direction.

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

(iii) *Retirement benefits of executive officers* – Western Water has paid an amount of \$103,192 in connection with the retirement of executive officers during the financial year ending 30 June 2016 (2014/15: \$nil).

### (c) Other personnel (i.e. contractors with significant management responsibilities)

Western Water has not engaged any personnel as contractors during the reporting period that has significant management responsibilities (2014/15: Nil).

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## Note 22: Reconciliation of net result for the period to net cash inflows/ (outflows) from operating activities

	30 June 2016 \$'000	30 June 2015 \$'000
<b>Net results for the period</b>	12,965	8,166
<b>Add/(less) non cash flows in net result</b>		
(Profit)/loss on disposal of infrastructure, property, plant and equipment	161	119
Depreciation and amortisation	18,811	18,234
Gifted assets	(17,584)	(6,138)
Provision for impaired receivables	11	80
<b>Changes in assets and liabilities</b>		
Decrease/(increase) in receivables	(1,637)	(1,682)
Decrease/(increase) in prepayments	32	(77)
Decrease/(increase) in deferred tax asset	2,006	3,677
Increase/(decrease) in trade creditors	1,483	(3,095)
Increase/(decrease) in income in advance	139	315
Increase/(decrease) in tax payable	2,508	-
Increase/(decrease) in deferred tax liabilities	56	(165)
Increase/(decrease) in provisions	114	241
<b>Net cash (outflow)/inflow from operating activities</b>	<b>19,065</b>	<b>19,675</b>

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

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 financial years.

## Note 24: Ex-gratia expenses

	30 June 2016 \$'000	30 June 2015 \$'000
Forgiveness or waiver of debt	388	333
<b>Total ex-gratia expenses</b>	<b>388</b>	<b>333</b>

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.



# Statutory Certification

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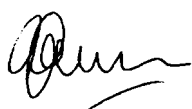
## Accountable officer's and chief finance and accounting officer's declaration

The attached Financial Report for Western Region Water Corporation has 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 financial year ended 30 June 2016 and financial position of the Corporation as at 30 June 2016.

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.

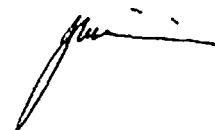
We authorise the attached financial statements for issue on 17 August 2016.



Terry Larkins  
Chairman  
Western Region



Neil Brennan  
Managing Director  
Western Region



Julie Williams  
Chief Finance & Accounting Officer  
Western Region

## Auditor General's report on the Financial Report

VAGO

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### INDEPENDENT AUDITOR'S REPORT

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

##### *The Financial Report*

I have audited the accompanying financial report for the year ended 30 June 2016 of 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.

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

The board members of 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.

**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, I and my staff and delegates have 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 Western Region Water Corporation as at 30 June 2016 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*.

MELBOURNE  
25 August 2016



for Dr Peter Frost  
Acting Auditor-General

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## Appendix 2: Bulk Entitlements Report

Under bulk entitlement (BE) compliance requirements, Western Water must report the following for 2015/16 on the 10 BEs currently held by Western Water. References to the relevant BE clause are stated in (brackets/lowercase).

Reporting for	Barrigo	Lancefield	Macedon	Maribyrnong
Under BE clause	11.1	14.1	14.1	19.1
Water source and storage	Barrigo 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)	598	504	772	490
Capacity of storage (ML)	64	46	475	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	11.2 17%	0.3 1% (d)	314 66% (d)	9,165 44% (a, ii)
Inflows to storages from this BE water source (ML)	0	125 (a)	251 (a)	0 (a, iii)
Extra inflows (e.g. diversions into the storages) or local catchment runoff	10	0	0	287
Volume taken from the storage (ML)	0 (e)	68 (e)	161 - Woodend supply (O,MC,A,W) 0 - Macedon & Rosslynne supply (O,MC,A,W)(e)	5,480 (a,i)
Maximum extraction rate from storage or water source (ML/day)	0 from Barrigo Creek (c)	0.7 Garden Hut Reservoir (c)	1.66 - Macedon storages (c)	29 - Rosslynne Reservoir
Estimated evaporation (ML)	3.6	6.7	14	SRW See Note 2 (a, iv)
Other losses e.g. seepage, plant losses (ML)	2.7	Included in passing flows	0.2	687 See Note 2
Environmental releases (ML)	N/A	N/A	0	1,410
Volume of environmental and passing flows (ML)	270.37 (b)	57 (G) & all Monument Creek flows (b)	94.6 (b)	SRW (a,v)
Passing/environmental requirements met	Yes	Yes	See note 1	N/A
Any new bulk entitlement with respect of the system or amendments to the bulk entitlement	No (h)	No (i)	No (i)	No (d, e)
Failure to comply with the BE, or compliance difficulties experienced or anticipated in the future	No (j)	No (k)	See note 1 (k)	No (g)
Western Water's entitlement unused or remaining in storage at end of financial year (ML) and % full for the storage	14.8 23%	3.7 8%	389 82%	2,426 14.7%

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 Reservoir (CR), Graham Brock (GB) Reservoir, Reservoir C (C)	Various catchments via Melbourne Water's supply system
426	584	558	404	556	N/A
22,119	76	297	32,516 (M) 1,014 (DJ)	366	1,812,175
58	300	460	8,500 (M) 1,486 (DJ)	470	18,250
58 100%	44 58%	155 52%	4,040 - 29% (M) 543 - 54% (DJ) (a, ii)	128 35% (d)	23,068 126% of BE
SRW	43.7 (e)	131 (e)	3.5 (M) (a,iii) 0 (DJ) (a,iv)	62 CR (a) Local catchment & Springs 0 Falls Ck & Bore	7,547 (b)
0	357	372	0 (M) 0.7 (DJ)	0 - Melbourne Headworks 161 - Macedon 347 - Maribymong BE	0
51.2 (b)	373	503 (e)	3,481 (M) (a,i) 72.5 (DJ)	65 (CR) (e) 0 (GB, C) (e)	5,601 (a)
0.4 from Pykes Reservoir	1.4 - Main Creek (c)	3.15 - Bolinda Creek (c)	20 from (M) 0.6 from (DJ)	1.99 (CR) 0 Falls & Smokers Cks (c)	46
SRW See Note 2	7.6	34.6	SRW (M) See note 2 90 (DJ)	38	MW
SRW	2	-80 See Note 4	161 (M) (a (v),a (vi), i) 86 (DJ)	Included in passing flows balance	551
SRW	0	0	SRW (M) (a,v) 0 (DJ)	0	N/A
SRW	97.2 (b)	183 (b)	SRW (M) 0 (DJ)	0 (b)	N/A
SRW	See Note 3	Yes	SRW (M) Yes (DJ)	Yes	N/A
No (i)	No (h)	No (i)	No (d)	No (i)	No (f)
No (k)	See Note 3 (j)	No (k)	No (j)	No (k)	No (h)
6.8 12%	62 81%	199 67%	1,514 9.5% (M) 397 37% (DJ)	135 37%	24,463 134% of BE

## General information for bulk entitlements (BE)

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. The transfer network from Romsey allowed water to be transferred from Romsey, Riddells and Maribyrnong BE during the year.
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	Rosslynne Reservoir is operated by SRW. Western Water has a BE to take water from this storage. Western Water supplied water from Rosslynne. No inflows resulted in a storage decrease.
Myrniong	Pykes Creek Reservoir remained steady in volume. No changes to security of supply were made during 2015/16.
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 and Lancefield.
Romsey	An amount of 340 ML for 2015/16 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. Bore water was used during 2015/16 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. Merrimu Reservoir is operated by SRW. Western Water has a BE to take water from this storage. Western Water supplied water from Merrimu. No inflows resulted in a storage decrease.
Woodend	Water was diverted from the Maribyrnong and Macedon BE to supplement the Woodend supply during 2015/16.
Melbourne Headworks	The total taken shown in the table can be split into 4,437 ML taken via the Hillside interface point to Melton and Bacchus Marsh, and 1,138 ML taken via the Loemans Rd interface point to Sunbury and the Macedon Ranges region. A volume of 26 ML attributed to Western Water for financial year balancing is not included in the above supply split.

Southern Rural Water traded an additional 1,200 ML into Western Water's Melbourne Headworks BE as an assignment transfer in June 2016 for supplying the Bacchus Marsh Irrigation District. There were no other bulk entitlements transfers to any of Western Water's BEs during 2015/16.

Western Water has worked with DELWP, 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. 2015/16 saw one of the driest years since the height of the Millennium Drought and has presented 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 (now DELWP) which was approved by the Minister. Implementation of this plan commenced in 2011/12 with improvements made in 2012 in conjunction with the Bureau of Meteorology funding program, to improve the accuracy and completeness of data captured. Western Water continues to improve the network with upgrades to three existing sites and one new metering site completed during 2015/16.

Western Water has previously submitted an Environmental Management Program associated with its bulk entitlements. Western Water made no applications for changes under the Making Allowances clause in any of its relevant bulk entitlements in 2015/16.



## Notes

Note	Comment
1	Passing flow requirements on Willimigongon Creek require manual operation and are difficult to operate during dry conditions due to large variations in daily flows. As a result, a shortfall failed to be released as instantaneous passing flows during 2015/16. This failure to pass the required passing flow is a concern to Western Water. To improve the manual process, an extra meter was added to the monitoring network during 2014/15. However this has not improved the process as desired. Telemetry and alarming will be added during 2016/17 to further improve compliance with passing flow requirements.
2	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.
3	Passing flow requirements on Main Creek require manual operation. A shortfall failed to be released as instantaneous passing flows. This was compensated by ensuring average passing flows over the year exceeded the shortfall. Telemetry and alarming has been added to this monitoring network to improve compliance with passing flow requirements.
4	The negative losses of -80 ML for the Romsey system indicate an inflow that has not been recorded. It is possible that the inflows to Kerrie Reservoir of 131 ML may be underestimated due to periods of missing data from debris affecting the sensor that meters the diversions into Kerrie Reservoir from Bolinda Creek. This seems to be compounded during drier conditions. Western Water will investigate a more suitable metering instrumentation.

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