



# ANNUAL REPORT

2017/18

*Strong communities, growing together*



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## Traditional Owner acknowledgement

Western Water acknowledges the Traditional Owners of the lands in which our service area lies: the people of the Kulin Nation.

We pay our respects to their Ancestors and to their Elders, past and present.

**Cover image:** *Pivot irrigator using recycled water in the Parwan-Balliang region, near Bacchus Marsh. This low rainfall agricultural precinct has been identified for detailed investigation as the potential site for the Western Irrigation Network recycled water scheme.*

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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 2017 to 30 June 2018, was 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) Victoria 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, and
- ensure that a 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 addressed these objectives, functions, powers and duties during the 2017/18 financial year.

## Strategic intent:

*Strong communities,  
growing together*

## Strategic themes

Western Water has identified four strategic themes:

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

## Values

At Western Water, the values that embody how we will act and define our behaviours are:

- **People**
- **Integrity**
- **Respect**
- **Teamwork, and**
- **Excellence.**

## Nature and range of services provided

In 2017/18, Western Water provided water, sewerage and recycled water services to 69,371 serviced properties across a region of 3,000 square kilometres to the north-west of Melbourne.

Serviced properties grew by 5.5% during the year – primarily in new residential estates in and around Melton and Sunbury.

Strong growth in property numbers is forecast to continue over the next decade, with a growth rate of 4.6% per annum expected.

The service area's population is currently estimated at 160,339, up 4.6% from 153,358 twelve months ago.

Western Water's strategic intent has been updated to reflect its focus on working in and with the community to achieve liveable growth and a developed economy.

This focus flows into activities delivered under our strategic themes to meet the expectations of the community and stakeholders for the provision of services that offer and ensure quality, safety, value and certainty – and to also improve economic, social, environmental, cultural and prosperity outcomes for the region.

# Year in review

## Strategic highlights

### Customers

- Engaged with almost 6,000 customers in the development of Western Water's Price Submission 2018-20
- Approval of Price Submission 2018-2020 with zero real price increases for customers
- Invested a further \$7.5 million to the upgrade of the Sunbury Recycled Water Plant
- Western Water passed the Department of Health and Human Services (DHHS) biennial drinking water quality audit
- Completed a regional flushing program across the entire Sunbury area
- Residential Class A recycled water customers increased by 26%, with a total of 2,192 customers now having recycled water supplied to dwellings in Eynesbury and Toolern for toilet flushing, garden watering, car washing and laundry use
- Collaborated with several utilities and stakeholders outside the water industry to gain efficiencies and a better outcome for customers and the community, and
- Assisted customers to pay their bills with 10% of all customers now signed up to e-billing and 9% on payment plans.

### Environment

- Significant upgrades of the Melton and Sunbury Recycled Water Plants to cater for growth and to improve environmental outcomes
- Expanded the role of the Community Engagement Committee to encompass the Environment
- Established a greenhouse gas emissions reduction pathway to meet the agreed Carbon Pledge of 10% reduction in emissions by 2020 and 25% reduction by 2025
- Collaborated with Melbourne Water, City West Water, South East Water and Yarra Valley Water in the development of the Melbourne Sewerage Strategy
- Investigated the use of recycled water for environmental flows in the Jacksons Creek and Werribee River
- Produced 2,174 tonnes of biosolids - the solid, organic by-product of sewage treatment - 1,869 tonnes reused safely as nutrients, soil conditioners and for compost, and
- Commissioned three 65 kilowatt biogas cogeneration turbines at the Melton Recycled Water Plant.

## Liveability

- Commenced the detailed planning phase for the Western Irrigation Network recycled water scheme
- Sourced 35% of all drinking water supplied from local reservoirs compared to 24% the year before due to good supplies of water available at the commencement of the financial year
- Commenced an initiative to work with developers, Melbourne Water and local councils on Development Integrated Water Management Plans
- Mapped critical open spaces, in collaboration with councils, for inclusion in Western Water's Drought Preparedness Plan
- Collaborated with other water corporations, local councils, traditional owners and the Department Environment, Land, Water and Planning across several projects through the IWM Forums which bring together watercycle management organisations across the catchment areas to achieve enhanced outcomes for the community and environment, and
- Developed an internal strategy for achieving Target 155 by 2022.

## Enablers

- Hume City Council Business Awards 2017 Diversity Award
- Established a Strategic Futures Committee to identify a preferred option for the provision of water and sewerage services to the western region of Melbourne and to improve economic, social, environmental, cultural and prosperity outcomes
- Implemented annual health checks to provide individual assessments and enable early intervention of serious illnesses, and
- Explored the opportunity to use recycled water to support Aboriginal cultural values and develop a Reconciliation Action Plan.

## Innovation

- Commenced a Business Transformation program, aiming to ensure the achievement of the operating cost benchmark presented in the Price Submission 2018 and to better align people, processes and technology
- Obtained a grant of approximately \$800K from Sustainability Victoria to progress the planning and implementation of a Food Waste to Energy facility at the Melton Recycled Water Plant
- Introduced the Waternamics application in the Operations Centre to support the management of operational activities, and
- Continued collaboration with the Intelligent Water Network, trialling new technologies to deliver long-term strategic outcomes including GIS/GPS validation trials using drones and various imaging tools, inflow and infiltration trial using optic fibre, sampling devices and digital metering.

## Year in review cont.

# Business at a glance

Table 1: Business at a glance - 2017/18

	2017/18
<b>Properties</b>	
Serviced assessments (including vacant land)	69,371
- Serviced assessments (vacant land)	4,390
<b>Water supply</b>	
Connected water customers	64,981
- Residential	61,811
- Non-residential	3,170
Water consumption (ML)	15,284
- Residential consumption (ML)	11,382
- Non-residential consumption (ML)	2,158
Non-revenue water (ML)	1,744
<b>Sewerage service</b>	
Serviced sewer customers	63,062
- Connected sewer customers	58,966
Sewage treated (ML)	9,892
<b>Recycled water supply</b>	
Recycled water customers	2,313
- Residential customers (Class A)	2,192
- Non-residential customers (Class A, B or C)	121
Recycled water produced (ML)	7,826
Percentage recycled water reused	67%

Table 2: Assets - 2017/18

	2017/18
<b>Water supply</b>	
Reservoirs and service basins	17
Bulk water entitlements	10
Groundwater bores	6
Water filtration plants	7
Chlorination plants	14
Water storage tanks	30
Water pump stations	37
Water mains (km)*	2,123
<b>Sewerage treatment and recycled water supply</b>	
Recycled water plants	7
Recycled water winter storages	4
Sewer pump stations	61
Sewer mains (km)	1,350
Recycled water mains (km)	240

\*Total includes recycled water mains



# Financial performance

Western Water delivered a profit before tax result of \$33.4 million for 2017/18 compared to our Corporate Plan budget of \$20 million, and 122% above the previous year.

The strong financial performance was due to a combination of higher than expected residential development activity - leading to above budget revenue growth in service and usage charges and developer contribution fees, and our continued focus on cost management.

During 2017/18, Western Water paid income tax equivalent to the Victorian Government of \$6.8 million, 30% higher than the previous year.

Our capital works investments, predominantly related to servicing connections for growth, totalled \$62.4 million - marginally below the \$65.1 million invested in the previous financial year.

Funding of investments was achieved through a combination of developer cash contribution fees received and an increase in debt funding of \$31.4 million during the year.

Table 3: Financial summary (\$'000) - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Revenue	123,229	100,758	101,916	81,735	77,090
Expenses	89,874	85,767	83,378	70,058	75,444
<b>Net profit before tax</b>	<b>33,355</b>	<b>14,991</b>	<b>18,538</b>	<b>11,677</b>	<b>1,646</b>

# Year in review cont.

## Service area



## Foreword from the Chair and Acting Managing Director

Western Water is a regional water corporation on the western fringe of Melbourne, servicing some of the fastest growing residential precincts in the state and addressing the challenges of climate change.

As a business, we are ideally positioned to provide smart, resilient and cost-effective water services in our region. We recognise that we must address significant levels of population growth across the service region while maintaining quality customer service and our future viability.

To do this we must understand and address the needs of our customers so we can deliver the best value service. In the face of climate change, our focus also remains on how to provide the best water and wastewater solutions to contribute to a liveable and viable region.

We are meeting these challenges by reducing our impact on the environment and making the most of our renewable resources including recycled water, stormwater and biosolids.

We are embracing innovation and technology to safely deliver optimal services and are considering new business models and commercial partnerships to secure sustainable solutions. Finally, we will continue to develop the skills of our workforce to enable innovative applications and commercial thinking.

This Annual Report describes Western Water's key approaches to ensuring regional sustainability by delivering customer-centric, responsive services and enhanced community engagement.

We are helping create a highly liveable and viable region, and supporting economic growth through enhanced and reliable water services.

We are also safely delivering assets and operations that meet climate change impacts, and caring for the environment through collaboration with the



community and stakeholders, to deliver sustainable environmental and social outcomes.

At the same time, we are continuing to create future opportunities by expanding renewable resources, delivering value-added, innovative services and products for the community through new business models and commercial partnerships, and technology.

We would like to thank the Board, Executive and staff at Western Water for their support and effort during the reporting period. We acknowledge the significant contribution of directors who departed Western Water during the year.

We also recognise the leadership of the Managing Director Neil Brennan over his 6 years at Western Water who resigned effective 3 August 2018 to further his career at SEQWATER in Queensland. We welcome Rob Murphy to the role of Acting Managing Director following Neil's departure.

### Accountable officers' declaration

In accordance with the *Financial Management Act 1994*, we are pleased to present Western Water's Annual Report for the financial year ending 30 June 2018. It is compliant with all statutory reporting requirements.

Andrew Cairns  
Chair

17 August 2018

Robert Murphy  
Acting Managing Director

## Year in review cont.

### Capital projects

Servicing the rapidly growing residential precincts in the region requires significant investment by Western Water in core infrastructure that not only meets the needs of development but also maintains standards of service to existing customers and delivers enhanced environmental outcomes.

The business delivered \$62.4 million of capital investments in 2017/18, building on the \$65.1 million investment in the previous year. This investment ensures the service region has efficient, modern and innovative water, sewerage and recycled water services to meet customers' present and future needs.

Major capital works projects undertaken during the reporting period include \$7.5 million of expenditure relating to the upgrade of the Sunbury Recycled Water Plant, undertaken by Downer through a design, build and operate contract.

Other major capital works during 2017/18 included:

- \$7.8 million on construction of large sewer mains in new developments
- \$7.1 million on the Melton Recycled Water Plant upgrade
- \$4.2 million on construction of large water mains in new developments
- \$2.0 million on the Sewer Spill Prevention Strategy
- \$1.9 million on the Thornhill Park sewer pump station

- \$1.4 million on the Gisborne Recycled Water Plant upgrade, and
- \$1.3 million on the Rockbank North sewer rising main.

With a rapidly growing population in the service region, Western Water expects to invest as much as \$63 million annually in capital works over the next decade.

Major capital works planned for 2018/19 include:

- \$5.8 million on the Sunbury Recycled Water Plant upgrade
- \$2.8 million on the Diggers Rest outfall sewer
- \$2.4 million on Seventh Bend branch sewer in Melton
- \$2.3 million on the new Aintree sewer pump station in Melton
- \$2.2 million on the Gisborne Recycled Water Plant upgrade
- \$2.1 million on the Ferris Road water main Western Freeway crossing
- \$1.5 million on development of the Western Irrigation Network, a recycled water scheme in the Melton/Bacchus Marsh area
- \$1.4 million on the Sewer Spill Prevention Strategy, and
- \$1.2 million on renewals for transfer and raw water pipelines.

#### Major contracts

Western Water did not award any major contracts (valued at \$10 million or more) during 2017/18.

Table 4: Capital works investment (\$M) - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Capital works investment	62.4	65.1	35.5	19.5	19.9

# 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.

During 2017/18, the team, which was accountable to the Board, was led by Managing Director, Neil Brennan, and consisted of General Managers in five areas:

- Business Services
- Capital Program and Delivery
- Customer, Community Relations and Operations
- People and Culture, and
- Strategy and Planning.

### Neil Brennan, Managing Director

Appointed July 2012

Responsible for leading and managing the organisation, Neil was appointed Managing Director of Western Water in July 2012.

Prior to his appointment, Neil was the Managing Director at Central Highlands Water for 15 years. He has previously held CEO positions at Western Water and Macedon Region Water Authorities.

Neil has been employed in the Victorian water industry for some 32 years, and has had various Ministerial appointments to industry committees. He is a Director of the Board of the Energy and Water Ombudsman Scheme Victoria (EWOV), Executive Council Member of the Institute of Water Administration (IWA) and Chair of the Victorian water industry's Intelligent Water Network Steering Group.

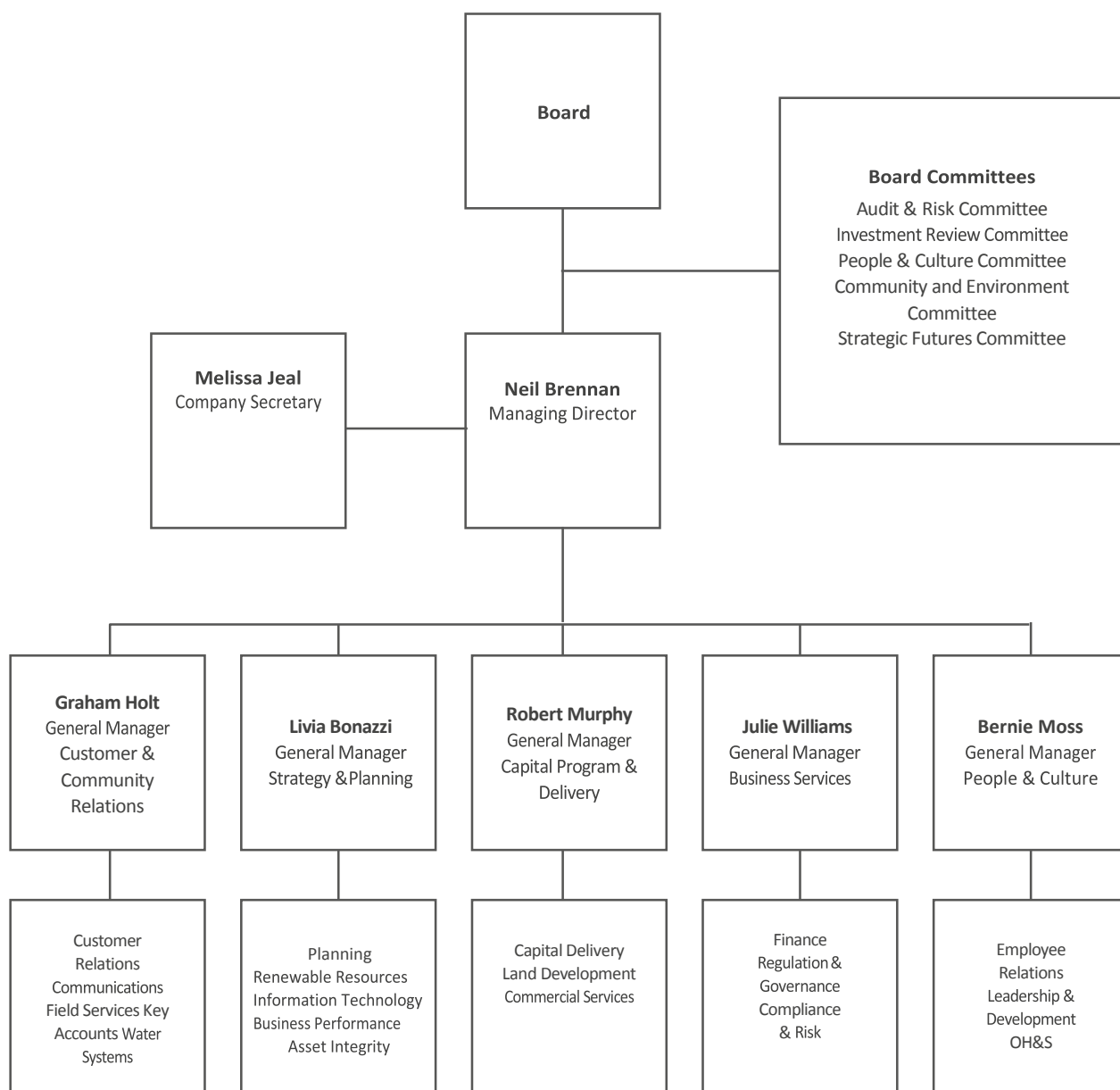
Neil's academic achievements include a Graduate Diploma in Management, a Masters in Business Leadership and completion of the Oxford Advanced Management Programme.

Neil recently resigned from Western Water to further his career at SEQWATER in Queensland. Neil's last day with Western Water was 3 August 2018.

# Organisational structure and corporate governance arrangements cont.

## Organisational chart

Chart 1: Organisational chart as at 30 June 2018



\* Neil Brennan resigned on 3 August 2018. Robert Murphy is Acting Managing Director and Dean Barnett is Acting General Manager Capital Program & Delivery

# Board and committees

## 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 2017, three Board Directors concluded their appointments to Western Water's Board - Terry Larkins (Chair), Russell Anderson and Rosa McQuilten. In October 2017, four new Directors joined the Board – Andrew Cairns (Chair), Joanne Duncan, Claire Filson and Isabelle Higgins.

We welcome our new Directors and acknowledge the contribution made to Western Water and its customers from the Board Directors who completed their appointments.

At 30 June 2018, the Directors of the Western Water Board were:

- Andrew Cairns (Chair)
- Dr Jane Doolan (Deputy Chair)
- Joanne Duncan
- Claire Filson
- Isabelle Higgins
- Michael McGarvie
- Llewellyn Prain
- Russell Walker OAM, and
- Neil Brennan, Managing Director.



*Western Water's Board (as at 30 June 2018) - left to right: Michael McGarvie, Dr Jane Doolan, Joanne Duncan, Neil Brennan, Andrew Cairns, Claire Filson, Isabelle Higgins, Russell Walker and Llewellyn Prain*

## Board and committees cont.

### **Andrew Cairns (Chair)**

BEng (Electrical), AFAIM, GAICD  
Appointed October 2017

Andrew was previously appointed as a Director of the Coliban Board in October 2007 and as Chairperson in October 2011. Andrew is CEO of Community Sector Banking and a former Head, Community Solutions and Partnering for Bendigo and Adelaide Bank Ltd. He has held senior management positions with a range of private sector organisations including as Chief Executive Officer of Community Telco Australia Pty Ltd (2001–2010).

Andrew is a Director of Loddon Mallee Housing Services, Bendigo Affordable Housing Company and SEFA Australia.

### **Dr Jane Doolan (Deputy Chair)**

BSc (Hons), PhD, MAICD  
Appointed October 2013

Jane is currently the Environment Commissioner at the Australian Productivity Commission and an Adjunct Professor at the University of Canberra. Previous positions she has held include Professorial Fellow in Natural Resource Governance at the University of Canberra, Chair of the Murray-Darling Freshwater Research Centre and Deputy Secretary for Water in the Victorian Department of Environment and Primary Industries.

Jane 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 and was a Director with eWater Ltd.

### **Joanne Duncan**

CertAppSocSc(LibTech), BEd  
Appointed October 2017

Joanne was previously elected to Parliament, and was a member for both Gisborne and Macedon. Ms Duncan has been a past member of the Environment and Natural Resources Committee of

the State Parliament, a member of the Ministerial Advisory Council on Public Libraries, Chairperson of the Women's Correctional Services Advisory Committee, Council Member of the Victorian Environmental Assessment Council, and Board Member of Macedon Ranges Further Education.

Joanne has completed a Certificate of Applied Social Science (Library Technician), as well as a Bachelor of Education.

### **Claire Filson**

LLB, MBA(Exec), Grad Dip App Corp Gov, FGIA, MAICD  
Appointed October 2017

Claire is a non-executive director with an extensive background in financial services, superannuation, insurance, funds management, infrastructure and property including ports, roads, rail and water utilities.

Claire is currently a director of Moorebank Intermodal Company, Murray Irrigation Limited, Box Hill Institute, Port of Hastings Development Authority and TT-Line Pty Ltd. She is also an independent member of several audit and risk committees and is a former Director of South East Water (2000-2006). Ms Filson has a Bachelor of Laws, Master of Business Administration (Executive), Graduate Diploma of Applied Corporate Governance, Fellow of the Governance Institute of Australia, and a member of the Australian Institute of Company Directors.

### **Isabelle Higgins**

BEng (Chemical), MScChemEng, MEnv, GAICD  
Appointed October 2017

Isabelle is the Principal and Director of R&I Consulting, Environmental & Management. Ms Higgins is an experienced independent consultant to the manufacturing and utilities sectors with expertise in sustainability and environmental management, particularly in the water and waste sectors. Ms Higgins has a Chemical Engineering degree (Toulouse, France) and Masters



qualifications in Environment (University of Melbourne) and Chemical Engineering (University of Houston, USA).

Isabelle is passionate about the environment and social justice. She is a director of The Water Well Project Ltd, a NFP that provides free health education sessions to migrants, refugees and asylum seekers. For over 10 years, she has also volunteered for food relief and wildlife protection agencies. In particular, she has set up the education program for Wildlife Victoria, which has reached over 2500 students per year since 2014.

#### **Michael McGarvie**

LLB, BA, GAICD

Appointed October 2015

Michael is Adjunct Professor at Monash University Law School and previously held the position of Victorian Legal Services Commissioner and Chief Executive Officer of the Legal Services Board, the regulator of the Victorian legal profession. He was the Chief Executive Officer of the Supreme Court of Victoria from 2006-2009. During Michael's private sector legal career, he was a solicitor, then partner at the law firm, Holding Redlich for 23 years.

Michael is 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.

#### **Llewellyn Prain**

LLB (Hons), BA (Hons), GAICD

Appointed October 2015

Llewellyn has worked as a commercial litigation lawyer and in senior roles at a number of government agencies. She has extensive experience in developing and communicating public policy. Llewellyn is an experienced company director and currently serves on boards in the health, water and alternative dispute resolution industries. 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. Llewellyn is a member of the VicWater Diversity and Inclusion Steering Committee. She completed the Williamson Community Leadership Program in 2017.

#### **Russell Walker OAM**

DipBus(Acc), GradDip(Govt Acc), FCPA, MAICD

Appointed 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 has been a past President and board member 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, Board Member and Audit and Risk Committee Chair of Macedon Ranges Health, and Chair of a Western Bulldogs Football Club major fundraising group.

Russell is an active member in the local community and is currently President of the Gisborne and District Lions Club, and board member of the Gisborne and District Bowling Club.

## Board and committees cont.

### Board committees

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

- Audit and Risk
- Community and Environment
- Investment Review
- People and Culture, and
- Strategic Futures Review.

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.

The Chair of each committee is responsible for ensuring the Board is kept informed of matters considered by the committee. All committee minutes are circulated to Board Directors.

### 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.

Its independent members are:

- Russell Walker OAM (Chair)
- Claire Filson, and
- Michael McGarvie.

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

### Community and Environment Committee

The scope of the (previous) Community Engagement Committee was expanded during 2017 to include environment. To reflect the expanded scope, the committee was renamed to Community & Environment. The role of the committee is to support the Board to ensure effective, open and transparent engagement with customers and the community about Western Water's operations and strategies to deliver services that create a healthy, liveable and sustainable environment for customers and the community.

Its members are:

- Llewellyn Prain (Chair)
- Isabelle Higgins
- Joanne Duncan, and
- Michael McGarvie.

The Community and Environment Committee met three times during the year.

### People and Culture Committee

The scope of the People and Culture Committee includes OH&S, culture, leadership development, succession planning, continuous improvement and induction, as well as remuneration and performance arrangements of executives and terms of employment for all employees.

Its members are:

- Andrew Cairns (Chair)
- Jane Doolan, and
- Joanne Duncan.

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

## Strategic Futures Review Committee

With the unprecedented growth being experienced in Melbourne’s western corridor, the primary task for the Committee is to identify a preferred option for the provision of water and sewerage services to the western region of Melbourne. Through this task, the Committee aims to ensure quality, safety, value and certainty – and to improve economic, social, environmental, cultural and prosperity outcomes in the western region.

Its members are:

- Andrew Cairns (Chair)
- Jane Doolan, and
- Russell Walker OAM.

The Strategic Future Review Committee met twice during the year.

## Investment Review Committee

The Investment Review Committee assists the Board with the strategic and governance oversight of Western Water’s Capital Program. The Committee meets at the request of the Board.

Its members are:

- Claire Filson (Chair)
- Jane Doolan, and
- Isabelle Higgins.

The Investment Review Committee met once during the year.

## Board and committee meeting attendance

Table 5 details the number of Board meetings (including meetings of committees of the Board) and the number of eligible meetings attended by each of the directors of Western Water during the financial year.

Table 5: Board meeting and committee meeting attendance

Board Directors	Period active	Board	Audit & Risk Committee	People & Culture Committee	Community & Engagement Committee	Strategic Futures Review Committee	Investment Review Committee
Terry Larkins, Chair	1 Jul 17-30 Sept 17	4/4	2/3	2/2	-	-	1/1
Andrew Cairns, Chair	1 Oct 17-30 Jun 18	5/5 <sup>^</sup>	-	2/2	-	2/2	-
Dr Jane Doolan, Deputy Chair	1 Jul 17-30 Jun 18	10/10	-	4/4	-	1/2	0/1
Russell Anderson	1 Jul 17-30 Sept 17	4/4	3/3	-	-	-	1/1
Llewellyn Prain	1 Jul 17-30 Jun 18	9/10	-	2/2	3/3	-	-
Michael McGarvie	1 Jul 17-30 Jun 18	9/10	4/5	-	1/1	-	-
Russell Walker, OAM	1 Jul 17-30 Jun 18	9/10	7/8	2/2	-	2/2	1/1
Rosa McQuilten	1 Jul 17-30 Sept 17	2/4	-	-	-	-	-
Joanne Duncan	1 Oct 17-30 Jun 18	5/5 <sup>^</sup>	-	1/1 <sup>^</sup>	2/3	-	-
Claire Filson	1 Oct 17-30 Jun 18	4/4 <sup>^</sup>	2/3 <sup>^</sup>	-	-	-	-
Isabelle Higgins	1 Oct 17-30 Jun 18	6/6	-	-	3/3	-	-
Neil Brennan*	1 Jul 17-30 Jun 18	10/10	8/8*	4/4*	3/3*	2/2*	1/1*

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

<sup>^</sup> Denotes a leave of absence was granted during the reporting period

# Human resources management

## Workforce

Western Water is committed to using merit and equity principles in its appointments of people. Its selection processes guarantee applicants are assessed and evaluated fairly and equitably on selection criteria and other accountabilities, without discrimination.

Western Water's values - People, Integrity, Respect, Teamwork and Excellence - are combined with the Corporation's employment principles which are critical to maintaining and improving the performance of the workforce.

Policies and practices are in place to ensure the business upholds the principles of equal opportunity, employee diversity and work-life balance and flexibility.

These include the People & Culture Policy, Recruitment and Selection, Procedure, Occupational Health and Safety Policy, and Equal Opportunity, Anti-Discrimination, Harassment and Bullying Policy.

We value our people's opinions as they contribute to making Western Water a great place to work. For this reason, we will continue to encourage participation in the Victorian Public Sector Commission People Matter Survey.

## Training and career development

People at Western Water are supported through training and development, performance management and recognition programs to fully develop their potential and deliver leading services to customers. In 2017/18, the training budget represented 2.8% of our payroll.

We continue to make a considerable commitment to building a culture of excellence and strengthening leadership capability across the business – a key strategic focus for our business.

## Diversity and inclusion

Western Water has been successful at achieving a gender balanced workforce. Our People and Culture Strategy has laid the foundation for diversity and inclusion, with a clear Diversity and Inclusion Action Plan (available to view at [www.westernwater.com.au/files/assets/public/documents/careers/diversity-and-inclusion-action-plan.pdf](http://www.westernwater.com.au/files/assets/public/documents/careers/diversity-and-inclusion-action-plan.pdf)). This includes our actions, initiatives and targets for diversity and inclusion.

We continue to be committed to an environment of fair and equitable practices, with our leaders actively supporting diversity and inclusion.

Key achievements during 2017/18, as well as further initiatives planned through to 2020, include:

- receiving the Hume City Council's Business Award in the Diversity category
- creating a truly inclusive culture and celebrating a diverse workforce reflecting our diverse customer base and our strategic intent – "strong communities, growing together"
- improved support and specific measures to attract a broad scope of abilities and people including people with a disability, the LGBTIQ+ community and Aboriginal or Torres Strait Islander people
- improving our Aboriginal and Torres Strait Islander cultural competence, understanding and engagement with stakeholders
- participation in the Women in Water Leadership Program, and
- further engagement of staff and a positive response to the Diversity and Inclusion Action Plan.

We will update our Procurement Policy and Procedure to include social value procurement requirements and address barriers to Aboriginal enterprises, and then monitor progress in this area. To date, a small number of staff have attended cultural immersion training and we will provide cross-cultural learning for all Directors and staff. We will also seek opportunities to provide skills training and employment for Aboriginal Victorians and improve Traditional Owner representation on committees and reference groups. During the year, one employee with Aboriginal heritage was enrolled in the Certificate III in Customer Engagement.

### Executive officer disclosures

At 30 June 2018, Western Water's executive officers\* comprised:

- five General Managers, and
- one Senior Manager.

There were no positions vacant at 30 June 2018.

Over the course of the financial year, remuneration received, or due and receivable from Western Water, by nine\*\* executive officers (7.23 FTE) in connection with the management of Western Water, totalled \$1,646,395.93.

Full executive officer disclosures including retirement benefits, other related party transactions and payments to other personnel can be found in Note 9(d) of the financial statements.

### Comparative workforce data

Western Water aims to attract, engage, develop and retain talented and committed people. At 30 June 2018, 161 full-time equivalent (FTE) people were employed in a variety of roles including professional, technical, trade and administration.

The employee base includes all permanent, casual and temporary employees, excluding Board Directors. Not taking vacancies into account, the total employee base remained the same as the prior year.

Table 6: Workforce composition by function - 2 years

	2017/18		2016/17	
	Male	Female	Male	Female
Board Directors	3	5	4	3
Managing Director/General Managers	4	2	3	3
Managers	11	6	12	7
Operational, administration and field staff	84	61	82	62
Total employees*	102	74	101	75
<b>Full time equivalent employees</b>	<b>98</b>	<b>63</b>	<b>97</b>	<b>64</b>

\* total includes Board Directors

\* This excludes the Managing Director (who falls under the definition of a Responsible Person)

\*\* This includes one Executive Officer and two senior managers that ceased employment with Western Water during the year

## Human resources management cont.

Table 7: Workforce demographic data - 2018

		30 June 2018						
		All employees		Ongoing			Fixed term and casual	
		Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	<b>Gender</b>							
	Male	99	98.26	87	1	87.63	11	10.63
	Female	69	62.72	42	20	56.58	7	6.13
	Self-described	0	0	0	0	0	0	0
	<b>Age</b>							
	15-24	6	6	6	0	6	0	0
	25-34	33	30.99	25	4	27.73	4	3.26
	35-44	41	39.17	32	5	35.54	4	3.63
	45-54	52	49.87	37	8	43	7	6.87
	55-64	30	29.47	25	2	26.47	3	3
65+	6	5.47	4	2	5.47	0	0	
Classification data	<b>Western Water Bands 2-8</b>							
	Band 2	0	0	0	0	0	0	0
	Band 3	5	4.87	4	0	4	1	0.87
	Band 4	52	47.83	38	11	45.57	3	2.26
	Band 5	28	27.25	24	3	26.25	1	1
	Band 6	31	30.52	27	3	29.52	1	1
	Band 7	18	17.63	16	0	16	2	1.63
	Band 8	8	7.84	7	1	7.84	0	0
	<b>Senior employees</b>							
	SEO	19	18.03	13	3	15.03	3	3
GSERP	7	7	0	0	0	7	7	
<b>Total employees</b>	<b>168</b>	<b>160.97</b>	<b>129</b>	<b>21</b>	<b>144.21</b>	<b>18</b>	<b>16.76</b>	

Table 8: Workforce demographic data - 2017

		30 June 2017						
		All employees		Ongoing			Fixed term and casual	
		Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
<b>Demographic data</b>	<b>Gender</b>							
	Male	97	97	84	0	84	13	13
	Female	72	64.38	39	25	57.34	8	7.04
	Self-described	0	0	0	0	0	0	0
	<b>Age</b>							
	15-24	6	6	4	0	4	2	2
	25-34	30	29.1	25	2	26.47	3	2.63
	35-44	39	37	31	7	36	1	1
45-54	58	54.87	39	10	46.46	9	8.41	
55-64	30	28.73	21	4	23.73	5	5	
65+	6	5.68	3	2	4.68	1	1	
<b>Classification data</b>	<b>Western Water Bands 2-8</b>							
	Band 2	0	0	0	0	0	0	0
	Band 3	11	10.53	10	0	10	1	0.53
	Band 4	49	45.56	37	11	44.56	1	1
	Band 5	28	27.19	22	4	25.19	2	2
	Band 6	28	26.72	21	6	25.72	1	1
	Band 7	17	16.47	15	1	15.84	1	0.63
	Band 8	8	8	8	0	8	0	0
	<b>Senior employees</b>							
	SEO	19	18.03	10	3	12.03	6	6
	GSERP	9	8.88	0	0	0	9	8.88
	<b>Total employees</b>	<b>169</b>	<b>161.38</b>	<b>123</b>	<b>25</b>	<b>141.34</b>	<b>21</b>	<b>20.04</b>

# Occupational health & safety

Consultation is a significant feature of Western Water's commitment to providing a healthy and safe workplace for its people, contractors and the broader community. We hold monthly Occupational Health and Safety (OH&S) Committee meetings, as well as pre-start toolbox meetings to improve and maintain a safe work environment.

Western Water's OH&S training program is aligned with its safety strategy and has a strong emphasis on prevention and early intervention, while aiming to return injured workers to work as soon as possible. Key safety messages are reinforced across the business through safety alerts, the intranet, policies and procedures, and onsite toolbox meetings. To support this, details of Western Water's OH&S policy, its OH&S Committee members and OH&S meeting minutes are displayed on worksite noticeboards and the intranet as well as being shared at monthly team meetings.

OH&S successes this year include:

- ensuring safety is a significant consideration during the design phase of capital projects
- a chemical risk review of all sites, making improvements and changes to provide the safest possible work environment and ensuring continued compliance with regulatory obligations
- undertaking a height safety program including installation of anchor points at all pump stations
- providing a defensive driving program for all mobile plant and field staff
- an AS4801 surveillance audit which found no non-conformance events, and
- compliance management improvements delivered through the use of a vendor panel.

Table 9: Workplace incidents (total and per 100 FTE) - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Workplace incidents - total	36	31	18	30	15
FTE staff	161	161	151	152	148
Workplace incidents - per 100 FTE	22	19	12	20	10

## Workplace OH&S reporting

### Workplace incidents

Western Water applied the Water Services Association of Australia (WSAA) Health and Safety Benchmarking definitions for workplace incidents during the reporting period. This national framework approach allows Western Water to better benchmark its safety performance against its peers.

There were 36 incidents and 30 hazards reported in 2017/18. Of the 36 incidents:

- 3 were lost time injuries
- 9 were minor injuries requiring first aid or medical treatment, and
- 24 were near misses.

Recordable injuries have decreased and hazards/near misses increased due to an increased emphasis on reporting.

The Total Recordable Injury Frequency Rate (TRIFR) has decreased from 40 in 2016/17 to 22 in 2017/18.

Western Water is using purpose built hydro excavation trucks and continues to improve the quality of plant and equipment to reduce our manual handling risk profile. Additionally, the newly implemented annual health checks provide individual assessments and enable early intervention of serious illnesses.

### WorkCover claims

Standard WorkCover claims increased to eight this year which was offset by the number of minor claims which decreased to three. The total number of new standard claims for 2017/18 is three more than the five-year average.



## WorkCover lost days

During the reporting period, the number of WorkCover lost days increased to 87 days compared to 75 days the previous financial year. Of these 87 days, injuries that occurred during previous years accounted for 77 of these days.

The number of lost days is higher than previous years, while lost time injuries and average time lost has consistently fallen. Much of the lost days recorded relate to pre-existing injuries which occurred prior to the current period.

In relation to current injuries, there was an average of 12 lost days per injury in the reporting period, compared to an average of 18 lost days in the preceding financial year. Western Water continues to be proactive in returning injured employees to the workforce by providing modified duties.

Programs addressing risks include:

- manual handling training and a focus on load assessment, lifting technique or lift avoidance
- improved selection of equipment designed to reduce the manual handling risk

- continuing focus and reporting of hazards and near misses, allowing for proactive improvements and targeted alignment of programs, and
- implementation of a holistic health assessment program.

## WorkCover premiums

WorkCover premiums increased by \$45,663 or 63% in 2017/18 from the prior financial year. Premiums are calculated from the application of industry rates and claims made in the claim window between 1 January 2014 and 30 June 2016.

This reflects the claims history within that period. Claims reported after 30 June 2016 are not used in this year's premium, but form part of the claims history and will affect future premiums.

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

Table 10: WorkCover claims - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
New standard* claims	8	5	2	5	5
New standard claims per 100 FTE	5	3	1	3	3
New minor claims	3	5	6	2	5

\* For a claim to be classified as a standard claim it must exceed a threshold of \$692 of medical payments or ten days' lost time. Any claim that falls below these thresholds is classified as a minor claim

Table 11: WorkCover lost days - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Lost time injuries	3	4	5	3	2
Lost time injury days	87	75	81	33	118

Table 12: WorkCover premiums (\$) - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Premiums	*117,744	*72,081	*95,404	*172,395	*199,509

\* This figure excludes GST and is the certified premium

# Operations Report

## Water consumption & drought response

### Reservoir levels

Most of Western Water's service region is supplied by three major supply sources - Rosslynne Reservoir near Gisborne, Merrimu Reservoir near Bacchus Marsh and the Melbourne system.

During 2017/18, 35% of all drinking water supplied was sourced from local reservoirs compared to 24% in the previous financial year. The balance was sourced from the Melbourne system. The greater volume of local supply than the previous year is due to good supplies of local water being available at the start of 2017/18 year.

The region saw average rainfall during the financial year except for the upper reaches of the Lerderderg River, the primary source for Merrimu, which received below average rainfall. The timing of the rainfall often occurred outside the historical filling season when catchments were dry.

This coupled with below average rainfall in the upper Lerderderg River resulted in poor stream flows and storage levels decreasing from a combined total of 47% to 34%.

### Total drinking water consumption

Water consumption in Western Water's service region increased by 11% to 15,284 million litres during 2017/18 compared to 13,775 million litres the previous financial year.

The service area population is calculated at 160,339, an increase from the estimated 153,358 the previous financial year.

Per capita daily residential consumption increased from 189 litres per person per day (l/p/d) in 2016/17 to 194 l/p/d in 2017/18. This increase may be due to the prolonged periods of no rainfall during summer and autumn or a behaviour change in customers or a combination of both.

Total residential drinking water consumption across the region is shown in Table 15.

Table 13: Major reservoir levels (% capacity) - 10 years

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Rosslynne Reservoir	24%	38%	15%	44%	76%	85%	72%	66%	5%	3%
Merrimu Reservoir	37%	50%	10%	29%	63%	76%	78%	85%	9%	10%

Table 14: Regional water consumption (ML) and population - 10 years

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Consumption (ML)	15,284	13,775	14,357	13,101	12,648	12,830	11,260	10,251	10,592	10,719
Population	160,339	153,358*	163,401	161,447	159,813	158,290	155,431	150,664	144,948	139,730

\*Adjusted population figures due to recalculation based on 2016 Census data

## Consumption by district

Constant monitoring of water consumption at the town level and, in some cases, smaller district areas within towns, allows Western Water to be continually aware of its region's water demand. Further, this comprehensive data can alert Western Water to sudden changes in demand which can indicate bursts or leaks within the reticulation system.

Consumption of recycled water is also monitored and included in Table 16.

Table 15: Total residential drinking water consumption - 2017/18

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Daily consumption (average ML)	25	25	25	28	35	34	40	37	39	31	28	26
Monthly consumption (ML)	780	787	759	867	1050	1069	1236	1030	1216	927	870	791

Table 16: Water consumption by district - 2017/18

	Bachhus Marsh	Sunbury/Macedon Ranges	Melton/Eynesbury	Romsey/Lancefield	Total
Residential water customers	8,423	25,085	25,674	2,629	61,811
Residential water consumption (ML)	1,771	4,506	4,659	445	11,382
Residential per capita consumption (litres/person/day)	222	190	191	179	194
Non-residential water customers	495	1,562	943	170	3,170
Non-residential water consumption (ML)	336	854	883	84	2,158
Non-revenue water (ML)	271	476	714	68	1,744
<b>Total annual consumption (ML)</b>	<b>2,378</b>	<b>6,051</b>	<b>6,257</b>	<b>598</b>	<b>15,284</b>
Average annual consumption (7 years) (ML)	2,073	5,594	5,589	578	13,833
Recycled water consumption (ML)	585	1,261	3,079	310	5,235

## Water consumption and drought response cont.

### Non-revenue water and real water losses

Non-revenue water – including real water losses – is calculated and reported for each customer billing period, three times a year. The calculation methodology is aligned with the guidelines in the National Performance Framework.

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 in 2017/18 was 11.4% (5 year average is 9.92%).

The significant increase in development across the region and a widespread water flushing program incorporating the entire Sunbury region have contributed to the increased non-revenue water volume in 2017/18.

Table 17: Non-revenue water (ML) - 2017/18

	2017/18
Bursts and leaks	770
Firefighting	95
Other	879
Total	1,744

Table 18: Office-based water consumption (kL) - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Water consumption (kL)	827	604	529	488	428
Full time equivalent (FTE) staff	124	118	104	100	105

### Corporate water consumption

In 2017/18, Western Water’s corporate water consumption increased to 827,000 litres from 604,000 litres in the previous financial year, correlating with an increase in the number of people working in the Sunbury office. This data is based on water used at Western Water’s Sunbury administration office and does not include consumption at any other site such as depots, treatment plants or sewer infrastructure.

Western Water shares its Sunbury office’s water meter with other tenants in the building and our share is calculated on the proportion of FTE staff in the office. Increased usage per FTE at Western Water may not reflect actual behaviour as it can be influenced by higher usage by other tenants, as well as a greater numbers of visitors, contractors and consultants, who are not included in the corporation’s FTE figure.

Western Water has become a member of the Schools Water Efficiency Program (SWEP) to gain a better understanding of office water usage through improved resolution of water consumption data by digital metering.

To conserve drinking water, Western Water uses recycled water where possible to wash fleet vehicles, water gardens and for cleaning and other maintenance tasks at its seven recycled water plants and sewer pump stations.

## Water quality

All areas of the drinking water distribution network were compliant with requirements of the *Safe Drinking Water Act 2003* and the water quality parameters specified in the *Safe Drinking Water Regulations 2015 (SDWR)* in 2017/18.

In May 2018, Western Water passed the Department of Health and Human Services (DHHS) biennial drinking water quality audit. An external hazards and critical control points (HACCP) audit for drinking water quality was also conducted during the year, which resulted in favourable outcomes.

Water quality improvements and customer service actions taken during 2017/18 include:

- enhancements to network performance including water turnover and booster chlorinators
- tank integrity reviews and maintenance
- network cleaning program across Sunbury
- customer notifications of any supply source changes, and
- increased quality monitoring.

Several plant improvements were assessed for implementation during 2018/19 to address identified future water quality issues.

## Bulk entitlements, transfers, groundwater and water shares

Western Water has ten bulk entitlements providing 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.

Most of the local water sourced for the Western Water region is supplied through bulk entitlements to the two major local reservoirs - Merrimu Reservoir, near Bacchus Marsh, and Rosslynne Reservoir, near Gisborne.

Both reservoirs are owned and operated by Southern Rural Water. Western Water also has entitlements from several smaller local reservoirs around the Macedon Ranges region.

In addition, Western Water has an entitlement to access water from the Melbourne Headworks system. This was critical during the Millennium Drought.

With demand increasing due to growth and water availability from local sources declining, Western Water will be more reliant on supplying major towns in its service area from the Melbourne system in the future.

The Bulk Entitlements Report in Appendix 3 provides details about water sourced by Western Water and its compliance with the ten bulk entitlements, as well as transfers and related issues.

The business supplements its surface water supplies through two operational groundwater bores in Lancefield and Romsey. Groundwater is supplied in compliance with Take and Use Licences issued to Western Water.

Their use is closely monitored through a network of monitoring bores to determine any impact on the greater aquifer. Western Water updates surrounding users of the aquifer on its activities each year through an annual fact sheet.

# Water consumption and drought response cont.

## Water efficiency

### Major non-residential water users

Non-residential customers make up 4.9% of Western Water’s customer base and account for 14.1% of water consumption.

Western Water had one major non-residential water user (i.e. consuming more than 100 million litres of water per year) in 2017/18.

Western Water works closely with all large non-residential water users to optimise their water consumption, offering alternative water solutions where suitable.

Table 19: Number of customers by volume range (ML per year) - 2017/18

Volumetric range - ML per year	2017/18
Equal to or greater than 100ML and less than 200ML	1
Equal to or greater than 200ML and less than 300ML	0
Equal to or greater than 300ML and less than 400ML	0
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1000ML	0
Greater than 1000ML	0
Total no. customers	1

Table 20: Major water user and participation in water efficiency programs

Name of customer	Information as to customers participation in water efficiency programs
Saizeriya Australia, Melton	Saizeriya has a water management plan developed and is implementing opportunities to minimise water consumption.

## Other water efficiency activities

Key activities addressing water efficiency during 2017/18 include:

- Western Water continued to take a lead with the Intelligent Water Networks (IWN) program investigating innovative leak detection technology for the Victorian water industry. The IWN focus is on delivering services safely and efficiently with minimal impact to customers. Collaboration with other corporations allows technologies to be trialled in a variety of circumstances
- ongoing development of the market for recycled water. Currently Western Water supplies 121 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, economic development and job creation, and
- continuing the rollout of a nodal monitoring program to establish real-time monitoring of key water and sewer locations across all serviced towns.

# Environmental sustainability

## Sustainable water use

Western Water’s Urban Water Strategy (UWS) and Integrated Water Management (IWM) Strategy outline our approach to water planning and management to safeguard future water resources. The strategies provide a platform to collaborate with regional partners and implement actions that provide value to the community.

As part of the UWS, an implementation plan has been developed and actions are being delivered to ensure the future water demands of the region are met. Sourcing water from the Melbourne Headworks system will remain an integral component of Western Water’s supply solution, however we will continue to explore alternative options.

Significant sustainable water achievements during 2017/18 include:

- progression of the Sunbury Integrated Water Management Assessment outcomes
- irrigation expansion at the Romsey Recycled Water Plant to better manage recycled water
- securing funding and establishing the water grid connection feasibility project
- advancement of the Western Irrigation Network project
- mapping of critical open spaces, in collaboration with councils, that need to be included in a drought preparedness plan, and
- active participation in Water for Victoria projects and, where relevant, advocacy for beneficial Western Water and community outcomes.

## Recycled water

Western Water’s seven recycled water plants converted 9,892 million litres of sewage into 7,826 million litres of recycled water, of which 5,235 million litres (67%) was reused by customers.

An estimated 4,580 million litres of drinking water were saved when recycled water was substituted for non-potable purposes.

Overall, recycled water use is equal to more than 38% of total drinking water consumption in the region, excluding water losses.

The number of residential Class A recycled water customers increased by 26% in the reporting period, with a total of 2,192 customers now having recycled water supplied to dwellings in Eynesbury and Toolern for purposes such as toilet flushing. In addition, Western Water has 121 non-residential recycled water customers (supplied with Class A, B or C recycled water) in the industrial, recreational, agricultural, local government and construction sectors.

During the year, Western Water collaborated with local councils to identify critical open spaces for inclusion in our drought preparedness plan. This will ensure liveability is maintained across the region’s critical open spaces, even during drought and dry periods.

Collaboration with councils on the use of recycled water for irrigation and maintaining the health of local creeks and rivers is particularly important in supporting the community’s recreational values for water and waterways.

Table 21: Recycled water volume produced and used - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Recycled water (ML)	7,826	12,166	10,848	7,500	7,628
Recycled water used (ML)	5,235	8,815	8,956	5,569	5,042
Recycled water used (%)	67%	72%	83%	74%	66%

## Environmental sustainability cont.

Highlights of Western Water's recycled water program in 2017/18 include:

- commencing the detailed design for the new winter storage at the Melton Recycled Water Plant to manage increasing recycled water volumes
- commencing the design of the interconnecting pipeline between the Melton and Bacchus Marsh Recycled Water Plants to transfer recycled water from both sources to service customer demand, while providing a wet weather outlet for recycled water produced at the Bacchus Marsh plant
- completion of the Western Irrigation Network (WIN) Feasibility Study and commencement of the detailed planning phase aimed at extending recycled water customer supply schemes supporting agriculture and liveability
- commencing the design and construction of a waterborne gypsum dosing facility to improve water quality for sustainable recycled water use at the Melton recycled water scheme
- expanding the Eynesbury Class C recycled water scheme for beneficial reuse of additional volumes of recycled water
- bringing online additional irrigation capacity at a customer property from the Bacchus Marsh recycled water scheme to further beneficially reuse recycled water
- investigating Sunbury Integrated Water Management (IWM) options in detail including storm water harvesting and recycled water reuse
- purchasing land to expand beneficial reuse of recycled water at Romsey and commencing an irrigation plan
- increasing the recycled water allocation at the Romsey Golf Club, and
- collaborating with the Woodend Golf Club for recycled water infrastructure improvements.

There were also separate continuing investigations into using recycled water to supplement flow shortages in both the Werribee River and Jacksons Creek, and into harvesting stormwater, particularly in the new growth areas planned for Sunbury.

We consider there are significant long-term opportunities to be realised if we continue working with the community and stakeholders towards fully integrating recycled water into our portfolio of water sources, both within and outside the service region.



## Sustainable and resilient water services systems

Western Water ensures a sustainable and resilient water services system through our consultative and collaborative approach with regulators and stakeholders. We engage the community and others in our integrated water management philosophy while encouraging all water users to make the most of local water resources. In 2017/18, we undertook the following activities to build on the existing sustainable resilient water services systems.

### Working with customers and community

The business has a comprehensive customer and community engagement structure, including a well-established online customer panel, project-based community consultation groups, regular speakers at formal and informal meetings, and social media. This framework builds understanding about the business, while guiding interaction with customers, enhancing community input into decision making, and gathering feedback from customers and the wider community.

Our approach to engagement ensured close to 6,000 customers were involved in the development of Western Water's Price Submission 2018-2020. Western Water's Community Engagement Strategy is available at [www.westernwater.com.au/files/assets/public/documents/reference-documents/community-engagement-framework.pdf](http://www.westernwater.com.au/files/assets/public/documents/reference-documents/community-engagement-framework.pdf).

### Community Engagement Reference Group

Our Community Engagement Reference Group is a Board-appointed group of customer and community representatives. Western Water will continue with this important engagement activity which allows direct face-to-face conversations on strategic issues.

### Indigenous engagement

Western Water recognises and supports Aboriginal cultural values and economic inclusion in the water sector and we are currently exploring the opportunity to use recycled water to support Aboriginal cultural values. We recognise the importance of building and maintaining meaningful and respectful relationships with Aboriginal and Torres Strait Islander peoples and organisations.

To support these, we will develop a Reconciliation Action Plan (RAP) to achieve our objectives of engagement and reconciliation. We propose to begin this process by developing a Reflect RAP - a RAP for organisations just beginning their reconciliation journey.

During the past year, as part of our customer support and community education programs, we have worked with the Aboriginal Family Violence Prevention Legal Service and local Aboriginal housing support services as well as the Kirrip Aboriginal Community House in Melton South.

Western Water has also been constructively engaging with Traditional Owners through the Western Irrigation Network project and at the Integrated Water Management Forums. Through these planning activities, we are in the process of engaging with the four local Registered Aboriginal Parties, organisations that hold decision-making responsibilities under the *Aboriginal and Heritage Act 2006* for protecting Aboriginal cultural heritage in a specified geographical area, for the Western Water service area. These parties are:

- Wurundjeri Land and Compensation Cultural Heritage Council Aboriginal Corporation
- Wathaurung Aboriginal Corporation
- Dja Dja Wurrung Clans Aboriginal Corporation
- Taungurung Clans Aboriginal Corporation.

When undertaking capital works, Western Water uses consultants with extensive awareness of the Aboriginal cultural significance of waterways.

## Environmental sustainability cont.

### Online engagement

More than 28,000 customers are connected to Western Water through its online groups, including social media followers and online panel members. These online channels are vital to keeping customers informed and engaged in Western Water's decision-making. In addition, our new Water Matters consultation site has enhanced our online engagement capability, providing greater opportunities for two-way communication with customers.

### Education and community relations

Almost 12,000 pre-school and primary school students took part in Western Water's educational presentations during the reporting period. The organisation's trained educators shared information about water conservation, water for health and the water cycle as part of our longstanding commitment to water education. In addition, more than half of the region's 71 schools took part in the Schools Water Efficiency Program - one of the highest levels of involvement in SWEP across Victoria.

### Choose Tap

Choose Tap encourages the community to drink tap water instead of bottled water. Western Water promotes this message in cafes, businesses, local government and sporting clubs. In addition, we are working with councils and local schools to provide drinking fountains in parks, shopping strips and playgrounds. A new key initiative has been the development of Water Only Schools in the local area.

The Choose Tap message will also contribute to reducing the use of bottled water and landfill. We are working with councils to further explore the uses for water to improve liveability in the region and recognise the community's recreational values.

### Target 155

Western Water has collaborated on the Victorian Water Efficiency Strategy and continues to work with the coordination group to develop state-wide water efficiency initiatives. An internal strategy for achieving Target 155 by 2022 was developed during 2017/18. The strategy includes community campaigns targeting voluntary reduction to shower times, sustainable gardening, checking for leaks, and building water source/journey awareness.

Western Water will support the promotion of the Target 155 water savings by:

- continuing investigations into the use of digital meters to provide timely usage information
- ongoing demand analysis and forecasting
- reminding customers that Permanent Water Saving Rules are in place across our region
- working with developers in new estates to ensure inclusion of integrated water management solutions
- providing details on bills about water use and how it compares to the Target 155 goal
- promoting the Schools Water Efficiency Program
- working with industry, local Government and community groups about using water wisely.

A supporting factor for Western Water's customer base achieving Target 155 in the long term is the growth in greenfield areas where block sizes are much smaller and houses are being fitted with more efficient appliances. Lower per capita water usage in greenfield areas has been demonstrated in billing data from new estates and in neighbouring City West Water suburbs, where usage of 130 litres per person per day is achieved. As greenfield properties are built and occupied, their proportion of the customer base will increase, reducing the overall average daily household water use.

## Sustainable gardening

A key factor in higher levels of water use by customers in recent years has been the hot, dry summers causing people to increase garden watering.

Western Water provides a seasonal, electronic gardening newsletter - with local advice on sustainable gardening practices - to about 2000 gardening enthusiasts as well as workshops and related giveaways including sustainable gardening booklets and trigger nozzles. Along with other critical messages, sustainable gardening is a focus of engagement at community events.

## Grants

Western Water's grants program supports schools, community and environment groups across the region to promote water conservation, enhance

liveability and encourage people to drink tap water. In 2017/18 Western Water provided grants of \$25,657.

Two new grants were introduced this financial year to reflect our major community messages. Target 155 grants were directed to schools and community groups to support sustainable water use activities. Western Water awarded five Target 155 grants, totalling \$7,429 for water conservation projects including irrigation systems and sustainable gardening activities.

Our other grant program promoted the Choose Tap message and was aimed at encouraging drinking water in local schools by offering funds to purchase drinking water fountains. Western Water awarded four grants across our service region totalling \$18,228.

Table 22: Target 155 grants - 2018

Recipient	Project description	Grant amount
New Gisborne Community Garden	Watering system and supplies for community garden with strong partnership project options	\$900
Macedon Kindergarten	Materials to support long-term sustainable garden project	\$780
Bacchus Marsh Primary School	Irrigation system and materials for frog bog garden	\$1,999
Newham Primary School	Irrigation for school orchard and wicking beds for kitchen garden	\$1,950
Sunbury Scouts	Automatic sprinkler system for new garden at front of Scout Hall	\$1,800
<b>Total Target 155 grants</b>		<b>\$7,429</b>

Table 23: Choose Tap grants - 2018

Recipient	Project description	Grant amount
Gisborne Montessori School	Drinking water fountains for playground	\$5,950
Toolern Vale Primary School	Drinking water unit and multi pods	\$3,328
Sunbury Heights Primary School	Drinking water units for Preps and Grade 1 playground	\$3,950
Wedge Park Primary School (Melton)	Replace current outdoor drinking water system	\$5,000
<b>Total Target 155 grants</b>		<b>\$18,228</b>

## Environmental sustainability cont.

### Working with industry and local government

#### Integrated water management forums

Western Water has been a key participant in the DELWP-led Integrated Water Management (IWM) forums which are providing the strategic direction and key projects for IWM across Victoria. Western Water participates in the Maribyrnong, Werribee and Coliban IWM forums.

These forums have recognised Western Water's current IWM projects as a priority and have also identified additional projects for Western Water to investigate with our partners.

#### Town-based integrated water management plans

Implementation of the Melton and Sunbury Integrated Water Management Plans continue through investigation into using recycled water for environmental flows in the Jacksons Creek and Werribee River. Further, the Toolern stormwater harvesting trial continues in Melton and we are also progressing work on the feasibility of stormwater harvesting in Sunbury.

Urban development continues at a rapid pace across the Western Water region, particularly around the Melton and Sunbury urban areas. To ensure new housing developments are built with the water cycle as a core consideration, an integrated water management planning approach is required of developers. Western Water has led the way in coordinating the development of the integrated water management plans for new major developments across our region.

### Council partnerships

Western Water engages all councils in its service region to evaluate their priorities for expansion of alternative water sources and maintaining liveability values. This partnership approach includes ongoing council engagement and enables detailed analysis of servicing options for open spaces to maintain liveability values through the connection of secure and alternative water sources.

Local, state and federal governments are involved in providing valued input into the Western Irrigation Network (WIN) Feasibility Study. WIN is aligned with the DELWP Water Plan and local government planning schemes including Green Wedge Management Plans.

#### Liveable cities

Western Water is facilitating the collaboration of several utilities and stakeholders outside the water industry to gain efficiencies and a better outcome for customers and the community.

## Environmental statutory obligations

### Regional Catchment Management Strategy

The Regional Catchment Management Strategy has several objectives and targets to improve land, water and biodiversity as part of the environmental and catchment management of Victoria. The goals are assigned to a few stakeholders including water corporations.

Western Water must comply with bulk water entitlements and biodiversity management targets. More information on Western Water's bulk entitlement agreements is in Appendix 3.

As a significant landholder, Western Water undertakes biodiversity enhancement programs at its properties, which in 2017/18 included:

- removal of weeds from Western Water properties fronting Werribee River, Deep Creek, Jacksons Creek and Five Mile Creek
- partnering with local environment groups and local schools to work on these waterways and the surrounding land (including planting 3,000 trees at Sunbury Recycled Water Plant by the students of Salesian College)
- wherever practical, offset the removal of protected vegetation during the delivery of infrastructure projects by securing Western Water's biodiversity assets, and
- implementing a management program at offset sites as per the requirements of planning permits.

### Victorian Biodiversity Strategy

Western Water must conduct weed and pest control programs at its landholdings under the Victorian Biodiversity Strategy. During the reporting period, we continued to meet regulatory obligations by undertaking these works across all properties.

A notable achievement was removal of willows along Jacksons Creek at the Gisborne Recycled Water Plant. This project was undertaken in partnership with Melbourne Water and the adjoining property owner. In addition, around 1,000 trees and shrubs were planted along Jacksons Creek to prevent soil erosion.

### 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 into streams.

We also aim to achieve the objectives specified for the protection of the river segments in the Waters of Victoria Policy. Western Water actively participated in the review of the healthy waterway strategy for Maribyrnong and Werribee River.

### Waterway management obligations

Although Western Water has no direct control of river health, we recognise that activities – such as discharging recycled water into streams and harvesting water from streams – may have an adverse impact on river health. We act to mitigate and minimise these impacts.

## Environmental sustainability cont.

Work underway to minimise our impact on waterway health includes:

- improving recycled water quality and commencing the construction of additional storage at the Melton Recycled Water Plant
- upgrading Gisborne Recycled Water Plant to further reduce nutrients
- building an interconnector between the Melton and Bacchus Marsh Recycled Water Plants
- undertaking a mixing zone study of Five Mile Creek at Woodend
- assessing offset potential for continuing to discharge recycled water to Jacksons Creek at Riddells Creek Recycled Water Plant
- mechanical sludge dewatering at the Gisborne and Woodend Recycled Water Plants to enhance biosolids reuse
- improving biodiversity values of Western Water properties
- groundwater improvement projects, and
- continuing the wide-ranging monitoring program to demonstrate ongoing compliance with the *Environment Protection Act*.

### 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 the 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

Most of Western Water's recycled water plants are licenced to discharge recycled water to adjacent waterways. The recycled water plants at Sunbury, Riddells Creek and Gisborne are licenced to discharge to Jacksons Creek. The Woodend Recycled Water Plant is licenced to discharge to Five Mile Creek and the Melton Recycled Water Plant is licenced to discharge to Werribee River.

Discharge to surface water must comply with discharge limits for various water quality parameters specified in the licence and meet the water quality and biological indicators specified in the State Environment Protection Policy (SEPP) (Waters of Victoria). This compliance must be demonstrated through an appropriate monitoring program. The policy also recognises that discharges of recycled water to surface water will impact on the receiving water body and therefore allows designation of a mixing zone in which certain qualitative measures can be exceeded. However, these mixing zones need to be established based on sound scientific risk assessment methods.

Western Water has established mixing zones for recycled water discharges from the Gisborne, Riddells Creek and Melton Recycled Water Plants and is currently conducting a risk assessment in Five Mile Creek to designate a mixing zone for the Woodend Recycled Water Plant. Western Water conducts regular monitoring of the streams to ensure the mixing zone conditions are met.

The EPA licences which allow discharges to waterways specify various limits and parameters to be complied with, and the overall compliance is assessed against licence limits specified as either an annual median or maximum amount. During the financial year, all the recycled water discharged to surface waters complied with the EPA licence limits.

## Discharge to land

Recycled water plants at Bacchus Marsh and Romsey are licenced to discharge recycled water to land only. Western Water applies recycled water to its own land and supplies recycled water to external customers. To ensure that the recycled water quality is maintained, we undertake regular monitoring of recycled water. The water quality monitoring data is compared to the limits set out by EPA guidelines. In addition, we also test the soil and groundwater to demonstrate there are minimal adverse effects.

During 2017/18, all water quality parameters (except for pH at Riddells Creek and Woodend) complied with EPA guidelines. The high pH exceedances were attributed to the presence of the large algae population and Western Water is investigating measures to control the pH levels. Western Water undertook a comprehensive soil and groundwater assessment at its recycled water plants to determine the risks of using recycled water for irrigation and of storing recycled water. 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 EPA has issued a Pollution Abatement Notice to investigate remedial measures to reduce the impact on groundwater. Western Water has progressed a number of remedial actions and is providing regular progress reports to EPA.

## Environmental flows

Western Water must manage its water storages in accordance with environmental flow requirements detailed in the Bulk Entitlements Report. To meet these requirements, our monitoring infrastructure network is regularly examined to ensure compliance.

The network was upgraded in 2012 with funding from the Bureau of Meteorology with the aim of improving the accuracy and completeness of its data. Western Water continues to improve this network with three new metering sites completed, and upgrades to three of its existing sites.

Details of passing flows and environmental releases can be found in Western Water's Bulk Entitlements Report, contained in Appendix 3.

## Biosolids

In 2017/18, Western Water produced 2,174 tonnes of biosolids - the solid, organic by-product of sewage treatment. These biosolids produced, together with those stockpiled (on hand), saw 1,869 tonnes reused safely as nutrients, soil conditioners and for compost during the reporting period.

## Environmental sustainability cont.

### Greenhouse gas emissions

During 2017/18, Western Water implemented a range of actions from its Greenhouse Gas Reduction and Energy Management Strategy including:

- development of a business case for a 500-kilowatt solar array at the Melton Recycled Water Plant
- progression of greenhouse gas emission mitigation projects that are identified as having a positive return on investment. These projects range from solar photo-voltaic arrays to sewage treatment process changes that will result in the generation of more biogas to generate renewable energy
- obtaining a grant of approximately \$800K from Sustainability Victoria to progress the planning and implementation of a Food Waste to Energy facility at the Melton Recycled Water Plant
- continued involvement in the Intelligent Water Network's large-scale renewable energy project
- ongoing identification, research and development of future projects that provide greenhouse gas emission reductions and energy cost savings, and
- collaboration with industry bodies, electricity network providers, technology providers, community groups and local government to identify mutually beneficial projects.

The Greenhouse Gas Reduction and Energy Management Strategy sets the scene for meeting Western Water's greenhouse gas reduction pledge, which was developed in consultation with the Department of Environment, Land, Water and Planning. Western Water has pledged to reduce its emissions by 10% by 2025 from a baseline of 27,906 tonnes CO<sub>2</sub>e.

With the significant growth in the service population expected over this time, this reduction equates to a decrease of 46% by 2025 when compared to business as usual emissions.

Net greenhouse gas emissions for 2017/18 totalled 33,281 tonnes of CO<sub>2</sub>e, which is 2% lower than our 2017/18 target. The lower result is mainly due to a reduction in the quantity of electricity sourced from the grid, as well as a reduction in the greenhouse gas emission factor of this electricity.

Western Water used less electricity sourced from the grid in 2017/18 than in 2016/17 partly due to the commissioning of three new cogeneration turbines at the Melton Recycled Water Plant. These turbines generate renewable energy from biogas created during the sewage treatment process, with the electricity then used to operate the plant. Table 24 displays the greenhouse gas emissions from our activities during 2017/18.

Table 24: Significant activities generating greenhouse gas emissions (tonnes CO<sub>2</sub>e) - 2017/18

Significant activity	Tonnes CO <sub>2</sub> e			Variance (%)
	Baseline*	2017-18 Target*	2017-18 Result	
Water treatment and supply	-	-	9,306	N/A
Sewerage treatment and management	-	-	21,050	N/A
Transport	-	-	685	N/A
Other - recycled water distribution	-	-	1,741	N/A
Other - office	-	-	500	N/A
<b>Total</b>	<b>27,906</b>	<b>34,113</b>	<b>33,281</b>	<b>-2%</b>

\* Breakdowns of activities generating greenhouse gas emissions by baseline and target are not available this year as the reporting requirements were developed during 2017/18.



The activity of sewage treatment and management is the main contributor to Western Water’s greenhouse gas emissions at 63%. Water treatment and supply is the next largest source, at 28%. Individual greenhouse gas emission baselines and targets for our five activities will be developed during 2018/19.

Table 25 displays the electricity consumption associated with four of the five activities that contribute to Western Water’s greenhouse gas emissions. It also shows the quantity of this electricity that was sourced from renewable supplies.

A total of 19,916 megawatt hours of electricity was used by Western Water in 2017/18 and 3% of this amount (607 megawatt hours) was from renewable sources. All the renewable energy was generated and consumed at the Melton Recycled Water Plant, resulting in a 6% renewable energy mix for that site.

Renewable energy percentage targets for the four activities that consume electricity, as well as Western Water as a whole, will be developed during 2018/19.

Highlights of Western Water’s greenhouse gas reduction program for 2017/18 include:

- commissioning of three 65 kilowatt biogas cogeneration turbines at the Melton Recycled Water Plant
- progressing Western Water’s involvement in the Intelligent Water Network’s Large-scale Renewable Energy project
- successfully applying for a grant of \$800K from Sustainability Victoria to progress the planning and implementation of a Food Waste to Energy facility at the Melton Recycled Water Plant, and
- undertaking a feasibility study of replacing a diesel-run generator at Wright Reservoir with a solar array and battery renewable energy option.

### Climate change adaptation

We are working with the Department of Environment, Land, Water and Planning on the Water Sector Climate Change Adaptation Action Plan. Once formalised, Western Water will include its recommendations into our design standards and modelling.

At an operational level, our networks are served by multiple sources with the ability to moderate flows as required to deal with any seasonal/climate adaptation necessary to serve our customers. New asset solutions are designed with consideration for their resilience capabilities.

Table 25: Renewable energy sources for significant activities (MWh) - 2017/18

Performance indicator	(a) Total energy use (MWh)	Renewable energy use (MWh)							Renewable energy use (%) ((h)/(a))*100	Renewable energy generated for export (MWh)	Renewable energy use target (%)
		(b) solar panels	(c) hydro-electric	(d) wind power	(e) biogas	(f) green power	(g) other	(h) Total			
Water treatment and supply	8,610	0	0	0	0	0	0	0	-	-	N/A
Sewerage treatment and management	10,123	5.4	0	0	607	0	0	612	6.0%	2.7	N/A
Other (office, workshops, depots, etc)	462	0	0	0	0	0	0	0	-	-	N/A
Other (recycled water distribution)	722	0	0	0	0	0	0	0	-	-	N/A
<b>Total</b>	<b>19,916</b>	<b>5.4</b>	<b>0</b>	<b>0</b>	<b>607</b>	<b>0</b>	<b>0</b>	<b>612</b>	<b>3.1%</b>	<b>2.7</b>	<b>N/A</b>

# Social sustainability

## Service delivery

Serviced properties grew by 5.5% in 2017/18 and are expected to grow by an estimated 4.6% per annum in coming years as Melton and Sunbury continue to undergo rapid development. Overall customer satisfaction remains high across the service region, demonstrated in the annual customer survey results.

## Water supply system

During the reporting period, Western Water supplied water to 64,981 connected properties via 2,123km of water mains. The extensive reticulation system is maintained through renewals, repairs and operational activities such as valve maintenance, 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 2017/18 was 12.2 - slightly less than the previous year (see Table 26).

Table 26: Water main bursts per 100km - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Bursts per 100km of water main	12.2	12.3	13.3	12.1	14.0

Table 27: Sewer main blockages per 100km - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Sewer blockages per 100km of sewer main	12.7	11.5	14.1	15.5	15.7

## Sewer system

In 2017/18, Western Water supplied 58,966 connected properties with sewage and trade waste collection services through 1,350km of sewer mains.

The innovative Sewer Spill Prevention Strategy continued to successfully maintain improved performance of the system. There has been a significant overall decline in sewer blockages and spills since the strategy commenced in 2010, although blockages per 100km of sewer mains slightly increased from 11.5 in the previous financial year to 12.7 in 2017/18 (see Table 27).

## Customer service

Customer service calls increased slightly in 2017/18 from 66,059 in the previous financial year to 66,632, while customers seeking information from Western Water's website continued to grow by more than 6%.

Fewer calls are being answered within 30 seconds (79% in 2017/18 – down from 86% in the prior financial year) due to an increased focus on first call resolution and customer payment arrangements.

## Managing complaints

Overall, customer complaints increased by 5% to 216 in 2017/18. There was a notable increase in water quality complaints during the reporting period due to a town-wide mains cleaning program in Sunbury which contributed to a temporary spike in complaints, despite an extensive customer communication program. Payment issue complaints reduced to 21 from 33 in the previous financial year.

Dissatisfied customers can refer complaints to the Energy and Water Ombudsman Victoria (EWOV). During 2017/18, EWOV handled 32 referrals on behalf of Western Water customers. The majority were handled as enquiries, requiring no further action. The Ombudsman further investigated five complaints which were resolved and closed as at 30 June 2018.

Table 28: Customer service - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Customer service calls received	66,632	66,059	63,273	63,005	65,620
Calls answered within 30 seconds (%)	79%	86%	90%	95%	98%
Average wait time (seconds)*	17	17	21	20	19
Correspondence requiring a response	4,411	3,714	2,762	2,792	1,953

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

Table 29: Customer complaints - 2 years

	2017/18	2016/17
Water quality	170	145
Water supply reliability	1	0
Sewerage service reliability	4	3
Payment issue	21	33
Flow rate	1	1
Sewerage odour	6	7
Other	13	17
Total	216	206

## Social sustainability cont.

### Affordability

During the financial year, Western Water's residential customers continued to benefit from receiving affordable bills in comparison to Melbourne's water customers, based on an average household usage of 150 kilolitres per year. In line with our Price Submission 2018, customer prices remain fixed at 2017/18 levels (plus CPI) for the next two years.

To assist customers manage their bills, we have established instalment plans, promoted as EasyPay. Currently 9% of customers are on instalment plans.

### Providing customer support

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

Western Water has a range of initiatives aimed at assisting vulnerable customers. During 2017/18, 170 customers entered our Customer Support Program while 13 customers were able to move out of the program. A total of 395 customers received financial assistance totalling \$192,078, an increase of 17% from 2016/17.

In addition, a total of 60 hardship assessment visits were conducted to support customers requiring financial assistance.

### Community service obligations

One in four of Western Water's residential customers hold a pensioner, healthcare or Veteran Affairs concession card. During the financial year, 49,720 concessions were provided to customers over three billing periods (with an annual concession cap of \$313.10) amounting to more than \$4.3million.

The number of not-for-profit organisations receiving rebates on their annual water and sewer charges remained stable at 452 groups. These organisations received \$161,671 in rebates.

Customers can also receive payments from the Hardship Relief Grant Scheme (Sewerage Connection Scheme) and Non-Mains Water Concession directly from DHHS.

### Utility Relief Grant Scheme

The number of customers receiving Utility Relief Grants provided by DHHS decreased from 304 in the previous financial year to 219 in 2017/18 (from a total of 438 applications from customers). Grants totalling \$101,323 were paid to customers.

Table 30: Community service obligations - 2 years

Concession Type	2017/18		2016/17	
	No.	\$	No.	\$
Pensioners, Healthcare, Veterans Affairs	15,854	4,270,160	15,840	4,146,663
Not for profit rebates	452	161,671	453	161,816
Utility Relief Grant Scheme	219	101,323	304	139,081
Water concession on life support machines – haemodialysis	5	1,711	4	992

## Service charges

Western Water’s tariffs for 2017/18 were based on the Water Plan 2013–2018 price determination by the ESC. Details are outlined in Table 31.

Table 31: Water and sewerage charges (\$) - 2017/18

	Residential	Non-residential
<b>Water service and usage</b>		
Service charge (per annum) – 20mm service	234.26	234.26
<b>Usage (per kl) – rate based on average litres used per day per bill</b>		
0–440 litres	1.8336	2.4328
441–880 litres	2.4328	
881+ litres	3.7291	
<b>Sewerage tariff</b>		
Service charge (per annum)	540.72	540.72
<b>Class A recycled water</b>		
Service charge (per annum)	111.68	111.68
Usage (per kl)	1.8336	1.8336

## Average customer bill (annual)

During 2017/18, Western Water’s typical customer bill was \$1006 based on usage of 180,000 litres over the year.

For comparison with the national average, customers consuming 200,000 litres (200KL) over the year would have been billed an annual amount of \$1045. (These figures are calculated after deducting the \$100 Government Water Rebate).

We will benchmark against the national average water bill, once data is available, to ensure comparable affordability of water and wastewater services to our customers, in accordance with the Minister’s Letter of Expectations.

# Other disclosures

## Implementation of the Local Jobs First - Victorian Industry Participation Policy

The *Victorian Industry Participation Policy (VIPP) Act 2003* ensures that, where applicable, Government projects use local suppliers whenever and wherever they offer the best value for money. State Government departments and public bodies are required to apply the VIPP on all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

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

During 2017/18, Western Water commenced and/or completed:

- 6 contracts totalling \$24 million to which a VIPP Plan or Local Industry Development Plan (LIDP) was required
- 5 contracts to which a VIPP Plan was required in metropolitan Melbourne, the estimated local content represented 93 per cent of the contract value, and
- 1 contract to which a VIPP Plan was required in regional Victoria, the estimated local content represented 73 per cent of the contract value.

The total VIPP Plan or LIDP commitments achieved as a result of completed contracts include:

- local content of 86.6% of the total value of the contracts
- 3 new jobs and 19 retained jobs, and
- 2 new and 2 retained apprenticeships/traineeships.

During 2017/18, 3 contracts which commenced on or after 1 September, had the minimum formal weighting of 10% applied for local content in the tender evaluation of the VIPP Plan or LIDP.

## New projects

There were 3 new projects entered into during 2017/18 where VIPP - LIPD was applicable:

Table 32: New VIPP projects (LIPD applicable) - 2017/18

Project	Commenced (date)
Diggers Rest Outfall Sewer	22/06/2018
Provision of Watermain/Sewer main and manhole renewals service	22/12/2017
Engineering Services	24/11/2017

## Completed projects

Three of the projects outlined above were completed during 2017/18 where VIPP or LIPD was applicable.

## 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 2017/18, Western Water's total ICT expenditure was \$9.7M (refer Table 33).

Table 33: ICT expenditure (\$'000) - 2 years

ICT expenditure area	2017/18	2016/17
Operational expenditure	1,412	1,413
Capital expenditure	6,028	3,805
Total non-business as usual expenditure (operational & capital expenditure)	7,440	5,218
Business as usual expenditure	2,305	2,286
<b>Total ICT expenditure</b>	<b>9,745</b>	<b>7,504</b>

## Advertising expenditure

Western Water did not undertake any government advertising during 2017/18 and our total advertising spend was \$21,808, less than half the spend in the prior year. Advertising expenditure includes recruitment and operational advertising to meet legislative requirements.

This low level of advertising expenditure is a result of continuing efforts to reduce advertising costs including a shift to lower cost, effective advertising campaigns in local newsletters and social media.

## Consultancy expenditure

In 2017/18, there were 16 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 was \$777,947 (excluding GST). Details of individual consultancies can be viewed at [westernwater.com.au](http://westernwater.com.au).

In the reporting period, there were 3 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during the reporting period in relation to these consultancies was \$18,721 (excluding GST).

## Compliance with the *Building Act 1993*

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

## Competitive neutrality

The Competitive Neutrality Policy requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned.

Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

Western Water continues to comply with the requirements of the Competitive Neutrality Policy.

## Other disclosures cont.

### 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 a government agency under the Act and the decision to release information is made by an authorised officer.

During 2017/18, there were six requests for access to information in accordance with the Act. All six of these were non-personal requests, of which two were not finalised within the financial year. One non-personal request was granted access in full to identified documents and three non-personal requests were granted access to identified documents in part. Two non-personal requests were outstanding at 30 June 2018. One non-personal request, that was outstanding at 30 June 2017, was finalised in 2017/18 and access to identified documents was granted in part.

The Office of the Victorian Information Commissioner informed Western Water that an

application for review under section 49A of the Act was made in respect of a request in 2016/17.

Prior to 30 June 2018, the Office of the Victorian Information Commissioner issued Western Water with a Notice of Decision in relation to the review.

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](mailto:julie.williams@westernwater.com.au)

From 1 July 2018, a fee of \$28.90 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 – Robert Murphy, Acting Managing Director

Table 34: Freedom of information summary - 2 years

	2017/18	2016/17
Personal requests received	0	2
Non-personal requests received	6	4
Requests outstanding at 30 June	1	1
Reviews by the FOI Commissioner received	1	1
Reviews by the FOI Commissioner where the original decision was confirmed	0	1
Reviews by the FOI Commissioner where the original decision was varied or overturned	1	0
VCAT appeals lodged	0	0
VCAT appeals confirmed decision	0	0
VCAT appeals varied or overturned decision	0	0
Exemptions in requests, reviews by the FOI Commissioner and VCAT appeals	s.33(1)	s.33(1)
Total dollar of application fees collected	\$142.00	\$ 83.70
Total dollar of charges collected and waived	0	0



## 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.

### *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

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.

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

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

Western Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Western Water or its employees.

You can access Western Water's procedures at [westernwater.com.au](http://westernwater.com.au).

## Other disclosures cont.

### 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 through improvements to heating, ventilation and air-conditioning operation
- paper and printing use through "follow-me" printing
- waste production through paper recycling and general waste segregation, and recycling where possible
- water consumption through education programs, and
- transportation fuel consumption through operation process changes facilitated by remote monitoring.

Office water consumption and greenhouse gas emissions are reported separately in this report (refer Table 18 and Table 24 respectively).

### Additional information available on request

Subject to the *Freedom of Information Act 1982* (Vic), 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 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.

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## Standing Directions Attestation

I, Andrew Cairns, on behalf of the Board, certify that the Western Region Water Corporation has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.

A handwritten signature in blue ink, appearing to read 'Andrew Cairns', is positioned above the printed name.

Andrew Cairns, Chair  
17 August 2018

# Performance Report

## Financial performance indicators

	Performance Indicator	2016/17 Result	2017/18 Result	2017/18 CP Target	Variance to prior year %	Notes	Variance to target %	Notes
F1	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax/ Net interest payments	2.76	4.18	2.68	51.4%	1	56.0%	7
F2	<b>Gearing Ratio</b> Total debt (including finance losses)/ Total assets * 100	24.6%	25.9%	29.6%	5.3%		(12.5%)	8
F3	<b>Internal Financing Ratio</b> (Net operating cash flow – dividends)/ Capital expenditure	27.5%	64.1%	24.6%	133.1%	2	160.6%	9
F4	<b>Current Ratio</b> Current assets/ Current liabilities (excluding long term employee provisions and revenue in advance)	0.50 *	0.67	0.64	34.0%	3	4.7%	
F5	<b>Return on Assets</b> Earnings before net interest and tax/ Average assets * 100	3.17%	5.14%	3.76%	62.1%	4	36.7%	10
F6	<b>Return on Equity</b> Net profit after tax/ Average total equity * 100	2.05%	4.46%	2.68%	117.6%	5	66.4%	11
F7	<b>EBITDA Margin</b> Earnings before interest, tax, depreciation and amortisation/ Total revenue * 100	48.11%	56.15%	52.80%	16.7%	6	6.3%	

### Notes:

- Cash interest cover was higher than 2016/17 mainly as a result of higher cash receipts for water usage and service charges and increased cash flows from developers, of which \$13 million of developer fees were paid in advance of connection – statement of compliance.
- The internal financing ratio was higher than 2016/17 mainly as a result of higher net operating cash flows arising from increased cash receipts as outlined in Note 1 above. Capital expenditure cash flows year on year were flat and therefore did not impact the ratio.
- The current ratio in 2017/18 was higher than 2016/17 as a result of a significant increase in Developer fees paid in advance of the statement of compliance being issued. \* The 2016/17 comparative has changed from 0.49 times to 0.50 times due to the reclassification of \$0.7 million of current liabilities relating to pre-paid developer fees.
- Return on assets was higher than 2016/17 mainly due to higher earnings before interest and tax. The higher earnings before interest and tax was the result of increased year on year developer contributions, growth in Western Water's customer base, increased average water demand from customers and tariff price increases. These revenue increases were partially off-set by marginally higher expenditure of \$2 million across water purchase, electricity and chemicals costs.
- Return on equity was higher than 2016/17 mainly as a result of higher net profit after tax. Net profit after tax was higher mainly due to a 22% year on year increase in total revenue arising from increased developer contributions, growth in Western Water's customer base, increased average water demand from customers and tariff price increases. These revenue increases were partially off-set by a 5% increase in expenses. Average equity increased by 3.5% due to increased retained earnings and an increase in the land revaluation reserve.
- EBITDA margin was higher than 2016/17 mainly due to increased revenues arising from developer contributions, growth in Western Water's customer base, increased average water demand from customers and tariff price increases.
- Cash interest cover was higher than target mainly as a result of higher cash receipts for water usage and higher than expected cash flows from developers, of which \$13 million of developer fees were paid in advance of connection – statement of compliance.
- The gearing ratio was lower than target mainly due to borrowings being \$32 million lower than planned. Borrowings were lower as a result of lower than forecast capital investment cash outflows and higher than forecast operating cash flows arising from higher cash receipts for water usage and service charges and increased cash flows from developers including developer fees paid in advance of connection.
- The internal financing ratio was higher than target mainly as a result of higher net operating cash flows arising from increased cash receipts as outlined in Note 1 above and lower than planned capital expenditure cash flows.
- Return on assets was higher than target mainly due to higher earnings before interest and tax. The higher earnings before interest and tax was the result of higher than planned developer contributions, increased average water demand from customers and additional service fees and usage charges.
- Return on equity was higher than target mainly as a result of higher than planned net profit after tax. Net profit after tax was higher mainly due higher than planned total revenue arising from increased developer contributions, increased average water demand from customers and additional service fees and usage charges. Expenses were only marginally higher than planned due to increased electricity and chemical operating costs. These revenue increases were partially off-set by a 5% increase in expenses. Average equity increased by 3.5% due to increased retained earnings and an increase in the land revaluation reserve.

## Water and sewerage service performance indicators

	Performance Indicator	2016/17 Result	2017/18 Result	2017/18 Target	Variance to prior year %	Notes	Variance to target %	Notes
WS1	<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%	0.01%	0.0%		(100.0%)	
WS2	<b>Interruption time indicators</b> Average duration of unplanned water supply interruptions	214.7 mins	90.0 mins	88.0 mins	(58.1%)	12	2.3%	
WS3	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	82.9%	99.0%	98.0%	19.4%	13	1.0%	
SS1	<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%	98.4%	99.9%	(1.6%)		(1.5%)	
SS2	<b>Sewerage interruptions</b> Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	98.3%	100.0%	100.0%	1.7%		0.0%	

### Notes:

12. The average duration of unplanned interruptions reduced by 58.1% from 2016/17 mainly due to the 2016/17 result incorporating one complex water main burst that impacted many customers over a significant period. Also supporting the lower duration of unplanned interruptions, has been a focus on streamlining despatch processes of teams responding to bursts and leaks.
13. The restoration of unplanned interruptions improved by 19.5% from 2016/17 mainly due to the 2016/17 result incorporating one complex water main burst that impacted many customers over a significant period.

## Performance Report cont.

### Customer responsiveness performance indicators

	Performance Indicator	2016/17 Result	2017/18 Result	2017/18 Target	Variance to prior year %	Notes	Variance to target %	Notes
CR1	<b>Water quality complaints</b> Number of complaints per 1000 customers	2.330	2.616	3.30	12.3%	14	(20.7%)	15
CR2	<b>Sewerage service quality complaints</b> Number of complaints per 1000 customers	0.050	0.068	0.20	36.0%	16	(66.0%)	16
CR3	<b>Sewage odour complaints</b> Number of complaints per 1000 customers	0.120	0.102	0.03	(15.2%)	17	239.2%	17
CR4	<b>Billing complaints</b> Number of complaints per 1000 customers	0.530	0.323	0.50	(39.1%)	18	(35.4%)	18

**Notes:**

14. Water quality complaints per 1000 customers increased from 2016/17 mostly due to a large-scale cleaning program across Sunbury, Diggers Rest and Bulla, and planned maintenance on a large transfer main in Melton which stirred up some sediments, despite extensive prior planning. Using live data from the SCADA system, a hydraulic modelling tool implemented during 2017/18 will assist in predicting water quality outcomes. This should reduce the customer impacts of flushing and maintenance programs in future.
15. Water quality complaints per 1000 customers remain below target for 2017/18 due to the consistency in supply sources.
16. Four sewerage service reliability complaints were recorded for 2017/18 (3 in 2016/17). The complaints received were addressed promptly and resolved to customer satisfaction ensuring favourable result against target.
17. Six sewage odour complaints were recorded for 2017/18 (14 in 2016/17). The complaints received were addressed promptly and resolved to customer satisfaction however the number of complaints exceeded the established target.
18. Twenty-one billing complaints were recorded for 2017/18 (33 in 2016/17). Information packs to new customers and ongoing communications to customers via social media channels and via the website ensured a favourable result against target.

### Environmental performance indicators

	Performance Indicator	2016/17 Result	2017/18 Result	2017/18 Target	Variance to prior year %	Notes	Variance to target %	Notes
E1	<b>Effluent reuse volume (end use)</b> Percentage recycled for each category	72.5%	66.9%	59.0%	(7.7%)	19	13.4%	20
E2	<b>Total net CO<sub>2</sub> emissions</b> Net tonnes CO <sub>2</sub> equivalent*	32,226	33,281	34,113	3.3%		(2.4%)	

**Notes:**

19. Recycled water percentage reused for 2017/18 was lower than 2016/17 due to reduction of in-process use at the Sunbury Recycled Water Plant as a result of the change in treatment processes arising from the plant upgrade.
20. Recycled water percentage reused for 2017/18 was higher than target due to greater than anticipated reuse on the Riddells Creek and Bacchus Marsh recycled water schemes to reduce the carryover volume in storage.

\* The 2016/17 result has been updated from 27,379 reported in the 2016/17 Performance Statement in order to reflect the emissions generated by Sunbury Recycled Water Plant.

## Certification of the Performance Report 2017/18

We certify that the accompanying Performance Report of Western Region Water Corporation in respect of the 2017/18 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 2017/18 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 included in the Performance Report to be misleading or inaccurate.

Signed at Sunbury on 17 August 2018, on behalf of the Board.



Andrew Cairns  
Chair



Rob Murphy  
Acting Managing Director



Julie Williams  
Chief Finance & Accounting Officer

# Auditor-General's report on the Performance Report



## Independent Auditor's Report

### To the Board of the Western Region Water Corporation

<b>Opinion</b>	<p>I have audited the accompanying performance report of the Western Region Water Corporation (the corporation) for the year ended 30 June 2018, which comprises the:</p> <ul style="list-style-type: none"><li>• financial performance indicators</li><li>• water and sewage service performance indicators</li><li>• customer responsiveness performance indicators</li><li>• environmental performance indicators</li><li>• certification of the performance report.</li></ul> <p>In my opinion, the performance report of the Western Region Water Corporation for the year ended 30 June 2018 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the performance report</b>	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i> and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>
<b>Auditor's responsibilities for the audit of the performance report</b>	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists.</p>

Level 31 / 35 Collins Street, Melbourne Vic 3000  
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au



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Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether performance report represents the underlying events and results in a manner that achieves fair presentation.

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

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MELBOURNE  
23 August 2018



Paul Martin  
*as delegate for the Auditor-General of Victoria*

# Financial Report

## Financial summary

Western Water delivered a net profit after tax of \$23.5 million in 2017/18. The result is a 125% increase on the previous financial year, reflecting a combination of cost management initiatives and strong growth in customer connections and development activity in the region.

Customer connections grew by 5.5% during the reporting period, and per connection demand for water was higher than the previous financial year due to drier weather conditions – both contributing to increased service and usage revenues.

Strong development activity, particularly in the Melton and Sunbury areas delivered total developer contributions revenue of \$41 million, an increase of 33% on the \$30.9 million revenue recorded in 2016/17. Western Water is expecting residential development to remain strong over the next few years, supported by the pre-payment of \$13 million of developer contribution fees in 2017/18 for residential properties expected to be connected to the Western Water network over the next 18 months.

The pre-paid developer contribution fees, along with increased service and usage cash receipts, contributed to a 25% increase in total cash receipts and a 132% increase in net cash flow from operating activities for 2017/18.

Western Water's financial result demonstrates the outcomes of management's focus on planning and implementing a range of initiatives to service the high rate of connection growth in the region. Strong cost control and governance, investments in technology and ongoing efficiencies achieved in core operating programs has delivered a lower cost of service per connection.

While Western Water managed connections growth of 5.5%, and incurred higher compliance related expenditure and continued to achieve

our service commitments, the increase in total expenses before borrowing and taxation costs was contained to 3.4% in 2017/18.

Capital investment of \$62.4 million in 2017/18 contributed to Western Water's total capital invested of \$202.4 million over five years. This investment combined with \$73.7 million of assets received from developers over five years has resulted in total capital invested in the region of \$276.1 million.

Investments have largely been in assets associated with increased water and sewer networks and treatment capacity, management of increased volumes of recycled water, improvements in water quality and reducing our impacts on the environment.

Debt increased by \$31.4 million in 2017/18 with the additional borrowings used to finance capital investments during the financial year.

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 year's 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 financial year 1 July 2017 to 30 June 2018.

Western Water paid income tax equivalent to the Victorian Government of \$6.8 million during 2017/18.

### Significant changes in financial position

There were no significant matters that changed Western Water's financial position for the year ending 30 June 2018.

## Significant changes or factors affecting performance

There were no significant changes or factors that affected Western Water's performance during the year ending 30 June 2018.

## Post balance date 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.

Table F1: Summary of financial results (\$'000) - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Service revenue	75,673	66,469	73,850	67,507	63,683
Developer contributions	40,966	30,851	25,174	11,909	9,416
Other revenue	6,590	3,438	2,892	2,319	3,991
<b>Total revenue</b>	<b>123,229</b>	<b>100,758</b>	<b>101,916</b>	<b>81,735</b>	<b>77,090</b>
Operating expenses	60,361	57,826	58,284	46,673	50,427
Corporate expenses	13,994	13,983	11,575	10,284	11,878
Finance costs	13,109	11,548	11,109	10,691	10,729
Environmental contribution	2,410	2,410	2,410	2,410	2,410
<b>Total expenses</b>	<b>89,874</b>	<b>85,767</b>	<b>83,378</b>	<b>70,058</b>	<b>75,444</b>
<b>Net result before income tax</b>	<b>33,355</b>	<b>14,991</b>	<b>18,538</b>	<b>11,677</b>	<b>1,646</b>

Table F2: Summary of financial position (\$'000) - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Current assets	26,166	15,069	20,993	32,099	19,918
Non current assets	918,246	849,312	789,200	690,003	686,205
<b>Total assets</b>	<b>944,412</b>	<b>864,381</b>	<b>810,193</b>	<b>722,102</b>	<b>706,123</b>
Current liabilities	59,299	36,911	25,375	18,295	48,553
Non current liabilities	344,129	312,299	280,113	259,184	221,115
<b>Total liabilities</b>	<b>403,428</b>	<b>349,210</b>	<b>305,488</b>	<b>277,479</b>	<b>269,668</b>
Net cash flow from operating activities	34,597	14,888	19,065	19,675	12,157
Payments for property, plant, equipment & intangibles	58,357	55,979	32,234	16,677	19,876

Table F3: Summary of financial performance - 5 years

	2017/18	2016/17	2015/16	2014/15	2013/14
Gearing ratio (%) (total debt / total assets)	25.9	24.6	22.3	25.1	24.6
Internal financing ratio (%)	64.1	27.5	59.1	118.0	61.2
Cash interest cover (times)	4.2	2.8	2.8	2.9	2.1
Return on assets (%)	5.1	3.2	3.8	3.1	1.7
Return on equity (%)	4.5	2.1	2.7	1.9	0.3

# Financial Report contents

Western Region Water Corporation has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2018. It is presented in the following structure:

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# Comprehensive Operating Statement

For the financial year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Revenue</b>			
Service charges	2(b)(i)	50,589	45,367
Water usage charges	2(b)(i)	25,084	20,231
Developer contributions	2(b)(iv)	40,966	30,851
Other revenue	2(b)(v)	6,119	4,269
Government grants and contributions	2(b)(ii), 9(e)(i)	636	89
Interest revenue	2(b)(iii)	11	15
Net loss on disposal of infrastructure, property, plant and equipment	4(a)(x)	(176)	(64)
<b>Total revenue</b>		<b>123,229</b>	<b>100,758</b>
<b>Expenses</b>			
Borrowing costs	6(a)(ii), 9(e)(i)	13,109	11,548
Depreciation	4(a)(viii)	20,590	19,811
Amortisation	4(a)(viii), 4(b)	2,151	2,141
Employee benefits	3(b), 3(c), 9(d)	16,206	15,785
Repairs and maintenance	3(d)	3,884	3,975
Environmental contribution levy	8(b), 9(e)(i)	2,410	2,410
Water purchases	3(e), 9(e)(i)	10,321	9,679
Electricity	3(f)	4,038	3,366
Grants and other transfers	3(g)	18	32
Other operating & administration	3(h)	17,147	17,020
<b>Total expenses</b>		<b>89,874</b>	<b>85,767</b>
<b>Net result before tax</b>		<b>33,355</b>	<b>14,991</b>
Income tax expense	8(a)(i), 9(e)(i)	9,824	4,525
<b>Net result for the period</b>		<b>23,531</b>	<b>10,466</b>
<b>Other comprehensive income</b>			
Pre-tax change in asset revaluation reserve	9(a)(ii)	3,260	-
Income tax relating to change in asset revaluation reserve	8(a)(ii)	(978)	-
<b>Other comprehensive income for the period, net of income tax</b>	<b>9(a)(ii)</b>	<b>2,282</b>	
<b>Comprehensive result</b>		<b>25,813</b>	<b>10,466</b>

The above Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

## Financial Report cont.

# Balance Sheet

For the financial year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6(b), 7	8,721	1,598
Receivables	5(a), 7	14,606	12,504
Prepayments	5(c)	1,032	596
Amounts in trust	5(c)	1,807	371
<b>Total current assets</b>		<b>26,166</b>	<b>15,069</b>
<b>Non-current assets</b>			
Receivables	5(a), 7	205	188
Infrastructure assets, property, plant and equipment	4(a)	902,485	835,764
Intangible assets	4(b), 9(e)(i)	14,268	12,186
Deferred tax assets	8(a)(ii)	1,288	1,174
<b>Total non-current assets</b>		<b>918,246</b>	<b>849,312</b>
<b>Total assets</b>		<b>944,412</b>	<b>864,381</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	5(b), 7	33,567	28,096
Income in advance	5(d)	16,675	3,694
Employee benefits	3(b)(ii), 9(e)(ii)	3,651	3,346
Current tax payable		5,406	1,775
<b>Total current liabilities</b>		<b>59,299</b>	<b>36,911</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	6(a), 7, 9(e)(i)	244,650	213,250
Employee benefits	3(b)(ii)	404	413
Deferred tax liabilities	8(a)(ii)	99,075	98,636
<b>Total non-current liabilities</b>		<b>344,129</b>	<b>312,299</b>
<b>Total liabilities</b>		<b>403,428</b>	<b>349,210</b>
<b>Net assets</b>		<b>540,984</b>	<b>515,171</b>
<b>Equity</b>			
Contributed capital	9(a)(i)	160,413	160,413
Asset revaluation reserves	9(a)(ii)	149,698	147,416
Accumulated surplus	9(a)(iii)	230,873	207,342
<b>Total equity</b>		<b>540,984</b>	<b>515,171</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

For the financial year ended 30 June 2018

	Notes	Contributed capital \$'000	Asset revaluation reserves \$'000	Accumulated surplus \$'000	Total \$'000
<b>Balance as at 1 July 2016</b>	9(a)	160,413	147,416	196,876	504,705
Comprehensive result		-	-	10,466	10,466
<b>Balance as at 1 July 2017</b>	9(a)	160,413	147,416	207,342	515,171
Comprehensive result		-	2,282	23,531	25,813
<b>Balance as at 30 June 2018</b>	9(a)	160,413	149,698	230,873	540,984

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

## Financial Report cont.

# Cash Flow Statement

For the financial year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service and usage charges		85,030	75,784
Developer contribution fees		27,394	14,482
Interest		10	15
Grants from government (non-recurrent)		1,397	367
Goods and Services Tax received from the ATO		8,191	7,113
<b>Total receipts</b>		<b>122,022</b>	<b>97,761</b>
<b>Payments</b>			
Payment to employees		(15,605)	(15,287)
Payment to suppliers		(49,311)	(48,247)
Interest and other costs of finance		(13,039)	(11,482)
Income tax		(6,847)	(5,277)
Environmental contribution levy	8(b)	(2,410)	(2,410)
Goods and Services Tax paid to the ATO		(213)	(170)
<b>Total payments</b>		<b>(87,425)</b>	<b>(82,873)</b>
<b>Net cash inflow from operating activities</b>	<b>6(b)</b>	<b>34,597</b>	<b>14,888</b>
<b>Cash flows from investing activities</b>			
Payments for infrastructure assets, property, plant and equipment	4(b)	(53,994)	(52,478)
(Payments) / receipts of deferred capital works security bonds		(914)	2,490
Proceeds from sale of infrastructure assets, property, plant & equipment		397	335
Payments for intangible assets	4(b)	(4,363)	(3,500)
<b>Net cash outflow from investing activities</b>		<b>(58,874)</b>	<b>(53,153)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new and refinanced borrowings	9(e)(i)	47,900	49,250
Payment for maturing and refinanced borrowings	9(e)(i)	(16,500)	(17,000)
<b>Net cash inflow from Financing Activities</b>		<b>31,400</b>	<b>32,250</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>7,123</b>	<b>(6,015)</b>
Cash and cash equivalents at the beginning of the financial year		1,598	7,613
<b>Cash and cash equivalents at end of the financial year</b>	<b>6(b)</b>	<b>8,721</b>	<b>1,598</b>

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



# Notes to the Financial Statements

30 June 2018

## 1 About this Report

### Basis of preparation

The financial report includes separate financial statements for Western Region Water Corporation (Western Water, or the Corporation) as an individual reporting entity. This financial report is a general purpose financial report, that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Directors' and Chief Finance and Accounting Officers's Declaration and notes accompanying these statements for the period ended 30 June 2018.

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

Western Water is a not-for-profit entity for the purpose of preparing the financial statements. Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

The accrual basis of accounting has been applied in the preparation of the 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 2018. The principal address is:

Western Region Water Corporation  
36 Macedon Street  
SUNBURY VIC 3429

### Accounting policies

Accounting policies are selected and applied in a manner that ensures 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.

### Comparative figures

Where appropriate, comparative figures have been amended to align with current presentation and disclosure (Notes 2(b)(i), 2(b)(v), 3(b)(i), 3(h), 4(a)(ii), 5(a)(i), 5(b) and 5(d)).

### Functional and presentation currency

Items included in this financial report 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.

# Notes to the Financial Statements cont.

## 1 About this Report cont.

### 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 turned over or settled within the next twelve months, being Western Water's operational cycle - see under Provisions for a variation in relation to employee benefits.

### Rounding

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

### Historical cost convention

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

### Accounting estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are made in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements and assumptions made by Western Water in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

- Accrued usage charges revenue (Note 2(b)(i));
- Residual values and useful lives (Note 4(a)(viii));
- Fair value of infrastructure assets, property, plant and equipment (Note 4(a)(iv), 4(a)(v) and 4(a)(vi));
- Impairment of assets (Note 4(a)(ix) and 4(b)(iii));
- Contingent assets and liabilities (Note 7(c));
- Employee benefit provisions (Note 3(b)(ii) and 3(c)(iii));
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (Note 3(b) and 3(c)); and
- Recognition of deferred tax assets and liabilities (Note 8(a)(ii)).

## 2 Funding delivery of our services

### Introduction

This section provides additional information about how Western Water is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Western Water's overall objective is to deliver safe, reliable and affordable water, sewerage and recycled water services that meet the diverse needs of our customers and community.

Our intent is to work with customers and stakeholders to enhance regional economic growth and resilience against a backdrop of population growth, a changing climate, natural resource scarcity and while caring for the environment.

Western Water's key sources of funding are derived from water, sewerage and recycled water services revenue along with fees received from developers. Developers also transfer assets to Western Water that support the delivery of our services.

### (a) Summary of revenue that funds the delivery of our services

	Notes	2018 \$'000	2017 \$'000
<b>Revenue</b>			
Service charges	2(b)(i)	50,589	45,367
Water usage charges	2(b)(i)	25,084	20,231
Government grants and contributions	2(b)(ii)	636	89
Interest revenue	2(b)(iii)	11	15
Developer contributions			
Fees paid by developers	2(b)(iv)	14,768	13,709
Assets received from developers	2(b)(iv)	26,198	17,142
Other revenue	2(b)(v)	6,119	4,269
<b>Total revenue</b>		<b>123,405</b>	<b>100,822</b>

Revenue is recognised to the extent it is probable the economic benefits will flow to Western Water and the revenue can be reliably measured at fair value. Where applicable, amounts disclosed as revenue are net of returns, allowances, duties and taxes.

# Notes to the Financial Statements cont.

## 2 Funding delivery of our services cont.

### (b) Revenue from transactions

#### (i) Service and usage charges

	2018 \$'000	2017 \$'000
<b>Service charges</b>		
Water	16,471	14,285
Sewerage	33,746	30,822
Recycled water	372	260
<b>Total service charges</b>	<b>50,589</b>	<b>45,367</b>
<b>Water usage charges</b>		
Water	29,700	24,768
Recycled water*	1,316	1,186
Government water rebate	(5,932)	(5,723)
<b>Total water usage charges</b>	<b>25,084</b>	<b>20,231</b>
<b>Total service and usage charges</b>	<b>75,673</b>	<b>65,598</b>

\* Change in comparatives: Recycled water - tapping and inspection fees of \$870,964 that were classified under Recycled water in 2016/17 are now classified under Other revenue - Property services (Note 2(b)(v)).

Service charges represent charges for access to water, sewerage and recycled water. Annual financial year service charges are progressively billed three times a year.

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. An accrual estimation, calculated by utilising the bulk meter reading at the end of the reporting period is made at 30 June for water usage by customers in respect of meters that have not been read at balance date. An assumption on the percentage of water losses is also required in determining the water usage.

Recycled water usage charges include charges for Class A, B and C categories of water. Class A recycled water usage is recognised as revenue based on the consumption as per meter readings. Class B and C recycled water usage is recognised based on the agreed contractual arrangements.

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 \$5,932,095 represents the Government Water Rebate for the financial year 2017/18 (2017: \$5,723,038).

Customer service and usage charges paid in advance are recognised as income in advance in current liabilities.

**(b) Revenue from transactions cont.**

*(ii) Government grants and contributions*

	2018 \$'000	2017 \$'000
<b>Total government grants and contributions</b>	<b>636</b>	<b>89</b>

Government grants and contributions are recognised as operating revenue when Western Water obtains control of the contribution. Control is obtained when Western Water receives the grant or contribution and certain other criteria as outlined by AASB 1004 Contributions have been met.

*(iii) Interest revenue*

	2018 \$'000	2017 \$'000
<b>Total interest revenue</b>	<b>11</b>	<b>15</b>

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

*(iv) Developer contributions*

	2018 \$'000	2017 \$'000
Fees paid by developers	14,768	13,709
Assets received from developers	26,198	17,142
<b>Total developer contributions</b>	<b>40,966</b>	<b>30,851</b>

Fees paid by developers to connect new developments to Western Water's water supply and sewerage systems are recognised as revenue when Western Water issues the Statement of Compliance on the applicable sub-division works.

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

## Notes to the Financial Statements cont.

### 2 Funding delivery of our services cont.

#### (b) Revenue from transactions cont.

##### (v) Other revenue

	2018 \$'000	2017 \$'000
Property services *	4,114	3,119
Special meter reading	206	173
Property rental	47	56
Reimbursement of costs incurred and miscellaneous revenue	1,752	921
<b>Total other revenue</b>	<b>6,119</b>	<b>4,269</b>

\* Change in comparatives: Recycled water - tapping and inspection fees of \$870,964 that were classified under Recycled water in 2016/17 are now classified under Other revenue - Property services (Note 2(b)(i)).

Other revenue items are recognised on an accrual basis.

##### Property rental revenue

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

## 3 The cost of delivering services

### Introduction

This section provides additional information about how Western Water's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

#### (a) Summary of expenses incurred in delivery of services

	Notes	2018 \$'000	2017 \$'000
<b>Expenses</b>			
Employee benefits *	3(b)(i)	16,206	15,785
Repairs and maintenance	3(d)	3,884	3,975
Water purchases	3(e)	10,321	9,679
Electricity	3(f)	4,038	3,366
Grants and other transfers	3(g)	18	32
Other operating & administration *	3(h)	17,147	17,020
<b>Total expenses incurred in delivery of services</b>		<b>51,614</b>	<b>49,857</b>

\* Change in comparatives: Trainee wages of \$79,868 that were classified under Employee benefits in 2016/17 are now classified under Other operating and administration expenses - Contractors and consultants.

#### (b) Our people

##### (i) Employee benefits - Comprehensive Operating Statement

	Notes	2018 \$'000	2017 \$'000
<b>Employee benefits</b>			
Salary & wages *		13,760	13,508
Annual leave and long service leave		326	235
Employer superannuation contributions		1,232	1,211
Other		888	831
<b>Total employee benefit costs *</b>		<b>16,206</b>	<b>15,785</b>

\* Change in comparatives: Trainee wages of \$79,868 that were classified under Employee benefits in 2016/17 are now classified under Other operating and administration expenses - Contractors and consultants.

Employee benefits include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

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.

## Notes to the Financial Statements cont.

### 3 The cost of delivering services cont.

#### (b) Our people cont.

##### (ii) Employee benefits - Balance Sheet

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 and recorded as an expense during the period the services are delivered.

	2018 \$'000	2017 \$'000
<b>Current provisions</b>		
<b>Annual leave</b>		
Unconditional and expected to settle within 12 months	972	873
<b>Long service leave</b>		
Unconditional and expected to settle within 12 months	350	399
Unconditional and expected to settle after 12 months	1,842	1,612
<b>Provisions for on-costs</b>		
Unconditional and expected to settle within 12 months	201	214
Unconditional and expected to settle after 12 months	286	248
<b>Total current provisions for employee benefits</b>	<b>3,651</b>	<b>3,346</b>
<b>Non-current provisions</b>		
<b>Long service leave</b>		
Conditional and expected to settle after 12 months	350	358
<b>Provisions for on-costs</b>		
Conditional and expected to settle after 12 months	54	55
<b>Total non-current provisions for employee benefits</b>	<b>404</b>	<b>413</b>
<b>Total provisions for employee benefits</b>	<b>4,055</b>	<b>3,759</b>
<b>Reconciliation of movement in on-cost provision</b>		
Opening balance	517	490
Additional provisions recognised *	198	192
Amounts utilised during the period *	(175)	(167)
Effect of changes in the discount rate	1	2
<b>Closing balance</b>	<b>541</b>	<b>517</b>
Current	487	462
Non-current	54	55
	<b>541</b>	<b>517</b>

\* Additional provisions recognised and amounts utilised that were previously disclosed on a net basis are now disclosed on a gross basis.



## **Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, as Western Water does not have an unconditional right to defer settlements of these liabilities.

Liabilities for salaries and annual leave are all recognised in the provision for employee benefits as 'current liabilities' as per AASB 119 Employee Benefits, as Western Water does not have an unconditional right to defer settlements of these liabilities. Liabilities for salaries and annual leave are measured at:

- undiscounted value; if they will be wholly settled within 12 months; or
- discounted value; if not expected to be wholly settled within 12 months.

Sick leave payments are made in accordance with relevant awards, determinations and Western Water policy. No provision is made in the Financial Statements for unused sick leave entitlements as these are non-vesting benefits.

### **On-costs**

On costs, such as payroll tax and workers' compensation insurance, are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

### **Long service leave**

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

Unconditional LSL (representing seven or more years of continuous service) is disclosed as a current liability even where Western Water does not expect to settle the liability within 12 months as Western Water does not have an unconditional right to defer the settlement of the entitlement

should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value - the component Western Water expects to wholly settle within 12 months; or
- discounted value - the component Western Water does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability as Western Water has 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 discounted value.

Any gain or loss following revaluation of the present value of non-current LSL liability and any gain or loss arising due to changes in bond interest rates are recognised in the Comprehensive Operating Statement.

## Notes to the Financial Statements cont.

### 3 The cost of delivering services cont.

#### (c) Superannuation

##### (i) Superannuation contributions

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).

The obligations for contributions to the Fund and other Superannuation Funds are recognised as an expense in the Comprehensive Operating Statement or directly charged to capital expenditure projects. Contributions by Western Water to the various superannuation plans for the financial year ended 30 June 2018 are detailed below:

Scheme	Type of scheme	Contribution Rate	2018 \$'000	2017 \$'000
Vision Super	Defined Benefit	9.50%	134	138
Vision Super	Accumulation	9.50%	768	745
Other Superannuation Funds	Accumulation	9.50% - 10.00%	469	437
			<b>1,371</b>	<b>1,320</b>

As at the reporting date, there was \$77,547 (2017: \$79,810) payable to Vision Super and \$48,248 (2017: \$58,179) payable to other Superannuation Funds through Vision Clearing House for payments in the normal course of business and no loans issued from or 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 2019 is \$125,600 (2018: \$138,587).

The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

##### (ii) Accumulation

Contributions to the accumulation plans are expensed as the contributions are paid or become payable.

##### (iii) Defined benefit

Western Water does not use defined benefit accounting as sufficient information is not available. 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 employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

(iv) *Funding arrangements*

On the basis of the results of the 2017 triennial/full actuarial investigation conducted by the Fund Actuary, 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 Actuary. 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 2017 full actuarial investigation surplus amounts**

As at 30 June 2017, a full actuarial investigation was held. The vested benefit index (VBI) of the defined benefit category of which Western Water is a contributing employer was 103.1%. The VBI is to be used as the primary funding indicator. As the VBI was above 100%, the 2017 full actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangements from prior years.

To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 6.5% pa;
- Salary information 3.5% pa; and
- Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at June 2018 was 106%.

The Fund's full actuarial investigation as at 30 June 2017 identified the following in the defined benefit category of which Western Water is a contributing employer:

- A VBI surplus of \$69.8 million; and
- A total service liability surplus of \$193 million; and
- A discounted accrued benefits surplus of \$228.8 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 2017.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2017.

**The 2018 interim actuarial investigation**

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2018 as the Fund provides lifetime pensions in the defined benefit category. It is anticipated that this actuarial investigation will be completed in October 2018.

## Notes to the Financial Statements cont.

### 3 The cost of delivering services cont.

#### (c) Superannuation cont.

##### *(v) Funding calls*

If the defined benefit category is in an unsatisfactory financial position (i.e. VBI is below 100%) at an actuarial investigation or the defined benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the defined benefit category 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. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. While an actuarial investigation is underway, the shortfall limit is 100%.

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.

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 payroll at 30 June 1993 and 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.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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.

## (d) 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 (Note 4(a)(iii)), the cost is capitalised and depreciated.

	2018 \$'000	2017 \$'000
Labour and materials	823	839
Mechanical	792	702
Electrical	446	800
Land and ground	406	523
Bio solids	213	115
Instrumentation and control	379	407
Incidents	88	270
Dam safety	663	232
Buildings	74	87
<b>Total repairs and maintenance</b>	<b>3,884</b>	<b>3,975</b>

## (e) Water purchases

Water purchases cost includes variable water transfer and fixed water availability charges for the Greater Yarra System - Thomson River and variable cost recovery storage charges for the Southern Rural Water reservoirs. Water purchases cost is recognised as an expense in the reporting period in which they are incurred.

	2018 \$'000	2017 \$'000
<b>Total water purchases</b>	<b>10,321</b>	<b>9,679</b>

## (f) Electricity

Electricity expense includes the electricity used in water and sewerage treatment and transfer activities, and normal operating activities. Electricity expense is recognised as an expense in the reporting period in which it is incurred.

	2018 \$'000	2017 \$'000
<b>Total electricity</b>	<b>4,038</b>	<b>3,366</b>

## Notes to the Financial Statements cont.

### 3 The cost of delivering services cont.

#### (g) Grants and other transfers

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. The transactions are to government and non-government schools, and community groups.

	2018 \$'000	2017 \$'000
<b>Total grants and other transfers</b>	<b>18</b>	<b>32</b>

#### (h) Other operating and administration

	Notes	2018 \$'000	2017 \$'000
<b>Supplies and services</b>			
Contractors and consultants *		6,163	6,520
Office supplies and consumables		2,846	2,892
Information Communication Technology supplies and consumables		1,412	1,413
Sampling and analysis charges		1,033	1,246
Chemicals		1,131	848
Staff related expenses - non labour		642	652
Travel and related expenses		795	654
Materials		584	437
Marketing and media		369	304
Biodiversity management		95	113
Directors fees		198	150
Insurance		221	223
Legal costs		82	123
License fees		200	199
<b>Total supplies and services *</b>		<b>15,771</b>	<b>15,774</b>
Operating lease rental		727	634
Bad and doubtful debts	5(a)(ii)	409	356
Compensation for economic loss	9(g)	14	-
Auditors' remuneration	9(f)	226	25
<b>Total other operating and administration *</b>		<b>17,147</b>	<b>17,020</b>

\* Change in comparatives: Trainee wages of \$79,868 that were classified under Employee benefits in 2016/17 are now classified under Other operating and administration expenses - Contractors and consultants.

Other operating and administration costs generally represent the day-to-day running costs incurred in normal operations.

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. Operating lease rental costs are recognised on a straight line basis over the lease term.

## 4 Key assets available to support output delivery

### Introduction

Western Water controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to Western Water to be utilised for delivery of those outputs.

#### (a) Total infrastructure assets, property, plant and equipment

(i) *Classes of infrastructure, property, plant and equipment*

	2018 \$'000	2017 \$'000
<b>Land</b>		
Gross carrying amount - at fair value	30,808	27,073
<b>Net carrying amount</b>	<b>30,808</b>	<b>27,073</b>
<b>Buildings</b>		
Gross carrying amount - at fair value	10,391	10,179
Less: accumulated depreciation	(714)	(357)
<b>Net carrying amount</b>	<b>9,677</b>	<b>9,822</b>
<b>Infrastructure</b>		
Gross carrying amount - at fair value	810,400	746,546
Less: accumulated depreciation	(35,961)	(17,538)
<b>Net carrying amount</b>	<b>774,439</b>	<b>729,008</b>
<b>Equipment</b>		
Gross carrying amount - at fair value	18,614	17,825
Less: accumulated depreciation	(9,843)	(8,664)
<b>Net carrying amount</b>	<b>8,771</b>	<b>9,161</b>
<b>Motor vehicles</b>		
Gross carrying amount - at fair value	3,850	3,704
Less: accumulated depreciation	(1,317)	(1,255)
<b>Net carrying amount</b>	<b>2,533</b>	<b>2,449</b>
<b>Leasehold assets</b>		
Gross carrying amount - at fair value	2,028	1,896
Less: accumulated depreciation	(1,899)	(1,842)
<b>Net carrying amount</b>	<b>129</b>	<b>54</b>
<b>Capital work in progress</b>		
<b>Gross carrying amount - at cost</b>	<b>76,128</b>	<b>58,197</b>
<b>Total infrastructure, property, plant and equipment</b>		
Gross carrying amount	952,219	865,420
Less: accumulated depreciation	(49,734)	(29,656)
<b>Net carrying amount</b>	<b>902,485</b>	<b>835,764</b>

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (a) Total infrastructure assets, property, plant and equipment cont.

##### (ii) Reconciliation of movements in carrying values

	Land At fair value \$'000	Buildings At fair value \$'000	Infrastructure At fair value \$'000
<b>2018</b>			
<b>Infrastructure, property, plant and equipment</b>			
Opening balance 1 July 2017	27,073	9,822	729,008
Additions *	475	-	-
Transfer of capital work in progress *	-	212	37,848
Fair value of assets received free of charge	-	-	26,198
Revaluation	3,260	-	-
Disposals	-	-	(174)
Depreciation and amortisation	-	(357)	(18,441)
<b>Closing balance 30 June 2018</b>	<b>30,808</b>	<b>9,677</b>	<b>774,439</b>
<b>2017</b>			
<b>Infrastructure, property, plant and equipment</b>			
Opening balance 1 July 2017	26,595	9,820	690,091
Additions *	478	-	-
Transfer of capital work in progress *	-	359	39,195
Fair value of assets received free of charge	-	-	17,142
Transfer between assets classes	-	-	118
Disposals	-	-	-
Depreciation and amortisation	-	(357)	(17,538)
<b>Closing balance 30 June 2017</b>	<b>27,073</b>	<b>9,822</b>	<b>729,008</b>

\* Change in comparatives: Additions/capital expenditure that were previously disclosed together are now disclosed separately under additions and transfer of capital work in progress.



	<b>Equipment At fair value \$'000</b>	<b>Motor vehicles At fair value \$'000</b>	<b>Leasehold assets At fair value \$'000</b>	<b>Capital work in progress At fair value \$'000</b>	<b>Total infrastructure, property, plant and equipment At fair value \$'000</b>
	9,161	2,449	54	58,197	835,764
	-	1,153	-	56,925	58,553
	802	-	132	(38,994)	-
	-	-	-	-	26,198
	-	-	-	-	3,260
	-	(469)	-	-	(643)
	(1,192)	(600)	(57)	-	(20,647)
	<b>8,771</b>	<b>2,533</b>	<b>129</b>	<b>76,128</b>	<b>902,485</b>
	8,805	2,733	294	40,371	778,709
	-	611	-	59,284	60,373
	1,894	-	10	(41,458)	-
	-	-	-	-	17,142
	(118)	-	-	-	-
	(56)	(343)	-	-	(399)
	<b>(1,364)</b>	<b>(552)</b>	<b>(250)</b>	<b>-</b>	<b>(20,061)</b>
	<b>9,161</b>	<b>2,449</b>	<b>54</b>	<b>58,197</b>	<b>835,764</b>

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (a) Total infrastructure assets, property, plant and equipment cont.

##### *(iii) Initial recognition*

Infrastructure assets, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and recycled water infrastructure, plant, equipment and motor vehicles, all used by Western Water in its operations. Items with a cost or value in excess of \$1,000 (2017: \$1,000) and a useful life of more than one year are recognised as an asset (Note 3(d)). All other assets acquired are expensed.

Items of infrastructure assets and property, plant and equipment are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project, other direct costs and an appropriate proportion of variable and fixed overheads.

Leasehold improvements are recognised at fair value and are amortised over the remaining term of the lease or the estimated useful lives, whichever is the shorter.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

For all assets measured at fair value, the current use is considered the highest and best use.

##### *(iv) Subsequent measurement*

Infrastructure assets, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and

impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 4(a)(vi) for fair value disclosures.

##### *(v) Revaluation*

Infrastructure assets, plant, equipment and motor vehicles are measured at Fair Value.

Infrastructure assets are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103G. 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.

Revaluations are conducted in accordance with FRD 103G. Scheduled revaluations are 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.

Revaluation increments are credited directly to equity in the asset revaluation reserve, 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 assets, 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.

*(vi) Fair value determination*

**Significant judgement: Fair value measurements of assets and liabilities**

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of Western Water.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Consistent with AASB 13 Fair Value Measurement, Western Water determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment 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.

**Fair value hierarchy**

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.

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (a) Total infrastructure assets, property, plant and equipment cont.

##### Non-financial physical assets - 2018

		Fair value measurement at end of reporting period in accordance with the fair value hierarchy:		
	Carrying amount as at 30 June 2018 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>2018</b>				
<b>Land at fair value</b>				
<i>Specialised land</i>				
- Water storage land	3,670	-	-	3,670
- Treatment plants land	16,117	-	-	16,117
- Telemetry land	32	-	-	32
- Tank wastewater land	6,501	-	-	6,501
- Pump station land	4,422	-	-	4,422
- Other land	66	-	-	66
<b>Total of land at fair value</b>	<b>30,808</b>	<b>-</b>	<b>-</b>	<b>30,808</b>
<b>Buildings at fair value</b>				
<i>Specialised buildings</i>				
- Sheds	782	-	-	782
- Other buildings	8,850	-	-	8,850
- Pump station buildings	45	-	-	45
<b>Total of buildings at fair value</b>	<b>9,677</b>	<b>-</b>	<b>-</b>	<b>9,677</b>
<b>Infrastructure at fair value</b>				
<i>Specialised infrastructure</i>				
- Reservoirs	39,780	-	-	39,780
- Water pipework	218,844	-	-	218,844
- Water/storage tanks	37,842	-	-	37,842
- Sewer/Recycled water pipework and rising mains	281,576	-	-	281,576
- Sewerage manholes	24,417	-	-	24,417
- Lagoons	13,745	-	-	13,745
- Pumps	6,294	-	-	6,294
- Sewer treatment tanks	13,724	-	-	13,724
- Other infrastructure	138,217	-	-	138,217
<b>Total of infrastructure at fair value</b>	<b>774,439</b>	<b>-</b>	<b>-</b>	<b>774,439</b>

Table continues on next page.

*Non-financial physical assets - 2018 cont.*

		Fair value measurement at end of reporting period in accordance with the fair value hierarchy:		
	Carrying amount as at 30 June 2018 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>2018</b>				
<b>Equipment at fair value</b>				
<i>Specialised equipment</i>				
- Computer, furniture and fittings	1,227	-	-	1,227
- Compressors	778	-	-	778
- Machinery	759	-	-	759
- Other equipment	6,007	-	-	6,007
<b>Total of equipment at fair value</b>	<b>8,771</b>	<b>-</b>	<b>-</b>	<b>8,771</b>
<b>Motor vehicles at fair value</b>				
<i>Non-specialised motor vehicles</i>				
- 4WD	1,356	-	-	1,356
- Passenger	362	-	-	362
- Trucks	703	-	-	703
- Utilities	112	-	-	112
<b>Total of motor vehicles at fair value</b>	<b>2,533</b>	<b>-</b>	<b>-</b>	<b>2,533</b>
<b>Leasehold assets at fair value</b>				
- Leasehold improvements	129	-	-	129
<b>Total of leasehold assets at fair value</b>	<b>129</b>	<b>-</b>	<b>-</b>	<b>129</b>
<b>Total infrastructure, property, plant &amp; equipment excluding assets under construction</b>	<b>826,357</b>	<b>-</b>	<b>-</b>	<b>826,357</b>

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (a) Total infrastructure assets, property, plant and equipment cont.

##### Non-financial physical assets - 2017

		Fair value measurement at end of reporting period in accordance with the fair value hierarchy:		
	Carrying amount as at 30 June 2017 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>2017</b>				
<b>Land at fair value</b>				
<i>Specialised land</i>				
- Water storage land	2,912	-	-	2,912
- Treatment plants land	14,540	-	-	14,540
- Telemetry land	30	-	-	30
- Tank wastewater land	5,761	-	-	5,761
- Pump station land	3,769	-	-	3,769
- Other land	61	-	-	61
<b>Total of land at fair value</b>	<b>27,073</b>	<b>-</b>	<b>-</b>	<b>27,073</b>
<b>Buildings at fair value</b>				
<i>Specialised buildings</i>				
- Sheds	832	-	-	832
- Other buildings	8,944	-	-	8,944
- Pump station buildings	46	-	-	46
<b>Total of buildings at fair value</b>	<b>9,822</b>	<b>-</b>	<b>-</b>	<b>9,822</b>
<b>Infrastructure at fair value</b>				
<i>Specialised infrastructure</i>				
- Reservoirs	39,455	-	-	39,455
- Water pipework	215,132	-	-	215,132
- Water/storage tanks	41,677	-	-	41,677
- Sewer/Recycled water pipework and rising mains	264,841	-	-	264,841
- Sewerage manholes	21,625	-	-	21,625
- Lagoons	12,498	-	-	12,498
- Pumps	6,251	-	-	6,251
- Sewer treatment tanks	14,450	-	-	14,450
- Other infrastructure	113,079	-	-	113,079
<b>Total of infrastructure at fair value</b>	<b>729,008</b>	<b>-</b>	<b>-</b>	<b>729,008</b>

Table continues on next page.

*Non-financial physical assets - 2017 cont.*

	Carrying amount as at 30 June 2017 \$'000	Fair value measurement at end of reporting period in accordance with the fair value hierarchy:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>2017</b>				
<b>Equipment at fair value</b>				
<i>Specialised equipment</i>				
- Computer, furniture and fittings	1,447	-	-	1,447
- Compressors	772	-	-	772
- Machinery	751	-	-	751
- Other equipment	6,191	-	-	6,191
<b>Total of equipment at fair value</b>	<b>9,161</b>	<b>-</b>	<b>-</b>	<b>9,161</b>
<b>Motor vehicles at fair value</b>				
<i>Non-specialised motor vehicles</i>				
- 4WD	990	-	-	990
- Passenger	451	-	-	451
- Trucks	854	-	-	854
- Utilities	154	-	-	154
<b>Total of motor vehicles at fair value</b>	<b>2,449</b>	<b>-</b>	<b>-</b>	<b>2,449</b>
<b>Leasehold assets at fair value</b>				
- Leasehold improvements	54	-	-	54
<b>Total of leasehold assets at fair value</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>54</b>
<b>Total infrastructure, property, plant &amp; equipment excluding assets under construction</b>	<b>777,567</b>	<b>-</b>	<b>-</b>	<b>777,567</b>

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (a) Total infrastructure assets, property, plant and equipment cont.

Description of significant unobservable inputs to Level 3 valuations as at 30 June 2017 and 2018

Asset class	Valuation technique	Significant unobservable inputs
<b>Land at fair value</b> <i>Specialised land</i> - Water storage land - Treatment plants land - Telemetry land - Tank wastewater land - Pump station land - Other land	Market approach	Community Service Obligations (CSO)
<b>Buildings at fair value</b> <i>Specialised buildings</i> - Sheds - Other buildings - Pump station buildings	Depreciated replacement cost	Useful life Remaining useful life Average cost per unit
<b>Infrastructure at fair value</b> <i>Specialised infrastructure</i> - Reservoirs - Water pipework - Water/storage tanks - Sewer/Recycled water pipework and rising mains - Sewerage manholes - Lagoons - Pumps - Sewer treatment tanks - Other infrastructure	Depreciated replacement cost	Useful life Remaining useful life Average cost per unit
<b>Equipment at fair value</b> <i>Specialised equipment</i> - Computer, furniture and fittings - Compressors - Machinery - Other equipment	Depreciated replacement cost	Useful life Remaining useful life Average cost per unit
<b>Motor vehicles at fair value</b> <i>Non-specialised motor vehicles</i> - 4WD - Passenger - Trucks - Utilities	Depreciated replacement cost	Remaining useful life Salvage value
<b>Leasehold assets at fair value</b> - Leasehold improvements	Depreciated replacement cost	Remaining life of the lease



There have been no transfers between levels during the period.

The Valuer General Victoria (VGV) is Western Water's independent valuation agency in relation to valuation of property, plant and equipment and infrastructure.

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

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

### **Specialised land**

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

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

If appropriate an allowance is 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.

Scheduled revaluation of Western Water's specialised land was performed using the market approach adjusted for CSO by the Valuer General Victoria as at 30 June 2016. The land was valued on the basis of the existing zoning or underlying zonings.

Fair value assessments of specialised land are conducted annually such that the assets reflect fair value at the end of the annual reporting period. Such assessments use indices and/or other fair value indicators for indications of material changes in values. Interim Revaluations and Managerial Revaluations may arise as a result of fair value assessments of specialised land.

In accordance with Financial Reporting Direction 103G - Non-Financial Physical Assets if there is a material movement (exceeds 10%) in fair values, as indicated by the compounded impact of the Valuer-General Victoria (VGV) indices (or other relevant fair value indicators) since the last Scheduled or Interim Revaluation, a Managerial Valuation is to be undertaken. If there is an exceptionally material movement (equal or exceeds 40%) in fair value, an Interim Revaluation is required to be completed. If the compounded movement in fair value since the last Scheduled, Interim or Managerial Revaluation is less than or equal to 10%, then no change to carrying amounts is required.

Western Water's fair value assessment of the specialised land class of assets, applying the April/May 2018 financial year indexation factors of industrial land by post code as issued by the VGV, identified an 11.6% increase in the fair value since the June 2016 Scheduled Revaluation. As the identified movement exceeds 10%, Western Water has completed a Managerial Revaluation of the specialised land assets and relevant entries are recorded in this financial report.

### **Specialised buildings**

For the majority of Western Water's specialised buildings, the Depreciated Replacement Cost (DRC) 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.

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (a) Total infrastructure assets, property, plant and equipment cont.

##### Specialised buildings cont.

Buildings were valued at 30 June 2016 by the Valuer General Victoria (VGV) and representatives of VGV. 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.

The Corporation conducted an assessment at 30 June 2018 with no material movement identified since the 2016 valuation.

##### 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 JLT Valuation Services on behalf of the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

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.

The Corporation conducted an assessment at 30 June 2018 with no material movement identified since the 2016 valuation.

##### 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.

Equipment was valued at 30 June 2016 by JLT Valuation Services.

There were no changes in valuation techniques throughout the year to 30 June 2018. For all assets measured at fair value, the current use is considered the highest and best use.

##### Motor vehicles

Vehicles are valued using the depreciated replacement cost method, adjusting for the associated depreciation. 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.

As depreciation adjustments are considered as significant unobservable inputs in nature, motor vehicles are classified as level 3 fair value measurement.

## Leasehold assets

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

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.

The Corporation conducted an assessment at 30 June 2018 with no material movement identified since the 2016 valuation.

### *(vii) Reconciliation of Level 3 fair value movements*

This is a reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

	Specialised land \$'000	Specialised buildings \$'000	Specialised infrastructure \$'000	Specialised equipment \$'000	Non-specialised motor vehicles \$'000	Leasehold assets \$'000	Total \$'000
<b>2018</b>							
Opening balance	27,073	9,822	729,008	9,161	2,449	54	777,567
Fair value of assets received free of charge	-	-	26,198	-	-	-	26,198
Additions/Capital expenditure	475	212	37,848	802	1,153	132	40,622
Disposals	-	-	(174)	-	(469)	-	(643)
Depreciation and amortisation	-	(357)	(18,441)	(1,192)	(600)	(57)	(20,647)
<b>Subtotal</b>	<b>27,548</b>	<b>9,677</b>	<b>774,439</b>	<b>8,771</b>	<b>2,533</b>	<b>129</b>	<b>823,097</b>
Revaluation	3,260	-	-	-	-	-	3,260
<b>Subtotal</b>	<b>3,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,260</b>
<b>Closing balance</b>	<b>30,808</b>	<b>9,677</b>	<b>774,439</b>	<b>8,771</b>	<b>2,533</b>	<b>129</b>	<b>826,357</b>

	Specialised land \$'000	Specialised buildings \$'000	Specialised infrastructure \$'000	Specialised equipment \$'000	Non-specialised motor vehicles \$'000	Leasehold assets \$'000	Total \$'000
<b>2017</b>							
Opening balance	26,595	9,820	690,091	8,805	2,733	294	738,338
Fair value of assets received free of charge	-	-	17,142	-	-	-	17,142
Additions/Capital expenditure	478	359	39,195	1,894	611	10	42,547
Disposals	-	-	-	(56)	(343)	-	(399)
Reclassification within Level 3	-	-	118	(118)	-	-	-
Depreciation and amortisation	-	(357)	(17,538)	(1,364)	(552)	(250)	(20,061)
<b>Subtotal</b>	<b>27,073</b>	<b>9,822</b>	<b>729,008</b>	<b>9,161</b>	<b>2,449</b>	<b>54</b>	<b>777,567</b>
<b>Closing balance</b>	<b>27,073</b>	<b>9,822</b>	<b>729,008</b>	<b>9,161</b>	<b>2,449</b>	<b>54</b>	<b>777,567</b>

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (a) Total infrastructure assets, property, plant and equipment cont.

##### *(viii) Depreciation and amortisation*

<b>Charge for the period</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<i>Depreciation</i>		
Buildings	357	357
Infrastructure	18,441	17,538
Equipment	1,192	1,364
Motor vehicles	600	552
<b>Total depreciation</b>	<b>20,590</b>	<b>19,811</b>
<i>Amortisation</i>		
Leasehold improvements	57	250
<b>Total amortisation</b>	<b>57</b>	<b>250</b>

All infrastructure assets, property, plant and equipment that have finite useful lives are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a depreciation rate is determined for each component.

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

Depreciation is calculated using the straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful lives, commencing from the time the asset is held ready for use.

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

Asset	Useful life
<b>Buildings</b>	20 to 75 years
<b>Infrastructure value</b>	
<i>Water and recycled water</i>	
- Storage	25 to 350 years
- Distribution network	50 to 110 years
- Treatment plants	10 to 90 years
<i>Sewerage</i>	
- Storage	25 to 350 years
- Distribution network	50 to 120 years
- Treatment plants	10 to 90 years
<b>Plant &amp; equipment</b>	
- Equipment	2 to 50 years
- Machinery	2 to 50 years
- Furniture & computers	3 to 20 years
- Motor vehicles	2 to 8 years
<b>Leasehold assets</b>	Up to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

Leasehold improvements are amortised over the shorter of the lease term and their useful lives.

### Indefinite life assets

Land assets which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (a) Total infrastructure assets, property, plant and equipment cont.

##### (ix) Impairment of assets

Non-financial assets, including items of infrastructure, property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

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 will be debited to the asset revaluation surplus amount applicable to that class of asset and amounts in excess of the applicable asset revaluation surplus amount will be written off to the Comprehensive Operating Statement.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal will not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. The depreciated replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

##### (x) Net loss on disposal

The total revenue from ordinary activities includes the following net loss.

	2018 \$'000	2017 \$'000
Proceeds from sale of infrastructure, property, plant and equipment	466	335
Less: Written down value of asset sold	(642)	(399)
<b>Net loss on disposal of infrastructure, property, plant and equipment</b>	<b>(176)</b>	<b>(64)</b>

## (b) Intangible assets

	Computer software * \$'000	Bulk water entitlement \$'000	Assigned water allocation \$'000	Total \$'000
<b>Year ended 30 June 2018</b>				
At 1 July 2017, net of accumulated amortisation	5,478	2,591	1,600	9,669
Additions **	3,605	-	-	3,605
Amortisation	(2,038)	-	(56)	(2,094)
Disposals	(3)	-	-	(3)
	<b>7,042</b>	<b>2,591</b>	<b>1,544</b>	<b>11,177</b>
<b>Under construction</b>				
At 1 July 2017	2,517	-	-	2,517
Additions	3,802	-	-	3,802
Capitalisation	(3,228)	-	-	(3,228)
	<b>3,091</b>	<b>-</b>	<b>-</b>	<b>3,091</b>
<b>At 30 June 2018, net of accumulated amortisation</b>	<b>10,133</b>	<b>2,591</b>	<b>1,544</b>	<b>14,268</b>
Cost	23,034	2,591	1,600	27,225
Less: accumulated amortisation	(12,901)	-	(56)	(12,957)
<b>Net carrying amount</b>	<b>10,133</b>	<b>2,591</b>	<b>1,544</b>	<b>14,268</b>

	Computer software * \$'000	Bulk water entitlement \$'000	Assigned water allocation \$'000	Total \$'000
<b>Year ended 30 June 2017</b>				
At 1 July 2016, net of accumulated amortisation	4,579	2,591	-	7,170
Additions **	2,790	-	1,600	4,390
Amortisation	(1,891)	-	-	(1,891)
	<b>5,478</b>	<b>2,591</b>	<b>1,600</b>	<b>9,669</b>
<b>Under construction</b>				
At 1 July 2016	2,020	-	-	2,020
Additions	4,752	-	-	4,752
Capitalisation	(4,255)	-	-	(4,255)
	<b>2,517</b>	<b>-</b>	<b>-</b>	<b>2,517</b>
<b>At 30 June 2017, net of accumulated amortisation</b>	<b>7,995</b>	<b>2,591</b>	<b>1,600</b>	<b>12,186</b>
Cost	20,169	2,591	1,600	24,360
Less: accumulated amortisation	(12,174)	-	-	(12,174)
<b>Net carrying amount</b>	<b>7,995</b>	<b>2,591</b>	<b>1,600</b>	<b>12,186</b>

\* Software includes capitalised development costs.

\*\* Prior year payment for assigned water allocation of \$1,600,000 was classified in the cash flow statement as payments for infrastructure assets, property, plant and equipment and has this year been classified as payments for intangible assets.

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (b) Intangible assets cont.

##### (i) Recognition of intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance. Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

	Computer Software	Bulk Water Entitlement	Assigned Water Allocation
Useful lives	Finite	Infinite	Finite
Amortisation method used	5 years - Straight line	Not amortised or revalued	Units of production as utilised
Acquired/ internally generated	Acquired and internally generated	Acquired	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	Annually tested and/or where an indicator of impairment exists



### Bulk water entitlements

Bulk 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 109A Intangible Assets), and will not be subject to amortisation, as the bulk water entitlements have an indefinite life. Bulk water entitlements purchased after 1 July 2011 are tested annually for impairment. Bulk 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.

### Assigned water allocation

In 2016/17 under Section 46(1) of the *Water Act 1989*, Barwon Water assigned 5,000ML of their carry over water in the Melbourne supply system to Western Water at a cost of \$1,600,000. The right to the allocated water is a finite life intangible asset initially recognised at cost and after initial recognition Western Water carries the asset at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment testing is undertaken at least annually.

As a finite life intangible asset, the water allocated will be amortised on a systematic basis over its useful life. This is based on the expected usage of the right. Assuming a normal climate and demand scenario, usage of the remaining assigned water allocation of 4,824ML (2017: 5,000ML) is expected to occur over the period 2019/20 to 2029/30.

#### (ii) Amortisation of intangible assets

	2018 \$'000	2017 \$'000
<b>Charge for the period</b>		
Computer software	2,038	1,891
Assigned water allocation	56	-
<b>Total amortisation</b>	<b>2,094</b>	<b>1,891</b>

The majority of the 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 Assigned Water Allocation will be amortised on the basis of the water being utilised. 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 for impairment annually as outlined below.

## Notes to the Financial Statements cont.

### 4 Key assets available to support output delivery cont.

#### (b) Intangible assets cont.

##### *(iii) Impairment of tangible assets*

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

In accordance with AASB 136 Impairment of Assets, Western Water has reviewed the carrying value of bulk water entitlements and the Assigned Water Allocation at 30 June 2018. The assets were tested for impairment using value in use at the cash generating unit (CGU) level. The value in use was higher than the carrying value therefore there is no impairment of the bulk water entitlements or the Assigned Water Allocation.

In determining the value in use, the bulk water entitlements and the Assigned Water Allocation have been allocated to the total water system CGU. The recoverable amount of the water system CGU has been determined based on a value in use calculation using current five year cash flow projections. Cash flows beyond the final year forecast period have been extrapolated using a 3.1% (2017: 3.1%) growth rate (reflecting an assumed 2.3% (2017: 2.3%) price escalation and 0.8% (2017: 0.8%) organic growth forecast).

A pre-tax nominal discount rate of 6.75% (2017: 7.25%) that represents the current market assessment of the risks specific to the CGU, a long term normalised view of the cost of equity and taking into consideration the time value of money, has been utilised in determining the value in use.

Management has assessed the sensitivity of the value in use to key assumptions and consider that no reasonable possible change in a key assumption would cause the CGU carrying amount to exceed its recoverable amount.

## 5 Other assets and liabilities

### Introduction

This section sets out those assets and liabilities that arose from Western Water's controlled operations

#### (a) Receivables

	Notes	2018 \$'000	2017 \$'000
<b>Current</b>			
<i>Contractual</i>			
Trade receivables	5(a)(i), 5(b)	5,945	5,525
Provision for impaired receivables	5(a)(ii)	(144)	(87)
Accrued water income		6,902	5,152
Accrued other income		475	1
	5(a)(i), 5(a)(iii)	<b>13,178</b>	<b>10,591</b>
<b>Statutory</b>			
GST receivable		1,428	1,913
<b>Total current receivables</b>	5(a)(i)	<b>14,606</b>	<b>12,504</b>
<b>Non-current</b>			
<i>Contractual</i>			
Trade receivables		62	77
Other receivables		143	111
<b>Total non-current receivables</b>		<b>205</b>	<b>188</b>
<b>Total receivables</b>	5(a)(i)	<b>14,811</b>	<b>12,692</b>

Receivables consist of:

- Contractual receivables, classified as financial instruments and categorised as receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. Current debtors - contractual relating to 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.
- Statutory receivables, do not arise from a contract and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

Non-current trade receivables- contractual are Sewerage Private Schemes, payable on terms of up to 20 years. Non-current other receivables are security deposits paid for office rent and electricity services.

Fixed and variable service charges for Water, Sewer and Recycled Water (excluding Class B & C) 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.

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

## Notes to the Financial Statements cont.

### 5 Other assets and liabilities cont.

#### (a) Receivables cont.

##### (i) Change in comparatives - Trade debtors

Previously the Melbourne Waterways transactions were reported on a gross basis with receivables due from customers reported as a receivable (2017: \$811,277), and the liability to Melbourne Water as a payable (2017: \$2,495,379). As there is a principal - agent relationship between Melbourne Water and Western Water in relation to Waterways transactions, the transactions are now reported on a net basis with the net amount showing as a liability to Melbourne Water. Comparatives have been adjusted accordingly.

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. 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 and included in trade creditors.

##### (ii) Movement in the provision for impaired receivable

As at 30 June 2018, current receivables of the Corporation with a nominal value of \$144,349 (2017: \$87,210) were impaired. The amount of the provision was \$144,349 (2017: \$87,210). The individually impaired receivables relate to provision of Class B and C Recycled Water Service, cost recovery, 3rd party damage to Western Water assets and unlocatable Water Service vacated tenants.

	2018 \$'000	2017 \$'000
Balance at beginning of the year	(87)	(155)
Provision for impairment recognised during the year	(409)	(356)
<b>Receivables written off during the year</b>	<b>352</b>	<b>424</b>
<b>Balance at end of the year</b>	<b>(144)</b>	<b>(87)</b>

Collectability of contractual receivables is reviewed on an ongoing basis. A provision for impaired receivables is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

In assessing impairment of contractual receivables, which are financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

A provision is made for estimated unrecoverable amounts from the sale of goods and services when there is objective evidence that an individual receivable is impaired. The increase in the provision for the financial year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off are included in the provision for impaired receivables.

(iii) Ageing analysis of contractual current receivables

The ageing of these receivables is as follows:

	Notes	2018 \$'000	2017 \$'000
Not past due and not impaired		7,377	5,252
<b>Total not past due and not impaired</b>		<b>7,377</b>	<b>5,252</b>
1 to 3 months past due		3,830	2,852
4 months past due		72	91
Over 4 months past due		1,899	2,396
<b>Total past due but not impaired</b>		<b>5,801</b>	<b>5,339</b>
<b>Total contractual current receivables</b>	5(a)(i), 5(b)	<b>13,178</b>	<b>10,591</b>
<b>Carrying amount</b>		<b>13,178</b>	<b>10,591</b>

No interest is charged on outstanding receivables. The average credit period for sales of goods / services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

Past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default.

Based on credit history, it is expected that not past due and not impaired trade receivables amounts will be received when due. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

## Notes to the Financial Statements cont.

### 5 Other assets and liabilities cont.

#### (b) Payables

	Notes	2018 \$'000	2017 \$'000
<b>Current/unsecured</b>			
<i>Contractual</i>			
Trade creditors	5(a)(i)	5,991	9,603
Contractor deposits and retentions		3,754	4,064
Accrued expenses - Interest		2,472	2,403
Accrued expenses - Other		21,121	11,779
<b>Total contractual payables</b>		<b>33,338</b>	<b>27,849</b>
<i>Statutory</i>			
Payables - GST		92	41
Payables - FBT		11	10
Payables - Superannuation	3(c)(i)	126	138
Payables - Payroll tax		-	58
<b>Total statutory payables</b>		<b>229</b>	<b>247</b>
<b>Total current payables</b>		<b>33,567</b>	<b>28,096</b>

Payables consists of:

- contractual payables, classified as financial instruments and measured at amortised cost. Trade creditors represent liabilities for goods and services provided to Western Water prior to the end of the financial year that are unpaid; and
- statutory payables, that 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.

Payables for trade creditors have an average credit period of 30 days.

#### (i) Ageing analysis of contractual current payables

	Notes	2018 \$'000	2017 \$'000
Less than 1 month		2,779	6,905
1 to 3 months		23,954	17,892
3 to 12 months		6,605	3,052
<b>Total</b>	<b>5(a)(i), 5(b)</b>	<b>33,338</b>	<b>27,849</b>
<b>Carrying amount</b>	<b>5(a)(i), 5(b)</b>	<b>33,338</b>	<b>27,849</b>
<b>Nominal amount</b>	<b>5(a)(i), 5(b)</b>	<b>33,338</b>	<b>27,849</b>

### (c) Other current assets

	2018 \$'000	2017 \$'000
Prepayments	1,032	596
Amounts in trust	1,807	371
<b>Total other current assets</b>	<b>2,839</b>	<b>967</b>

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.

Amounts in trust represent the consideration paid by Western Water for acquisition of land where financial settlement is pending as at 30 June 2018.

### (d) Other current liabilities

	2018 \$'000	2017 \$'000
Income in advance	16,675	3,694
<b>Total other current liabilities</b>	<b>16,675</b>	<b>3,694</b>

Income in advance is represented by payments received from customers for water and sewerage services of \$3,276,138 (2017: 2,920,883) and fees paid by developers of \$13,398,581 (2017: 773,424).

### (e) Fair value determination of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 - the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 - the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Western Water currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2018-19 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Cash and cash equivalents	
Receivables: From sale of goods and services	Payables: For supplies and services

Due to the short-term nature of the financial assets and liabilities held by Western Water, their carrying value is assumed to approximate their fair value.

## Notes to the Financial Statements cont.

### 6 How we financed our operations

#### Introduction

This section provides information on the sources of finance utilised by Western Water during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Corporation.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7(a) provides additional, specific financial instrument disclosures.

#### (a) Interest bearing liabilities

	Notes	2018 \$'000	2017 \$'000
<b>Current</b>			
Secured loans		-	-
<b>Non-current</b>			
Secured loans			
Loans from Treasury Corporation of Victoria	6(a)(i), 7(a)	244,650	213,250
<b>Total interest bearing liabilities</b>		<b>244,650</b>	<b>213,250</b>

Interest bearing liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs. 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.

Interest bearing liabilities are classified as current liabilities unless Western Water has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

#### (i) Maturity analysis of interest bearing liabilities

	Notes	2018 \$'000	2017 \$'000
<b>Loans from Treasury Corporation of Victoria</b>			
1-5 years		68,000	53,000
Over 5 years		176,650	160,250
<b>Total carrying amount</b>	<b>7(b)(iv)</b>	<b>244,650</b>	<b>213,250</b>
Current borrowings		-	-
Non-current borrowings		244,650	213,250
<b>Total nominal amount</b>		<b>244,650</b>	<b>213,250</b>



(ii) Borrowing costs

	Notes	2018 \$'000	2017 \$'000
Interest expense on loans		9,732	9,067
Financial accommodation levy		3,377	2,481
<b>Total borrowing costs</b>		<b>13,109</b>	<b>11,548</b>

Borrowing costs include interest on short term and long term borrowings held with the Treasury Corporation of Victoria and costs relating to the Financial Accommodation Levy (FAL) set by the Treasurer of the State of Victoria under section 40N(2) of the *Financial Management Act 1994*. The FAL is in place to remove the financial benefit obtained by Western Water in securing lower than market interest rates as a result of being guaranteed by the State of Victoria.

Borrowing costs are recognised in the period in which they are incurred.

**(b) Cash flow information**

Cash and deposits, including cash equivalents, 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 which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

	2018 \$'000	2017 \$'000
Cash on hand	2	2
Cash at bank	3,719	1,596
Deposits at call	5,000	-
<b>Balance as per cash flow statement</b>	<b>8,721</b>	<b>1,598</b>

## Notes to the Financial Statements cont.

### 6 How we financed our operations cont.

#### (b) Cash flow information cont.

(i) Reconciliation of net result for the period to net cash inflows from operating activities

	Notes	2018 \$'000	2017 \$'000
<b>Net results for the period</b>		23,531	10,466
<b>Non-cash movements:</b>			
Loss on disposal of infrastructure assets, property, plant and equipment		176	64
Depreciation and amortisation of infrastructure assets, property, plant and equipment		22,740	21,951
Assets received from developers		(26,198)	(17,142)
(Increase) / decrease in provision for impaired receivables		(57)	68
<b>Movements in assets and liabilities</b>			
Increase in receivables	5(a)(i)	(2,101)	(552)
(Increase) / decrease in prepayments		(436)	35
Increase in deferred tax asset		(114)	(53)
Decrease in trade creditors	5(a)(i)	(291)	(863)
Increase in fees paid by developers in advance		12,626	773
Increase in income in advance		355	624
Increase / (decrease) in tax payable		3,631	(733)
Increase in deferred tax liabilities		439	16
Increase in provisions		296	234
<b>Net cash inflows from operating activities</b>		<b>34,597</b>	<b>14,888</b>

(ii) *Financing facilities*

	2018 \$'000	2017 \$'000
<b>Secured bank overdraft facility, reviewed annually and payable at call (I)</b>		
Amount used at balance date	-	-
Amount unused at balance date	500	500
<b>Total</b>	<b>500</b>	<b>500</b>
<b>Secured loan facilities (II)</b>		
Amount used at balance date	244,650	213,250
Amount unused at balance date	-	-
<b>Total</b>	<b>244,650</b>	<b>213,250</b>

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

(II) 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 either every three or six months and loans have a maturity profile of up to 13 years (2017: 12.7 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 2018 which included the refinancing of \$13.5 million (2018: \$16.5 million) of loans maturing in 2018/19 and obtaining new loans of \$59.0 million (2018: \$70.6 million) between 1 July 2018 and 30 June 2019.

## Notes to the Financial Statements cont.

### 6 How we financed our operations cont.

#### (c) Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed below at their nominal value and inclusive of the goods and services tax (GST). These future expenditures and revenues cease to be disclosed as commitments once the related operating expenditure and other revenue is recognised in the operating statement.

Please refer to Note 8(b)(i) for details on environmental commitments.

#### (i) Total operating commitments payable

	2018 \$'000	2017 \$'000
<i>Nominal amounts</i>		
<b>Operating lease commitments</b>		
Within one year	638	588
One to five years	1,745	2,297
<b>Total operating lease commitments payable</b>	<b>2,383</b>	<b>2,885</b>
<b>Other significant operating commitments</b>		
Within one year	5,797	4,501
One to five years	254	868
<b>Total other significant operating commitments payable</b>	<b>6,051</b>	<b>5,369</b>
<b>Total operating commitments payable (inclusive of GST)</b>	<b>8,434</b>	<b>8,254</b>
Less GST recoverable	(767)	(750)
<b>Total operating commitments payable (exclusive of GST)</b>	<b>7,667</b>	<b>7,504</b>

(ii) Total operating lease commitments receivable

	2018 \$'000	2017 \$'000
<b>Nominal amounts</b>		
<b>Operating lease commitments receivables</b>		
Within one year	280	261
One to five years	1,346	1,310
Over five years	523	1,074
<b>Total operating lease commitments receivables (inclusive of GST)</b>	<b>2,149</b>	<b>2,645</b>
Less GST payable	(195)	(240)
<b>Total operating lease commitments receivable (exclusive of GST)</b>	<b>1,954</b>	<b>2,405</b>

Minimum future lease payments receivable includes the aggregate of all lease payments receivable and any guaranteed residual.

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.

(iii) Capital commitments

Capital commitments arise from contracts. These commitments are recorded at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related capital expenditure is recognised in the balance sheet as infrastructure assets, property, plant and equipment.

	2018 \$'000	2017 \$'000
<b>Capital expenditure commitments payable</b>		
Within one year	27,042	20,907
One to five years	6,323	29,689
<b>Total capital expenditure commitments payable (inclusive of GST)</b>	<b>33,365</b>	<b>50,596</b>
Less GST recoverable	(3,033)	(4,600)
<b>Total capital expenditure commitments payable (exclusive of GST)</b>	<b>30,332</b>	<b>45,996</b>

# 7 Risks, contingencies and valuation judgements

## Introduction

Western Water is exposed to risk from its activities and external factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied mainly related to fair value determination.

### (a) Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *(i) Categories of financial instruments*

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (less any impairment). Western Water recognises the following assets in this category:

- cash and cash equivalents; and
- receivables (excluding statutory receivables).

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. Western Water recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- interest bearing liabilities.

*(ii) Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- Western Water retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- Western Water has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where Western Water has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Western Water's continuing involvement in the asset.

*(iii) Impairment of financial assets*

At the end of each reporting period, Western Water assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The amount expensed is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate (AASB 139.58 and AASB 7.B5(f)). In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets. Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the Comprehensive Operating Statement on equity instruments classified as available for sale are not reversed through Comprehensive Operating Statement.

*(iv) Financial instruments: Categorisation*

	2018 \$'000	2017 \$'000
<b>Contractual financial assets - cash and receivables</b>		
Cash and cash equivalents	8,721	1,598
Current and non-current receivables (Note 5(a) and 5(a)(i))	13,383	10,779
<b>Total contractual financial assets - cash and receivables</b>	<b>22,104</b>	<b>12,377</b>
<b>Contractual financial liabilities - at amortised cost</b>		
Current payables (Note 5(a)(i) and 5(b))	33,338	27,849
Interest bearing liabilities	244,650	213,250
<b>Total contractual financial liabilities - at amortised cost</b>	<b>277,988</b>	<b>241,099</b>

## Notes to the Financial Statements cont.

### 7 Risks, contingencies and valuation judgements cont.

#### (b) 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.

As a whole Western Water's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage the Corporation's financial risks within the government policy parameters. The Corporation's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk.

Risk management is carried out by Western Water under policies approved by the Board of Directors. Western Water 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 overview 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.

##### (i) 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.

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

	Financial institutions (triple-A credit rating) \$'000	Government agencies (triple-A credit rating) \$'000	Other (min triple-B credit rating) \$'000	Total \$'000
<b>2018</b>				
Cash and cash equivalents	3,719	5,000	2	8,721
Contractual current and non-current receivables (Note 5(a) and 5(a)(i))	-	-	13,383	13,383
<b>Total contractual financial assets</b>	<b>3,719</b>	<b>5,000</b>	<b>13,385</b>	<b>22,104</b>
<b>2017</b>				
Cash and cash equivalents	1,596	-	2	1,598
Contractual current and non-current receivables (Note 5(a) and 5(a)(i))	-	-	10,779	10,779
<b>Total contractual financial assets</b>	<b>1,596</b>	<b>-</b>	<b>10,781</b>	<b>12,377</b>



*(ii) Liquidity risk*

Liquidity risk arises from being unable to meet 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 2018/19 borrowings was obtained in June 2018.

Western Water's financial liability maturities have been disclosed in Note 5(b)(i) , 6(a)(i) and 7(b)(iv)).

*(iii) 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:

**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 with the Treasury Corporation of Victoria.

Western Water has limited exposure to interest rate risk through its holding of cash assets with the Treasury Corporation of Victoria and other financial assets.

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 2018, no FSL arrangements were in place (2017: Nil).

**Foreign exchange risk**

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

**Other price risk**

Western Water has no significant exposure to other price risk.

## Notes to the Financial Statements cont.

### 7 Risks, contingencies and valuation judgements cont.

#### (b) Financial risk management objectives and policies

##### (iv) Interest rate risk exposure of financial instruments

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Western Water does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

##### Contractual repricing or maturity periods

2018	Non interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	1 year or less \$'000
<b>Financial assets</b>				
Cash	2	-	8,719	8,721
Contractual current and non-current receivables (Note 5(a) and 5(a)(i))	13,383	-	-	13,383
	<b>13,385</b>	<b>-</b>	<b>8,719</b>	<b>22,104</b>
<b>Financial liabilities</b>				
Contractual current payables (Note 5(a)(i) and 5(b))	33,338	-	-	33,338
Interest bearing liabilities	-	-	244,650	-
	<b>33,338</b>	<b>-</b>	<b>244,650</b>	<b>33,338</b>
<b>Net financial liabilities</b>	<b>(19,953)</b>	<b>-</b>	<b>(235,931)</b>	<b>(11,234)</b>
Weighted average interest rate			0.86%	0.86%

##### Contractual repricing or maturity periods

2017	Non interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	1 year or less \$'000
<b>Financial assets</b>				
Cash	2	-	1,596	1,598
Contractual current and non-current receivables (Note 5(a) and 5(a)(i))	10,779	-	-	10,779
	<b>10,781</b>	<b>-</b>	<b>1,596</b>	<b>12,377</b>
<b>Financial liabilities</b>				
Contractual current payables (Note 5(a)(i) and 5(b))	27,849	-	-	27,849
Interest bearing liabilities	-	213,250	-	-
	<b>27,849</b>	<b>213,250</b>	<b>-</b>	<b>27,849</b>
<b>Net financial liabilities</b>	<b>(17,068)</b>	<b>(213,250)</b>	<b>1,596</b>	<b>(15,472)</b>
Weighted average interest rate			0.90%	0.90%

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Western Water has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

### Interest rate risk exposure

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and Western Water's sensitivity to interest rate risk are set out in the table that follows:

	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total carrying amount \$'000
	-	-	-	-	-	8,721
	-	-	-	-	-	13,383
	-	-	-	-	-	22,104
	-	-	-	-	-	33,338
	18,500	17,500	12,000	20,000	176,650	244,650
	18,500	17,500	12,000	20,000	176,650	277,988
	(18,500)	(17,500)	(12,000)	(20,000)	(176,650)	(255,884)
	5.49%	7.41%	6.03%	6.05%	5.35%	

	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total carrying amount \$'000
	-	-	-	-	-	1,598
	-	-	-	-	-	10,779
	-	-	-	-	-	12,377
	-	-	-	-	-	27,849
	13,500	10,000	17,500	12,000	160,250	213,250
	13,500	10,000	17,500	12,000	160,250	241,099
	(13,500)	(10,000)	(17,500)	(12,000)	(160,250)	(228,722)
	5.19%	5.82%	6.43%	4.93%	4.27%	

## 7 Risks, contingencies and valuation judgements cont.

### (b) Financial risk management objectives and policies cont.

#### (v) Interest rate risk security

2018	Carrying amount \$'000	Interest rate risk			
		0.5%		-0.5%	
		Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>Contractual financial assets</b>					
Cash and cash equivalents	8,721	22	22	(22)	(22)
Contractual current and non-current receivables (Note 5(a) and 5(a)(i))	13,383	-	-	-	-
<b>Contractual financial liabilities</b>					
Contractual current payables (Note 5(a)(i) and 5(b))	33,338	-	-	-	-
Interest bearing liabilities	244,650	-	-	-	-
<b>Total increase/ (decrease)</b>		<b>22</b>	<b>22</b>	<b>(22)</b>	<b>(22)</b>

2017	Carrying amount \$'000	Interest rate risk			
		0.5%		-0.5%	
		Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>Contractual financial assets</b>					
Cash and cash equivalents	1,598	4	4	(4)	(4)
Contractual current and non-current receivables (Note 5(a) and 5(a)(i))	10,779	-	-	-	-
<b>Contractual financial liabilities</b>					
Contractual current payables (Note 5(a)(i) and 5(b))	27,849	-	-	-	-
Interest bearing liabilities	213,250	-	-	-	-
<b>Total increase/ (decrease)</b>		<b>4</b>	<b>4</b>	<b>(4)</b>	<b>(4)</b>

The majority of interest bearing liabilities are fixed rate loans. The carrying value of the fixed rate loans is valued at amortised cost that would not be impacted by a change in interest rates.

### (c) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

There are no contingent liabilities as at 30 June 2018. Contingent assets are presented inclusive of GST receivable.

#### (i) Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Western Water.

#### Developer assets

	2018 \$'000	2017 \$'000
Total estimated contingent assets - developer assets	22,564	9,266

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 (Note 2(b)(iv)) and capitalised on completion of the project (Note 4(a)(ii)). 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.

#### Bulk water entitlements - Carry-over water

Western Water holds bulk water entitlements that allow for a carry-over of water not utilised under the annual allocation. There will be future economic benefits associated with the carried over water through its utilisation by selling to Western Water's customers and/or trade to an approved buyer post obtaining approval of the Minister. The quantum of bulk water entitlements allocation carried over and held by Western Water as at 30 June 2018 was 42,082ML (2017: 47,923ML).

## Notes to the Financial Statements cont.

### 8 Statutory obligations

#### Introduction

This section includes disclosures in relation to Western Water's statutory obligations.

#### (a) Tax

##### (i) Income tax

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 to unused tax losses.

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

	2018 \$'000	2017 \$'000
<b>Comprehensive Operating Statement</b>		
Current income tax expense (paid or payable)	10,313	4,538
<b>Deferred income tax expense</b>		
Deferred tax relating to temporary differences	(368)	(37)
Deferred tax asset	(114)	-
(Over)/Under provision on prior year tax return	(7)	24
<b>Income tax as reported in the Comprehensive Operating Statement</b>	<b>9,824</b>	<b>4,525</b>
<b>Tax reconciliation</b>		
Net result before income tax expense	33,355	14,991
Tax at the Australian tax rate of 30% (2017: 30%)	10,007	4,498
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
- Adjustment in respect of income tax of previous year	(7)	24
- Other	(176)	3
<b>Income tax on profit before tax as reported in the Comprehensive Operating Statement</b>	<b>9,824</b>	<b>4,525</b>

(ii) *Deferred tax assets and liabilities*

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.

	2018 \$'000	2017 \$'000
<b>Deferred tax assets</b>		
<b>Amounts recognised in the Comprehensive Operating Statement</b>		
Doubtful debts	43	26
Employee benefits	1,217	1,128
Other	28	20
<b>Total deferred tax assets at 30 June</b>	<b>1,288</b>	<b>1,174</b>
<b>Movements</b>		
Opening balance at 1 July	1,174	1,120
Credited to the Comprehensive Operating Statement	114	54
<b>Total deferred tax assets at 30 June</b>	<b>1,288</b>	<b>1,174</b>
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax asset to be recovered after more than 12 months	1,288	1,174
<b>Total deferred tax assets at 30 June</b>	<b>1,288</b>	<b>1,174</b>
<b>Deferred tax liabilities</b>		
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Depreciation	35,089	35,458
Prior year over provision	(171)	-
	<b>34,918</b>	<b>35,458</b>
<b>Amounts recognised directly in equity</b>		
Revaluation of infrastructure property, plant and equipment	64,157	63,178
	<b>64,157</b>	<b>63,178</b>
<b>Total deferred tax liabilities at 30 June</b>	<b>99,075</b>	<b>98,636</b>

## Notes to the Financial Statements cont.

### 8 Statutory obligations cont.

#### (a) Tax cont.

	2018 \$'000	2017 \$'000
<b>Movements</b>		
Opening balance at 1 July	98,636	98,619
Charged to the Comprehensive Operating Statement	(368)	17
Asset revaluation	978	-
Prior year over provision	(171)	-
<b>Total deferred tax liabilities at 30 June</b>	<b>99,075</b>	<b>98,636</b>
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities to be recovered after more than 12 months	99,075	98,636
<b>Total deferred tax liabilities at 30 June</b>	<b>99,075</b>	<b>98,636</b>
<b>Net deferred tax assets / (liabilities)</b>	<b>(97,787)</b>	<b>(97,462)</b>

#### (b) Environmental contribution levy

	2018 \$'000	2017 \$'000
Environmental contribution levy	2,410	2,410
<b>Total environmental contribution levy</b>	<b>2,410</b>	<b>2,410</b>

The environmental contribution levy is collected from water supply authorities under the *Water Industry Act 1994* (the Act). Under a 2004 amendment to the Act, the environmental contribution levy is collected to fund initiatives that seek to promote the sustainable management of water or address adverse water related environmental impacts.

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

The Victorian Government has committed to a fourth round or 'tranche' of the environmental contribution levy. The four-year tranche commenced on 1 July 2016. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 July 2016 to 30 June 2020 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The environmental contribution levy has been increased from \$2,410,000 to \$3,083,000 commencing from 1 July 2018.

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

Western Water has a statutory obligation to pay an environmental contribution levy to the Department of Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred.



*(i) Environmental contribution levy commitments*

At 30 June 2018, Western Water had environmental contribution levy commitments exclusive of GST, to be paid as follows:

	2018 \$'000
<b>Environment contribution commitments</b>	
Within one year	3,083
One to five years	3,083
<b>Total environment contribution levy commitments payable</b>	<b>6,166</b>

**(c) Dividends**

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 (2017: \$nil).

## Notes to the Financial Statements cont.

### 9 Other disclosures

#### Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

#### (a) Equity

##### (i) Contributed capital

	2018 \$'000	2017 \$'000
Opening balance at 1 July	160,413	160,413
Capital transactions with the State in its capacity as owner arising from:		
- Capital contributions	-	-
<b>Closing balance at 30 June</b>	<b>160,413</b>	<b>160,413</b>

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of income.

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

##### (ii) Asset revaluation reserves

	2018 \$'000	2017 \$'000
<b>Composition of the asset revaluation reserves</b>		
Land	23,199	20,918
Buildings	1,664	1,664
Infrastructure	124,657	124,656
Equipment	178	178
<b>Closing balance at 30 June</b>	<b>149,698</b>	<b>147,416</b>
<b>Movements during the reporting period</b>		
Balance 1 July	147,416	147,416
Land	2,282	-
<b>Closing balance at 30 June</b>	<b>149,698</b>	<b>147,416</b>

(iii) Accumulated surplus

	2018 \$'000	2017 \$'000
Accumulated surplus at beginning of financial year	207,342	196,876
Net result for the period	23,531	10,466
<b>Accumulated surplus at end of financial year</b>	<b>230,873</b>	<b>207,342</b>

**(b) 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 Western Water, the results of those operations, or the state of affairs of Western Water in future financial years.

**(c) Responsible persons**

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. The responsible Minister during the 2017-18 reporting period was the Hon. Lisa Neville MP, Minister for Water.

The names of persons who held the positions of the Minister and the Accountable Officer in Western Water at any time during the financial year along with governing board members are as follows:

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2017 to 30 June 2018
T Larkins	Chairman of the Board of Directors Chairman of the People and Culture Committee	1 July 2017 to 30 September 2017 1 July 2017 to 30 September 2017
A Cairns	Chairman of the Board of Directors Chairman of the People and Culture Committee Chairman of the Strategic Futures Committee	1 October 2017 to 30 June 2018 1 October 2017 to 30 June 2018 1 October 2017 to 30 June 2018
J Doolan	Deputy Chairman of the Board of Directors Board Member	1 July 2017 to 30 June 2018 1 July 2017 to 30 June 2018
R Anderson	Board Member Chairman of the Investment Review Committee	1 July 2017 to 30 September 2017 1 July 2017 to 30 September 2017
R Walker	Board Member Chairman of the Audit and Risk Committee	1 July 2017 to 30 June 2018 1 July 2017 to 30 June 2018
L Prain	Board Member Chairman of the Community and Environment Committee	1 July 2017 to 30 June 2018 1 July 2017 to 30 June 2018
C Filson	Chairman of the Investment Review Committee Board Member	1 October 2017 to 30 June 2018 1 October 2017 to 30 June 2018
M McGarvie	Board Member	1 July 2017 to 30 June 2018
R McQuilten	Board Member	1 July 2017 to 30 September 2017
I Higgins	Board Member	1 October 2017 to 30 June 2018
J Duncan	Board Member	1 October 2017 to 30 June 2018
N Brennan	Managing Director	1 July 2017 to 30 June 2018 *

\* Managing Director has announced his resignation effective 3 August 2018.

## Notes to the Financial Statements cont.

### 9 Other disclosures cont.

#### (c) Responsible persons cont.

##### (i) Remuneration of responsible persons

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

Remuneration received or receivable by the responsible persons in connection with the management of the Corporation during the reporting period was in the range: \$570,000 - \$579,999 (2016/17: \$540,000 - \$549,999).

For the period July to October 2016 Western Water entered into a secondment contract with Goulburn Murray Water under which the Western Water Accountable Officer provided Managing Director services to Goulburn Murray Water. Western Water received a secondment fee for the provision of the services. During this period the Accountable Officer was still being paid by Western Water and their remuneration for this period is included in the amount above.

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

Income Band (\$)	2018 No.	2017 No.
0 - 9,999	2	2
10,000 - 19,999	2	-
20,000 - 29,999	6	5
30,000 - 39,999	1	-
40,000 - 49,999	-	1
330,000 - 339,999	-	1
360,000 - 369,999	1	-
<b>Total number of responsible persons</b>	<b>12</b>	<b>9</b>

In 2016/17 one Director's appointment ceased. In 2017/18 three Directors' appointments ceased and four Directors' appointments commenced.

##### (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 2017/18 (2016/17: \$nil).

## (d) Remuneration of executive officers

The number of executive officers, other than the Minister and the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by Western Water, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories:

- Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.
- Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.
- Other long-term benefits include long service leave, other long-service benefit or deferred compensation.
- Termination benefits include termination of employment payments, such as severance packages.

Total remuneration of executive officers	2018 \$'000	2017 \$'000
Short-term employee benefits	1,379	1,367
Post-employment benefits	141	134
Other long-term benefits	32	33
Termination benefits	95	-
<b>Total remuneration (I)</b>	<b>1,647</b>	<b>1,534</b>
Total number of executives (II)	9	8
Total annualised employee equivalents (III)	7.23	7.48

(I) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the Corporation under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9(e)).

(II) Three non-executive staff on GSERP contracts are included in 2017/18 (2016/17: Three).

(III) Annualised employee equivalent is based on the time fraction worked over the reporting period.

## (e) Related parties

Related parties of Western Water include:

- all Key Management Personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members;
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements; and
- controlled business interests.

All related party transactions have been entered into on an arm's length basis.

## Notes to the Financial Statements cont.

### 9 Other disclosures cont.

#### (e) Related parties cont.

(i) Significant transactions with government-related entities

During the year, Western Water had the following government-related entity transactions:

Income Band (\$)	2018 \$'000	2017 \$'000
<b>Treasury Corporation of Victoria</b>		
Borrowings received	47,900	49,250
Borrowings paid	16,500	17,000
Borrowing costs	9,732	9,067
Interest income	3	6
<b>Melbourne Water Corporation</b>		
Water purchase expenses	8,703	8,191
Waterways and drainage levy paid	5,566	5,220
Waterways and drainage levy collection admin fee revenue	128	119
Government grants and contributions revenue	48	26
Government grants and contributions received	10	27
Project management fee Sunbury Integrated Water Management Plan delivery	28	-
Long Service Leave transfer paid	-	16
<b>Department of Environment, Land, Water and Planning</b>		
Environmental contribution levy	2,410	2,410
Government grants and contributions received	1,380	340
Government grants and contributions revenue	581	63
Land valuation fee	112	75
EPA Environmental Monitoring Services fee	90	80
Native vegetation expense	15	5
<b>State Revenue Office</b>		
Payroll tax	708	701
<b>Department of Treasury and Finance</b>		
NTER income tax expense	10,589	4,569
Financial accommodation levy	3,377	2,481
ESC Regional Water and Sewerage Recovery fee	47	47
<b>Southern Rural Water Corporation</b>		
Water purchase expenses	1,618	1,488
Annual bore licence fees	8	8
<b>Barwon Water Corporation</b>		
Assigned water allocation – Intangible Asset	-	1,600
<b>Goulburn Murray Water</b>		
Employee Secondment fee received	-	123

(i) Significant transactions with government-related entities cont.

Income Band (\$)	2018 \$'000	2017 \$'000
<b>Department of Health &amp; Human Services</b>		
Water and waste water service and consumption rebate received	4,289	4,070
Water and waste water service and consumption rebate invoiced	4,232	4,181
Water and waste water service and consumption rebate receivable	436	451
<i>Safe Drinking Water Act</i> Administration levy	26	26
<b>South East Water Corporation</b>		
After hour call centre fee	38	39
<b>City West Water</b>		
Employee secondment fee	99	-
Long service leave transfer	6	-

# Notes to the Financial Statements cont.

## 9 Other disclosures cont.

### (e) Related parties cont.

#### *(ii) Key management personnel*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Western Water, directly or indirectly (as defined in AASB 124 Related Party Disclosures).

Key Management Personnel of Western Water include:

Key Management Personnel	Title
The Hon.Lisa Neville MP	Minister for Water
T Larkins	Chairman of the Board of Directors (to 30 September 2017)
A Cairns	Chairman of the Board of Directors (from 1 October 2017)
J Doolan	Board Member
R Anderson	Board Member (to 30 September 2017)
R Walker	Board Member
L Prain	Board Member
C Filson	Board Member (from 1 October 2017)
M McGarvie	Board Member
R McQuilten	Board Member (to 30 September 2017)
I Higgins	Board Member (from 1 October 2017)
J Duncan	Board Member (from 1 October 2017)
N Brennan	Managing Director
J Williams	General Manager - Business Services (Chief Finance and Accounting Officer)
G Holt	General Manager - Customer, Community Relations and Operations
L Bonazzi	General Manager - Strategy & Planning
L Hasler	General Manager - People and Culture (to 20 July 2017)
B Millington	Acting General Manager - People and Culture (from 21 July 2017 to 8 October 2017)
B Moss	General Manager - People and Culture (from 9 October 2017)
R Murphy	General Manager - Capital Program & Delivery
M Jeal	Company Secretary



(iii) Compensation of key management personnel

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

	2018 \$'000	2017 \$'000
Short-term employee benefits	1,666	1,591
Post-employment benefits	155	148
Other long term benefits	34	33
Termination benefits	12	-
<b>Total compensation</b>	<b>1,867</b>	<b>1,772</b>

Note that this information relates to Key Management Personnel that included the Accountable Officer which differs to Note 9(d). For the period July to October 2016 Western Water entered into a secondment contract with Goulburn Murray Water under which the Western Water Accountable Officer provided Managing Director services to Goulburn Murray Water. Western Water received a secondment fee for the provision of the services. During this period the Accountable Officer was still being paid by Western Water and their remuneration for this period is included in the amount above.

(iv) Transactions with Key Management Personnel and other related parties

Given the breadth and depth of Western Water activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. water usage and other government fees and charges. Further, processes employed within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with Western Water, there were no related party transactions that involved Key Management Personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

All other transactions that have occurred with Key Management Personnel and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluation decisions about the allocation of scarce resources.

## Notes to the Financial Statements cont.

### 9 Other disclosures cont.

#### (f) Remuneration of auditors

	2018 \$'000	2017 \$'000
<b>Victorian Auditor-General's Office (IV)</b>		
Audit or review of the annual financial statements	51	57
	51	57
<b>Other non-audit services</b>		
Internal audit services	141	118
Regulatory audit services	34	81
	175	199
<b>Total remuneration of auditors</b>	<b>226</b>	<b>256</b>

(IV) The Victorian Auditor General's Office is not allowed to provide non-audit services.

#### (g) Ex-gratia expenses

	2018 \$'000	2017 \$'000
Forgiveness or waiver of debt	352	424
Compensation for economic loss	14	-
<b>Total ex-gratia expenses</b>	<b>366</b>	<b>424</b>

Forgiveness or waiver of debt relates to unpaid water usage charges by vacated residential tenants, waivers due to water leakage allowances as per industry guidelines and grants given to customers as part of the customer support program.

## (h) Australian Accounting Standards (AAs) issued that are not yet effective

Certain new AASs and interpretations applicable to Western Water have been published that are not mandatory for the 30 June 2018 reporting period. Western Water has not and does not intend to adopt these standards early. Department of Treasury and Finance assesses the impact of all these new standards and advises Western Water of their applicability and early adoption where applicable.

The following AASs become effective for reporting periods commencing after the operative dates stated.

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge 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	1 January 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.
AASB 2014 - 1 <i>Amendments to Australian Accounting Standards (AAs) [Part E Financial Instruments]</i>	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	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 <i>Revenue from Contracts with Customers</i>	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. Note that amending standard AASB 2015 - 8 Amendments to Australian Accounting Standards - Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2019	1 January 2019	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 minimal impact to revenue recognition upfront as most grants received are conditional and recognised when milestones are achieved. Ongoing work is being done further to monitor and assess the impact of this standard.

# Notes to the Financial Statements cont.

## 9 Other disclosures cont.

### (h) Australian Accounting Standards (AAAs) issued that are not yet effective cont.

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
AASB 2014 - 5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	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: <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>the amount can be measured reliably.</li> </ul>	1 January 2018 except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	1 January 2018 except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the Corporation.
AASB 2015 - 8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	1 January 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-7 <i>Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities</i>	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	1 January 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 2016-8 <i>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</i>	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 January 2019	1 January 2019	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: AASB 9 <ul style="list-style-type: none"> <li>statutory receivables are recognised and measured similarly to financial assets.</li> </ul> <p>AASB 15</p> <ul style="list-style-type: none"> <li>the "customer" does not need to be the recipient of goods and/or services;</li> <li>the "contract" could include an arrangement entered into under the direction of another party; contracts are enforceable if they are enforceable by legal or "equivalent means";</li> <li>contracts do not have to have commercial substance, only economic substance; and</li> <li>performance obligations need to be "sufficiently specific" to be able to apply AASB 15 to these transactions.</li> </ul> <p>Ongoing work is being done to monitor and assess the impact of this standard.</p>

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
AASB 1058 <i>Income of Not-for-Profit Entities</i>	<p>AASB 1058 standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable public sector not-for-profit entities to further their objectives, in relation to government grants and other types of contributions requirements.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context.</p>	1 January 2019	1 January 2019	<p>The current revenue recognition for grants may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets.</p> <p>The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants.</p> <p>The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.</p>
AASB 2014 - 7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	This results in amendments to various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	1 January 2018	The assessment has indicated that there will be no significant impact for the Corporation.
AASB 16 <i>Leases</i>	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	1 January 2019	<p>The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability which will cause net debt to increase.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge 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>There will be no change for lessors as the classification of operating and finance leases remains unchanged.</p>

# Notes to the Financial Statements cont.

## 9 Other disclosures cont.

### (h) Australian Accounting Standards (AAAs) issued that are not yet effective cont.

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
AASB 17 <i>Insurance Contracts</i>	The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle - based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard does not apply to the not-for-profit public sector entities. The AASB is undertaking further outreach to consider the application of this standard to the not-for-profit public sector.	1 January 2021	1 January 2021	The assessment has indicated that there will be no significant impact for the Corporation.
AASB 1059 <i>Service Concession Arrangements: Grantor</i>	<p>This standard applies to arrangements that involve an operator providing a public service on behalf of a public sector grantor. It involves the use of a service concession asset and where the operator manages at least some of the public service at its own direction. An arrangement within the scope of this standard typically involves an operator constructing the asset used to provide the public service or upgrading the assets and operating and maintaining the assets for a specified period of time.</p> <p>The State has 2 types of public-private partnerships (PPP):</p> <p>1. Social Infrastructure: a PPP that requires the government to make payments to the operator upon commencement of services:</p> <ul style="list-style-type: none"> <li>Operator finances and constructs the infrastructure; and</li> <li>State pays unitary service payments over the term.</li> </ul> <p>2. Economic Infrastructure: a PPP that is based on user pays model:</p> <ul style="list-style-type: none"> <li>Operator finances and constructs the infrastructure;</li> <li>State does not pay for the cost of the construction; and</li> <li>Operator charges asset users and recovers the cost of construction and operation for the term of the contract.</li> </ul>	1 January 2019	1 January 2019	<p>For an arrangement to be in scope of AASB 1059 all of the following requirements are to be satisfied:</p> <ul style="list-style-type: none"> <li>Operator is providing public services using a service concession asset;</li> <li>Operator manages at 'least some' of public services under its own discretion;</li> <li>The State controls / regulates: <ul style="list-style-type: none"> <li>what services are to be provided;</li> <li>to whom; and</li> <li>at what price</li> </ul> </li> <li>State controls any significant residual interest in the asset.</li> </ul> <p>If the arrangement does not satisfy all the above requirements the recognition will fall under the requirements of another applicable accounting standard.</p> <p>Currently the social infrastructure PPPs are only recognised on the balance sheet at commercial acceptance. The arrangement will need to be progressively recognised as and when the asset is being constructed. This will have the impact of progressively recognising the financial liability and corresponding asset as the asset is being constructed.</p> <p>For economic infrastructure PPP arrangements, that were previously not on balance sheet, the standard will require recognition of these arrangements on balance sheet.</p> <p>There will be no impact to net debt, as a deferred revenue liability will be recognised and amortised over the concession term.</p> <p>The assessment has indicated that there is minimal impact for the Corporation. Ongoing work is being done to monitor and assess the impact of this standard.</p>

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15	<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	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.

In addition to the new standards and amendments above, the AASB has issued the following list of other amending standards that are not effective for the 2017-18 reporting period (as listed below). At this stage, preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurements of Share-based Payment Transactions;
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts;
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments;
- AASB 2017-3 Amendments to Australian Accounting Standards - Clarifications to AASB 4;
- AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments;
- AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections;
- AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation;
- AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures;
- AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015 - 2017 Cycle; and
- AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendments, Curtailment or Settlement.

## Directors' 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 5.2 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 2018 and financial position of the Corporation as at 30 June 2018.

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 2018.



Andrew Cairns  
Chair



Rob Murphy  
Acting Managing Director



Julie Williams  
Chief Finance & Accounting Officer



# Auditor-General's report on the Financial Report



## Independent Auditor's Report

### To the Board of the Western Region Water Corporation

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<b>Opinion</b>	<p>I have audited the financial report of the Western Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2018</li><li>• comprehensive operating statement for the year then ended</li><li>• statement of changes in equity for the year then ended</li><li>• cash flow statement for the year then ended</li><li>• notes to the financial statements, including significant accounting policies</li><li>• directors' and chief finance and accounting officers declaration.</li></ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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## Auditor-General's report on the Financial Report cont.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Paul Martin

*as delegate for the Auditor-General of Victoria*

MELBOURNE  
23 August 2018

# Appendices

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<b>Legislation</b>		
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<i>Victorian Industry Participation Policy (VIPP) Act 2003</i>		44
<i>Financial Management Act 1994</i>		49

## Appendix 2: Index addressing the Minister’s Letter of Expectations

Priorities	KPI	Issue to be covered	Page
Climate change	E2	Total net CO <sub>2</sub> emissions equivalent tonnes target	4, 38
	E3	Progress on planning for adaptation to the warmer, drier climate conditions predicted for the future	39
Customer and community outcomes	C1	First response to customer query meets or exceeds customer expectations (ESC customer satisfaction survey)	N/A
	C2	Improved customer confidence in the performance of water corporation via (ESC customer satisfaction survey score)	N/A
	C3	Development, publication and delivery of an engagement strategy/plan/policy	31
	CR1	Reduced number of water quality complaints per 1000 customers	52
	CR4	Reduced number of billing/payment issues complaints per 1000 customers	52
Water for Aboriginal cultural, spiritual and economic values	AC1.1	Progress on strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply goods/services to water corporations	19
	AC1.2	Sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships (number)	19
	AC1.3	Staff have undertaken a cross-cultural training course (by relevant Traditional Owner)	19
	AC2.1	Engagements with Traditional Owners in water planning, management and the outcomes	31
	AC2.2	Pilot programs to test different ways to achieve shared benefits	-
Resilient and liveable cities and towns	L1	Facilitating local government and community projects with liveability benefits	5
	L2	Implementation of water efficiency programs aligned with Target 155	32
	L3	Comparison with the national average water bill – average and 200kl consumption	43
	L4	Providing access to customer support programs – instalment plans and hardship grants, family violence provisions	42
Recognising recreational values	R1	Community engagement and collaborative planning considering the recreational value of water and waterways	31
Leadership and culture	G1.1	Diversity Inclusion Plan – development, delivery and publication	19
	G1.2	Females occupying senior executive positions	19
	G1.3	Employing Aboriginal people (Target 1%, 3% by 2020)	19
	G1.4	Improving Traditional Owner participation in Committees	19
	G1.5	Victorian Public Sector People Matter Survey – participation, favourable response to Diversity Inclusion Plan	18
	G2	Annual Board performance report	N/A
	G#	Occupational Health & Safety indicators in line with FRD22H	22-23
Financial sustainability	F1-F8	Financial indicators	50

## Appendix 3: Bulk Entitlements Report

Under bulk entitlement (BE) compliance requirements, Western Water must report the following for 2017/18 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	Slaty Creek, Jacksons Creek, Salty Creek, Gisborne Creek, Rosslynne Reservoir
Annual catchment rainfall (mm)	688	563	717	741
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	18 28%	20 44% (d)	418 88% (d)	7,616 38% (a, ii)
Inflows to storages from this BE water source (ML)	0	661 (a)	293 (a)	874 (a, iii)
Extra inflows (e.g. diversions into the storages) or local catchment runoff	6	0	0	181
Volume taken from the storage (ML)	0 (e)	152 (e)	180 - Woodend supply (O,MC, A,W) 181 - Macedon & Rosslynne supply (O,MC,A,W) (e)	2,174 (a, i)
Maximum extraction rate from storage or water source (ML/day)	0 from Barrigo Creek (c)	1 Garden Hut Reservoir (c)	1.8- Macedon storages (c)	11.8 - Rosslynne Reservoir
Estimated evaporation (ML)	2.8	10	24	SRW See Note 2 (a, iv)
Other losses e.g. seepage, plant losses (ML)	4.7	Included in passing flows	-69	601 See Note 2
Environmental releases (ML)	N/A	N/A	0	754
Volume of environmental and passing flows (ML)	431 (b)	508 (G) & all Monument Creek flows (b)	208 (b)	SRW (a,v)
Passing/environmental requirements met	Yes	Yes	209 See Note 1	N/A
Amendments to the bulk entitlement	No (h), (i)	No (i), (j)	No (i,j)	No (d, e)
Failure to comply with the BE, or compliance difficulties experienced or anticipated in the future	No (j),(k)	No (k),(l)	No (k),(l)	No (g),(h)
Western Water's entitlement unused or remaining in storage at end of financial year (ML) and % full for the storage	16 26%	46 100%	393 83%	4,721 24%

\*Includes 4,824ML water allocation carried over

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

Myrning	Riddells Creek	Romsey	Werribee	Woodend	Melbourne Headworks System
12.1	11.1	12.1	13.1	14.1	16.1
Pykes Creek, Pykes Creek Reservoir	Main Creek, Forster and Wright Reservoirs	Bolinda Creek, Kerrie Reservoir	Lerderderg River, Goodmans Creek, Coimadai Creek, Lake Merrimu (M) Djerrivarrh Creek, Djerrivarrh Reservoir (DJ)	Campaspe River, Falls and Smokers Creeks, Barbour and Kavanagh Springs, Straws Lane Bore, Campaspe (CR), Graham Brock (GB) Reservoir, Reservoir C (C)	Various catchments via Melbourne Water's supply system
529	722	548	482	675	1,043
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%	69 90%	225 76%	11,041 - 50% (M) 959 - 95% (DJ) (a, ii)	329 90% (d)	32,198 176% of BE
SRW	17 (e)	334 (e)	982 (M) (a,iii)/ 52 (DJ) (a,iv)	1,064 CR (a) 0.4 Local catchment & springs 0.0 Falls Ck & bores	10,840 (b)
0	125	121	0 (M) / 1 (DJ)	0.00 Melbourne Headworks 181 Macedon 76 Maribyrnong BE	0
55 (b)	121	378 (e)	2,324 (M) (a, i) / 125 (DJ)	285 (CR) (e) 203 (GB, C) (e)	9,940 (a)
0.3 from Pykes Reservoir	1 - Main Creek (c)	7.5 - Bolinda Creek (c)	18 from (M) / 1 from (DJ)	1.8 (CR0 0 Falls & Smokers Ck (c)	N/A
SRW See Note 2	6.7	39	SRW (M) See note 2 159 (DJ)	53	MW
SRW	13	21	728 (M) (a (v), a (vi), i) -39 (DJ)	12	903
SRW	0	0	66 (M) (a,v) / 4 (DJ)	12.4	N/A
SRW	211 (b)	547 (b)	SRW (M) / 4 (DJ)	932 (b)	N/A
SRW	Yes	Yes	SRW (M) / See Note 3 (DJ)	Yes	N/A
No (i), (f),(j)	No (h), (i)	No (i),(j)	No (d),(e)	No (i),(j)	Yes (f),(g)
No (k),(l)	No (j),(k)	No (k),(l)	See Note 3 (j),(k)	No (k),(l)	No (h),(i)
3.6 6%	70 92%	241 81%	8,240 37% (M) 762 75% (DJ)	220 60%	32,194* 176% of BE

## Appendix 3: Bulk Entitlements Report cont.

### General information for bulk entitlements (BEs)

Barringo	Pierce Reservoir is an emergency offstream 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 Creek and the 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, WW has a BE to take water from this storage. WW supplied water from Rosslynne and significant inflows resulted in a storage increase during the year.
Myrniong	Small entitlement from Pykes Creek Reservoir for supply to Myrniong. No water was taken under this entitlement at any other works other than Pykes Creek Reservoir by Western Water.
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	98 ML can be added to the drought reserve for this BE from 2017/18. Extra inflows were sent to this BE from the Riddells Creek and Maribyrnong BEs. Bore water was used during 2017/18 to supplement surface water supplies for Romsey.
Werribee	Djerriwarrh Reservoir was used for a portion of supply to Bacchus Marsh during 2017/18, which is supplied via Merrimu Water Filtration Plant. A small raw water supply is also provided for local properties. Merrimu Reservoir is operated by SRW, WW has a BE to take water from this storage.
Woodend	Woodend is supplied by local sources from Campaspe River and storages located on Mt Macedon. The connection to Macedon also means Woodend can be supplied from the Maribyrnong BE and Melbourne Headworks. Supply from the Maribyrnong BE was required during the year.
Melbourne Headworks	The total taken shown in the table can be split into 6,209 ML taken via the Hillside interface point to Melton and 3,731ML taken via the Loemans Rd interface point to Sunbury and the Macedon Ranges region.



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. SRW did not require any of this volume during 2017/18. However a volume of 31 ML was lost from this account during the year due to spills resulting in a balance of 1,076 ML.

Western Water made no temporary assignments or permanent transfers to or from its bulk entitlements during 2017/18.

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.

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 during 2017/18. 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 2017/18.

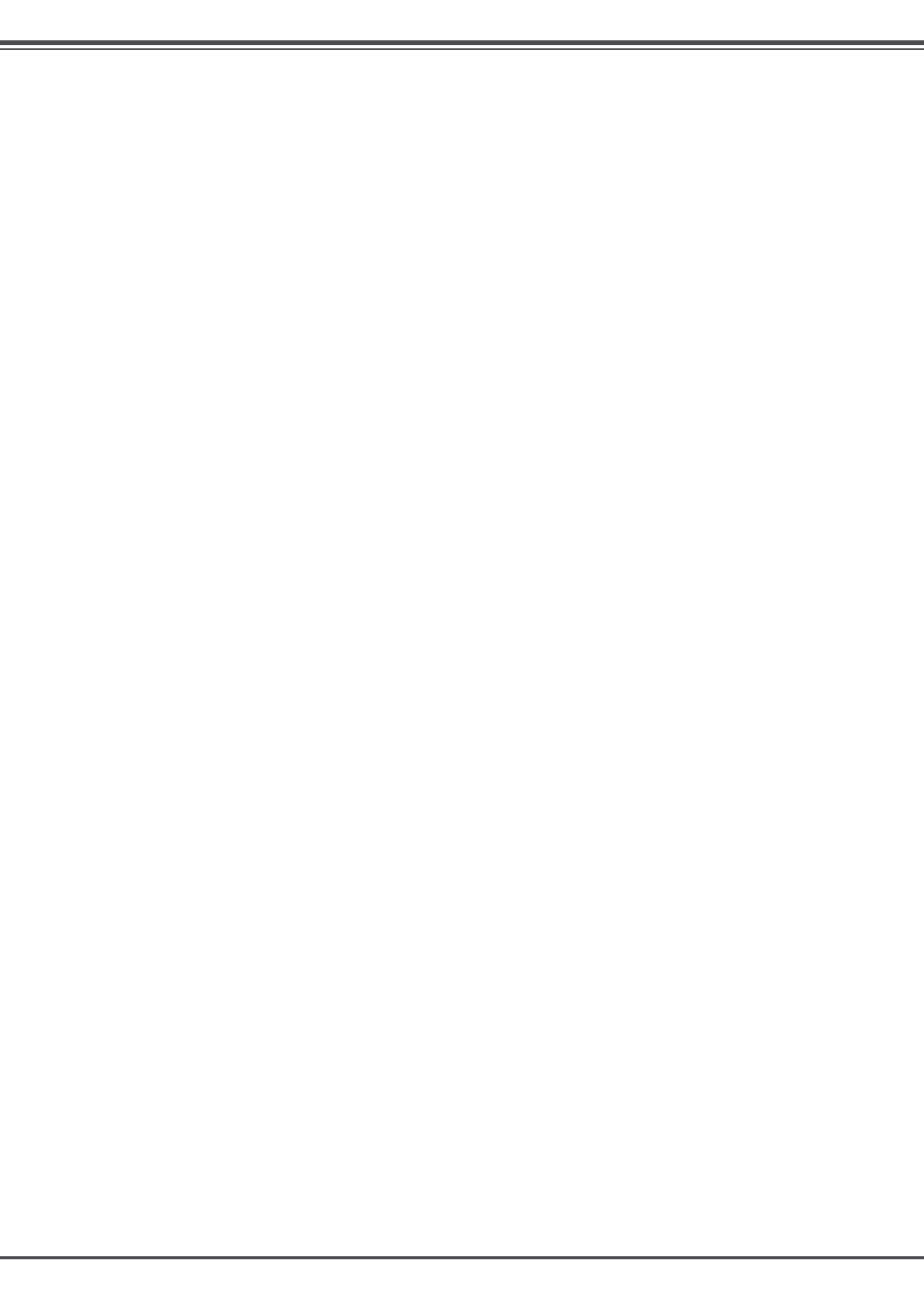
## Notes

Note	Comment
1	Passing flow requirements on Willimigongon Creek require manual operation and are difficult to operate under most conditions due to large variations in daily flows. As a result, failures to daily passing flow requirements occurred during 2017/18. This was compensated by ensuring average passing flows over the year exceeded the shortfall. To improve the manual process, telemetry and alarming were introduced in 2017/18 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	Western Water has recently relied on changes in storage volume to determine inflows to Djerriwarrh Reservoir. These changes in storage volumes are recorded weekly. This has been adequate in the past due to the stop/start nature of inflows. During 2017/18, a level sensor was installed to improve data collection frequency which will enable passing flows requirements to be more readily met during 2018/19.

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**WESTERN  
WATER**



**Contact**

Address - 36 Macedon Street Sunbury

Website - [www.westernwater.com.au](http://www.westernwater.com.au)

Email - [mail@westernwater.com.au](mailto:mail@westernwater.com.au)

Phone - 1300 650 425

Mobile/interstate callers - 03 9218 5444

Mailing address - PO Box 2371 Sunbury DC VIC 3429

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ISSN 1835-5927 (print)

ISSN 1835-5935 (online)